

**VALORE METALS CORP.**  
**(Formerly “Kivalliq Energy Corporation”)**

**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**Canadian Dollars**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
ValOre Metals Corp. (formerly Kivalliq Energy Corp.)

We have audited the accompanying financial statements of ValOre Metals Corp. (formerly Kivalliq Energy Corp.), which comprise the statements of financial position as at September 30, 2018 and 2017 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of ValOre Metals Corp. (formerly Kivalliq Energy Corp.) as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

January 25, 2019



# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	September 30, 2018	September 30, 2017
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents		\$ 145,557	\$ 1,097,072
Marketable securities	3	148,112	321,983
Other receivables	4	39,580	94,143
GST recoverable		41,081	54,502
Prepaid expenses		40,847	217,742
		415,177	1,785,442
Equipment	5	196,988	246,925
Exploration and evaluation assets	6	57,702,577	57,307,808
		\$ 58,314,742	\$ 59,340,175
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	8	\$ 514,805	\$ 231,374
		514,805	231,374
Long-term liability	6	100,000	100,000
Deferred tax liability	12	3,092,320	3,373,092
		3,707,125	3,704,466
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	61,748,478	61,730,978
Contributed surplus	7	11,608,187	11,102,447
Accumulated other comprehensive loss	3	(197,090)	(23,219)
Deficit		(18,551,958)	(17,174,497)
		54,607,617	55,635,709
		\$ 58,314,742	\$ 59,340,175

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 13)

APPROVED ON January 22, 2019 ON BEHALF OF THE BOARD:

“James Paterson”, CEO \_\_\_\_\_, Director

“Dale Wallster” \_\_\_\_\_, Director

- The accompanying notes are an integral part of these financial statements -

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note	2018	2017
<b>Expenses</b>			
Depreciation	5	\$ 49,937	62,718
Bank charges and interest		563	3,189
Investor relations		27,800	33,684
Listing and filing fees		15,709	21,995
Office and sundry		105,850	93,025
Professional fees		85,427	102,723
Project evaluation		45	32,541
Salaries and consulting fees	8	561,305	247,984
Share-based compensation	7,8	505,740	64,494
Transfer agent fees		18,443	9,624
Travel and conference		16,176	54,062
<b>Loss before the undernoted</b>		<b>(1,386,995)</b>	<b>(726,039)</b>
<b>Other income (expenses)</b>			
Project operator fees		10,329	7,073
Interest income		7,483	6,613
Other income		-	4,841
Loss on foreign exchange		-	(72)
Write off of exploration and evaluation assets	6	(289,050)	-
Realized gain on sale of marketable securities	3	-	20,119
Recognition of flow-through premium income	7	-	8,193
<b>Loss before income taxes</b>		<b>(1,658,233)</b>	<b>(679,272)</b>
<b>Deferred tax recovery</b>	12	<b>280,772</b>	<b>163,842</b>
<b>Net loss for the year</b>		<b>(1,377,461)</b>	<b>(515,430)</b>
Change in fair value of marketable securities	3	(173,871)	(192,008)
Tax recovery in OCI from change in fair value of marketable securities		-	24,233
<b>Total comprehensive loss for the year</b>		<b>\$ (1,551,332)</b>	<b>\$ (683,205)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.06)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>		<b>24,712,554</b>	<b>23,917,029</b>

- The accompanying notes are an integral part of these financial statements -

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Notes	2018	2017
<b>Operating Activities</b>			
Net loss for the year		\$ (1,377,461)	\$ (515,430)
Items not involving cash:			
Depreciation	5	49,937	62,718
Deferred tax recovery		(280,772)	(163,842)
Share-based compensation	7,8	505,740	64,494
Recognition of flow-through premium	7	-	(8,193)
Interest income		(7,483)	(6,613)
Realized gain on sale of marketable securities	3	-	(20,119)
Write off of exploration and evaluation assets	6	289,050	-
Changes in non-cash working capital:			
Other receivables		54,563	(57,025)
GST recoverable		13,421	(18,212)
Prepaid expenses		176,895	(192,363)
Accounts payable and accrued liabilities		151,144	129,294
		(424,966)	(725,291)
Interest received		7,483	4,426
		(417,483)	(720,865)
<b>Investing Activities</b>			
Exploration and evaluation assets		(1,134,032)	(1,538,366)
Proceeds from sale of royalty	6	600,000	950,000
Proceeds from sale of marketable securities	3	-	72,144
		(534,032)	(516,222)
<b>Financing Activities</b>			
Issuance of share capital, net of issuance costs	7	-	1,938,440
		-	1,938,440
Net increase (decrease) in cash and cash equivalents		(951,515)	701,353
Cash and cash equivalents, beginning of the year		1,097,072	395,719
Cash and cash equivalents, end of the year		\$ 145,557	\$ 1,097,072
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>			
Exploration and evaluation expenditures included in accounts payable		\$ 200,468	\$ 68,181
Shares issued for exploration & evaluation assets		\$ 17,500	\$ 30,000
Fair value of referral warrants		\$ -	\$ 67,441
Exploration & evaluation assets included in long-term liabilities		\$ 100,000	\$ 100,000
Fair value of private placement warrants		\$ -	\$ 416,969
Fair value of warrants issued as finders' fees		\$ -	\$ 115,314
Share received for exploration and evaluation asset		\$ -	\$ 137,500
Change in fair value of marketable securities		\$ 173,871	\$ 192,008
Cash and cash equivalents consist of:			
		September 30, 2018	September 30, 2017
Cash on hand		\$ 145,557	\$ 93,127
Term deposits		\$ -	\$ 1,003,945
		\$ 145,557	\$ 1,097,072

- The accompanying notes are an integral part of these financial statements -

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital				Accumulated other comprehensive income (loss)	Total shareholders' equity
	Number of shares	Amount	Contributed surplus	Deficit		
<b>Balance, September 30, 2016</b>	<b>22,082,177</b>	<b>\$60,294,821</b>	<b>\$10,438,229</b>	<b>\$(16,659,067)</b>	<b>\$ 144,556</b>	<b>\$ 54,218,539</b>
Private placement shares & warrants issued (note(7a))	2,592,500	1,657,031	416,969	-	-	2,074,000
Share issuance costs- cash	-	(135,560)	-	-	-	(135,560)
Share issuance costs-warrants	-	(115,314)	115,314	-	-	-
Referral warrants (note 6)	-	-	67,441	-	-	67,441
Shares issued pursuant to option agreement (note 6)	25,000	30,000	-	-	-	30,000
Share-based compensation	-	-	64,494	-	-	64,494
Tax expense in OCI from fair value adjustment on marketable securities in OCI	-	-	-	-	24,233	24,233
Fair value adjustment on marketable securities	-	-	-	-	(192,008)	(192,008)
Loss for the year	-	-	-	(515,430)	-	(515,430)
<b>Balance, September 30, 2017</b>	<b>24,699,677</b>	<b>\$61,730,978</b>	<b>\$11,102,447</b>	<b>\$(17,174,497)</b>	<b>\$ (23,219)</b>	<b>\$ 55,635,709</b>
Share issued pursuant to option agreement (note 6)	25,000	17,500	-	-	-	17,500
Share-based compensation	-	-	505,740	-	-	505,740
Fair value adjustment on marketable securities	-	-	-	-	(173,871)	(173,871)
Loss for the year	-	-	-	(1,377,461)	-	(1,377,461)
<b>Balance, September 30, 2018</b>	<b>24,724,677</b>	<b>\$61,748,478</b>	<b>\$11,608,187</b>	<b>\$(18,551,958)</b>	<b>\$(197,090)</b>	<b>\$54,607,617</b>

Note: On June 28, 2018, (Note 1) the Company's shares started trading on the basis of ten pre-consolidation shares for one post consolidation share.

-The accompanying notes are an integral part of these financial statements-

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Schedule of Exploration and Evaluation Assets

(Expressed in Canadian Dollars)

	For the Year Ended September 30, 2018			For the year ended September 30, 2017
	Acquisition Costs	Deferred Exploration Costs	Total	Total
<b>Angilak</b>				
Land Administration	\$ 102,969	\$ -	\$ 102,969	\$ 124,405
Air Support and Transportation	-	3,027	3,027	11,433
Field and General Operations	-	51,498	51,498	59,252
Field Contractors and Consultants	-	21,140	21,140	21,521
Laboratory Costs	-	-	-	50,668
Fuel	-	7,678	7,678	(12,834)
Salaries and Wages	-	29,087	29,087	50,164
Travel and Accommodation	-	576	576	9,047
Proceeds from sale of royalty (net of referral fees)	-	-	-	(608,306)
<b>Baffin Gold</b>				
Land Administration	163,383	-	163,383	131,718
Air Support and Transportation	-	215,486	215,486	262,534
Field and General Operations	-	62,706	62,706	147,733
Field Contractors and Consultants	-	-	-	2,021
Fuel	-	26,514	26,514	43,026
Laboratory Costs	-	54,085	54,085	17,725
Salaries and Wages	-	319,994	319,994	371,965
Travel and Accommodation	-	33,510	33,510	62,433
Sale of Royalty	(295,101)	(304,899)	(600,000)	-
<b>Baker Basin</b>				
Land Administration	-	-	-	130
Salaries and Wages	-	-	-	277
Write off of property	(205,130)	(83,920)	(289,050)	-
<b>Genesis</b>				
Land Administration	2,439	-	2,439	-
Salaries and Wages	-	1,471	1,471	6,850
Travel and Accommodation	-	-	-	495
Property Option Payment	-	-	-	(137,500)
<b>Hatchet Lake</b>				
Land Administration	1,042	-	1,042	78,282
Air Support and Transportation	-	60,787	60,787	-
Field and General Operations	-	8,516	8,516	-
Field Contractors and Consultants	-	3,643	3,643	107,216
Travel and Accommodation	-	27,132	27,132	-
Fuel	-	7,805	7,805	3,986
Salaries and Wages	-	79,331	79,331	5,797
Proceeds from sale of royalty (net of referral fees)	-	-	-	(217,253)
<b>Exploration and Evaluation Assets for the year</b>	<b>(230,398)</b>	<b>625,167</b>	<b>394,769</b>	<b>592,785</b>
Balance, Beginning of the year	\$ 1,183,318	\$ 56,124,490	\$ 57,307,808	\$ 56,715,023
<b>Balance, End of the year</b>	<b>\$ 952,920</b>	<b>\$ 56,749,657</b>	<b>\$ 57,702,577</b>	<b>\$ 57,307,808</b>

- The accompanying notes are an integral part of these financial statements -

# **ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)**

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## **1. Nature of Operations and Going Concern**

Kivalliq Energy Corporation (“Kivalliq”) was incorporated as a wholly owned subsidiary of Kaminak Gold Corporation (“Kaminak”) on February 13, 2008 as 0816479 BC Ltd. under British Columbia’s Company Act. Effective February 20, 2008, 0816479 BC Ltd. changed its name to Kivalliq Energy Corporation. Kivalliq is an exploration stage company focusing on the acquisition, exploration and development of resource properties. The Company’s registered and records office is located at Suite 1020, 800 West Pender Street, Vancouver, BC, V6C 2V6.

Kivalliq became a reporting issuer in Alberta and British Columbia on July 4, 2008 by virtue of a reorganization transaction involving the exchange of securities between Kaminak, Kivalliq and the shareholders of Kaminak. The reorganization transaction involved the acquisition from Kaminak of a 100% interest in Kaminak’s Angilak Uranium property. On July 7, 2008, after completion of its private placements, Kivalliq’s shares became publicly traded on the TSX Venture Exchange under the symbol “KIV”.

On June 28, 2018, Kivalliq’s name was officially changed to ValOre Metals Corp. (“ValOre” or the “Company”) and ValOre’s shares commenced trading on the Toronto Venture Exchange under the ticker symbol (“VO”) on the basis of ten (10) pre-consolidation shares for one (1) post consolidation share.

All share and per share amounts are shown on a post-consolidated basis retroactively throughout these financial statements.

Long-term continuance of the Company’s operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company’s resource property interests is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of resource properties. At September 30, 2018, the Company has not achieved profitable operations and has accumulated losses since inception. Management estimates that there is sufficient working capital to continue operations for the next twelve months due to a successful rights offering closing in January 2019 (Note 13).

## **2. Significant Accounting Policies and Basis of Presentation**

### **a) Basis of Presentation**

These financial statements have been prepared in accordance with International Accounting Standards 1, Presentation of Financial Statements (“IAS 1”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements were approved by the Board of Directors on January 22, 2019.

### **b) Foreign Currency Translation**

The functional currency of the Company is the Canadian dollar. Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at the financial statement date. Exchange gains or losses arising from these translations are recognized in profit and loss for the reporting period.



# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### c) Equipment

#### ***Recognition and measurement***

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

When parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized net within other income in profit or loss.

#### ***Subsequent costs***

The cost of replacing equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item is derecognized. The costs of the day-to-day servicing of equipment are expensed.

#### ***Depreciation***

Depreciation is calculated over the cost of an asset less its residual value. Depreciation is provided on a declining balance method at rates designed to depreciate the cost of the equipment over the estimated useful lives. The annual depreciation rates are as follows:

Computer equipment	30%
Furniture and equipment	20%
Field equipment	20%

Depreciation of leasehold improvements is calculated straight-line over the term of the lease.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### d) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### e) Exploration and Evaluation Assets

Resource exploration and evaluation costs, including option payments, are capitalized on an individual area of interest basis until the properties are brought into production, at which time they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold or management determines that the mineral property is not economically viable, at which time the unrecoverable deferred costs are expensed to operations. Option payments arising on the acquisition of mineral property interests exercisable at the discretion of the Company are recognized as paid or payable.

Exploration and evaluation costs include cash consideration and the estimated fair market value of common shares or warrants on the date of issue as provided under the agreed terms of acquisition for the mineral property interest.

Capitalized exploration and evaluation costs are those directly attributable costs related to the search for, and evaluation of, mineral resources, that are incurred after the Company has obtained the legal rights to explore a specific area and before the technical feasibility and commercial viability of a mineral reserve are demonstrable. Any costs incurred prior to obtaining the right to explore a mineral property are expensed as incurred as project evaluation expenses in the statement of operations and comprehensive loss.

Management reviews the carrying value of capitalized exploration and evaluation costs each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where information is available, and conditions suggest impairment, the fair value of the mineral property is determined using net cash flows for the mineral property taking into account proven and probable reserves and resources, estimated future prices and operating, capital and reclamation costs. In the case of undeveloped projects, there may be only inferred or indicated resources to form a basis for the impairment review. In such cases, the impairment review is based on the exploration and evaluation results to-date and a status report regarding the Company's intentions for development of the mineral property.

Recovery of the resulting carrying value of exploration and evaluation costs depends on the successful development or sale of the undeveloped project. If a project does not prove to be viable, all irrecoverable costs associated with the project are expensed to operations.

Once an economically viable reserve has been determined for a property and the decision to proceed with development has been approved, acquisition, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction-in-progress within property and equipment.

The amount presented for exploration and evaluation assets represents costs incurred, less impairment costs, if any, to date and does not necessarily reflect present or future values.

### f) Restoration, Rehabilitation and Environmental Costs

An obligation to incur rehabilitation and site restoration costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The Company is required to record as a liability the estimated present value of future cash flows associated with the statutory, contractual or legal obligations related to site restoration and rehabilitation when the liability is incurred, with a corresponding increase to the carrying value of the related assets. The Company has no material restoration, rehabilitation or environmental liabilities.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### g) Income Taxes

Tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### h) Share-Based Compensation

The grant date fair value of share-based payment awards granted to employees and consultants, including directors and officers, is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

### i) Loss per Common Share

Basic loss per common share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The computation of diluted loss per common share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

### j) Use of Estimates and Judgments

The following are the critical judgments and estimates that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

#### ***Critical Judgments***

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### ***Key Sources of Estimation Uncertainty***

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the financial statements include:

#### *Share-based compensation*

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the years ended September 30, 2018 and 2017 along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 7.

#### *Deferred tax assets and liabilities*

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

#### *Useful life of equipment*

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, and the potential for technological obsolescence.

#### *Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of the Company's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### k) Impairment

#### **Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **Non-financial assets**

At each reporting date the carrying amounts of the Company's long-lived assets, which are comprised of equipment and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The Company's cash generating units relate to the properties being explored in Nunavut, Canada and Saskatchewan/Manitoba, Canada.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

### l) Financial Instruments

#### **Non-derivative financial assets**

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into one of the following categories:

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### I) Financial Instruments – *Continued*

#### *Loans and receivables*

The Company has designated its cash and cash equivalents and other receivables as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The Company holds cash and cash equivalents with large Canadian financial institutions that have a strong credit rating.

#### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company does not have any financial assets at fair value through profit or loss.

#### *Held-to-maturity financial assets*

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. They are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company has designated its marketable securities as available-for-sale.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies and Basis of Presentation – *Continued*

### ***Non-derivative financial liabilities***

The Company's non-derivative financial liabilities include its accounts payable, accrued liabilities and long-term liabilities, which are designated as other liabilities.

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

### ***Share capital***

#### *Common shares*

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax.

The Company applies the relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded in contributed surplus.

#### *Flow-through common shares*

Canadian tax legislation permits a company to issue flow-through common shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

Upon issuance of flow-through common shares, the fair value of the common shares is recorded as an increase in share capital. Any difference (premium) between the amounts recognized in share capital and the amount paid by the investor is recognized as a flow-through share premium liability and is reversed into earnings at the time the flow-through expenditures have been incurred, net of share issuance costs.

When flow-through expenditures have been incurred and it is the Company's intent to renounce such expenditures, the Company records the tax effect as a charge to profit or loss and an increase to deferred tax liabilities. To the extent that the Company has deferred tax assets that were not recognized in previous periods, a deferred tax recovery is recorded as an offsetting recovery in profit or loss.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

## 2. Significant Accounting Policies and Basis of Presentation – Continued

### m) Changes Future Accounting Standards

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2018 and have not been applied in preparing these financial statements. The Company is currently assessing the impact that these standards will have on the financial statements.

#### **Effect for annual periods beginning on or after January 1, 2019:**

IFRS 9 – Financial Instruments: New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018. The Company does not expect that adoption of this standard will have any material impact on financial statement presentation other than increased disclosure.

IFRS 16 - Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is still in the process of evaluating the impact of adoption of this standard.

IFRIC 23 - Uncertainty over Income Tax Treatments: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

## 3. Marketable Securities and Other Comprehensive Income

	Fair value Oct 1, 2016	Additions Sep 30, 2017	Disposals Sep 30, 2017	Fair value adjustment Sep 30, 2017	Fair value Sep 30, 2017
Common shares	\$ 428,516	\$ 137,500	\$ (52,025)	\$ (192,008)	\$ 321,983

	Fair value Oct 1, 2017	Additions Sep 30, 2018	Disposals Sep 30, 2018	Fair value adjustment Sep 30, 2018	Fair value Sep 30 2018
Common shares	\$ 321,983	\$ -	\$ -	\$ (173,871)	\$ 148,112

During the year ended September 30, 2017, the Company sold common shares for proceeds of \$72,144, net of transaction costs. The common shares were initially acquired at a cost of \$52,025 which resulted in a realized gain of \$20,119.

During the year ended September 30, 2017, Roughrider Exploration Limited (“Roughrider”) settled a payment due to earn its 50% interest in the Genesis property in the form of shares (Note 6). The Company received payment of 2,500,000 shares of Roughrider on August 31, 2017. The fair value of the shares on this day was \$137,500.

Management has determined it appropriate to record these investments as available-for-sale financial assets. The initial investments were recorded at cost. The Company will revalue the investments at each reporting period. Any changes in the fair value of the investments will be recorded in other comprehensive income (“OCI”) until the investments are sold or otherwise disposed.



# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

## 4. Other Receivables

	September 30, 2018	September 30, 2017
Due from Commander Resources Ltd (Note 6)	-	42,339
Other miscellaneous receivables	<b>39,580</b>	51,804
<b>Total other receivables</b>	<b>\$ 39,580</b>	<b>\$ 94,143</b>

Other miscellaneous receivables as at September 30, 2017 pertains to monies due from Dunedin Ventures Inc. for reimbursement of wages for use of the Company's staff.

Other miscellaneous receivables as at September 30, 2018 pertains to monies due from various companies. All other miscellaneous receivables were settled subsequent to September 30, 2018

## 5. Equipment

	Furniture & Equipment	Computer Equipment	Field Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Balance at September 30, 2016	\$ 31,595	\$ 24,719	\$ 925,225	\$ 58,513	\$ 1,040,052
Additions	-	-	-	-	-
Disposals	-	-	-	(58,513)	(58,513)
Balance at September 30, 2017	\$ 31,595	\$ 24,719	\$ 925,225	\$ -	\$ 981,539
<b>Accumulated depreciation</b>					
Balance at September 30, 2016	\$ 22,029	\$ 16,831	\$ 633,036	\$ 58,513	\$ 730,409
Depreciation	1,913	2,366	58,439	-	62,718
Disposals	-	-	-	(58,513)	(58,513)
Balance at September, 2017	\$ 23,942	\$ 19,197	\$ 691,475	\$ -	\$ 734,614
<b>Net book value at September 30, 2017</b>	<b>\$ 7,653</b>	<b>\$ 5,522</b>	<b>\$ 233,750</b>	<b>\$ -</b>	<b>\$ 246,925</b>

	Furniture & Equipment	Computer Equipment	Field Equipment	Leasehold Improvements	Total
<b>Cost</b>					
Balance at September 30, 2017	\$ 31,595	\$ 24,719	\$ 925,225	\$ -	\$ 981,539
Disposals	-	-	-	-	-
Balance at September 30, 2018	\$ 31,595	\$ 24,719	\$ 925,225	\$ -	\$ 981,539
<b>Accumulated depreciation</b>					
Balance at September 30, 2017	\$ 23,942	\$ 19,197	\$ 691,475	\$ -	\$ 734,614
Depreciation	1,531	1,656	46,750	-	49,937
Disposals	-	-	-	-	-
Balance at September 30, 2018	\$ 25,473	\$ 20,853	\$ 738,225	\$ -	\$ 784,551
<b>Net book value at September 30, 2018</b>	<b>\$ 6,122</b>	<b>\$ 3,866</b>	<b>\$ 187,000</b>	<b>\$ -</b>	<b>\$ 196,988</b>

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

## 6. Exploration and Evaluation Assets

Details are as follows:

	Acquisition Costs	Exploration Costs	Cumulative as at September 30, 2018	Cumulative as at September 30, 2017
Angilak, Nunavut	\$ 949,439	\$ 54,583,293	\$ 55,532,732	\$ 55,316,757
Baffin Gold, Nunavut	-	1,314,833	1,314,833	1,039,155
Baker Basin, Nunavut	-	-	-	289,050
Genesis Property, Saskatchewan and Manitoba	2,439	98,869	101,308	97,398
Hatchet Lake, Saskatchewan	1,042	752,662	753,704	565,448
Total	\$ 952,920	\$ 56,749,657	\$ 57,702,577	\$ 57,307,808

### General

The Company has the Angilak, Baker Basin, and the Baffin Gold Properties in Nunavut Territory, Canada, the Genesis Property in the Provinces of Saskatchewan and Manitoba, Canada, and the Hatchet Lake Property in Saskatchewan, Canada.

### Angilak, Nunavut

The Angilak Property was acquired from Kaminak, formerly a related party with common directors and officers, through the reorganization transaction (Note 1). The Angilak Property is comprised of a central Inuit Owned Land parcel surrounded by adjacent and contiguous mineral claims on Federal Crown lands in Nunavut.

Kaminak originally signed an Exploration Agreement (“EA”) with Nunavut Tunngavik Inc. (“NTI”) whereby Kaminak was granted a 100% interest in the minerals within privately owned Inuit Owned Lands. This parcel is located directly adjacent to Kaminak’s “Angilak (formerly Yathkyed) IOCG Project” which is comprised of staked claims located on Federal Crown land.

In order to keep the Inuit Owned Lands in good standing, ValOre has or will complete the following:

- ValOre issued 100,000 common shares from treasury to NTI staged over 36 months beginning after final TSX Venture Exchange approval for the spin-out transaction. Upon completion of a feasibility study on any portion of the property, NTI has the option of taking either a 25% participating interest or a 7.5% net profits royalty in the specific area subject to the feasibility study.
- Upon completion of a National Instrument 43-101 compliant report that outlines a measured resource of at least 12 million pounds of uranium, ValOre will pay NTI a cash sum of \$1,000,000.

As a consequence of the land claims settlement, the Inuit Owned Lands are not subject to royalty obligations to the Government of Canada, but instead are subject to an underlying 12% net profits royalty payable on all minerals to NTI. During periods of positive operating revenue, gross uranium revenue shall be calculated as 130% of the value of the product. Starting December 31, 2008, ValOre is to pay annual advance royalty payments to NTI in the sum of \$50,000 annually (2008 – 2014 paid). NTI has allowed the Company to defer the annual advance royalty payments due on December 31, 2015, 2016, and 2018 to December 31, 2019, 2020 and 2021, respectively. The \$50,000 payments originally due December 31, 2015 and December 31, 2016 are recorded as a long-term liability. The payment for December 31, 2017 was paid in December, 2017.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 6. Exploration and Evaluation Assets – *Continued*

### **Angilak, Nunavut – *Continued***

In January 2017, the Company received \$700,000 from Sandstorm Gold Ltd. (“Sandstorm”) as part of a \$1,000,000 royalty package in return for ValOre granting to Sandstorm a 1% NSR royalty payable on all mineral products produced from the property. The \$700,000 payment received was recorded against the carrying value of the property. In connection with the \$700,000 Angilak royalty, the Company paid finders’ fees of \$42,000 in cash and 52,500 share purchase warrants (note 7(b)).

### **Baffin Gold, Nunavut**

In May 2017, the Company acquired mineral tenures for a land package on central Baffin Island. This land package consolidates several types of mineral tenures into a single property called the “Baffin Gold Property”.

The Baffin Gold Property consists of:

- 100% interest in an Innuit Owned Lands (“IOL”) parcel acquired through a Mineral Exploration Agreement (“MEA”) ValOre signed directly with NTI;
- 100% interest in several prospecting permits ValOre acquired through staking;
- Option Agreement with Commander Resources Ltd. (“Commander”) for 100% interest in certain mineral claims and IOL parcels through an MEA Commander signed with NTI.

Under terms of both the ValOre and Commander MEA’s with NTI, NTI will receive:

- Annual fees and exploration work commitments;
- \$1 million and \$5.5 million cash payments upon demonstrating NI 43-101 compliant Measured Resources of 1 million and 5 million ounces gold respectively;
- \$3 million and \$5 million cash payments with the commencement of a Feasibility Study and at Commercial Production respectively;
- \$50,000 annual advanced royalty payments after both a Measured Resource of 1 million ounces gold and a positive Feasibility Study is attained; and
- At Commercial Production, an underlying 12% net profits royalty payable on exploration areas (deductions not to exceed 70% of gross revenues)

During the year ended September 30, 2018 an annual fee amount of \$145,278 was paid to NTI.

Upon execution of, and pursuant to the terms of the Baffin Gold Property Option Agreement with Commander dated May 2017:

- Commander will receive a cash payment of \$10,000 (paid);
- Commander will receive an aggregate of 50,000 ValOre shares within 12 months (issued);
- ValOre will fulfill Commanders obligations to NTI for Year 1; (fulfilled)
- Commander will receive 50,000 ValOre shares at a Bankable Feasibility Study;
- Commander will receive a cash payment up to \$6 million upon commencement of Commercial Production;
- Commander will retain a 0.25% to 0.5% NSR royalty on Commander’s Baffin Gold Property optioned lands;
- As part of a data purchase agreement, ValOre will grant Commander a 0.25% NSR royalty on certain of ValOre’s Baffin mineral tenures; and
- Terms of the Baffin Gold Property Option Agreement may be adjusted up until the date of any first royalty payment to reflect the possible impact of any past commercial agreements or interests.

## ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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### 6. Exploration and Evaluation Assets – *Continued*

#### ***Baffin Gold, Nunavut – Continued***

On March 27, 2018 the Company announced that it had received a \$600,000 payment from Sandstorm Gold Ltd. (“Sandstorm”) in return for ValOre granting to Sandstorm up to a 1.75% net smelter returns (“NSR”) royalty payable on all future mineral production from ValOre’s Baffin Gold Property, located in Nunavut Territory, Canada. At any time up and until 36 months after signing the agreement, ValOre may reduce the Royalty to a 1.0% NSR by making a \$1.0 million payment to Sandstorm.

On March 27, 2018 the Company also announced that it has exercised the Option to earn a 100% project interest on portion of the Baffin Gold Property from Commander Resources Ltd., as described in a news release on May 8, 2017, by issuing 25,000 ValOre shares to Commander.

#### ***Baker Basin, Nunavut***

The Baker Basin Property is located south of the hamlet of Baker Lake, Nunavut Territory, Canada. ValOre acquired 100% of Pacific Ridge Exploration Ltd’s (“PEX”) ownership interest in the Baker Basin Uranium Property through payment of 60,000 of ValOre, \$55,000 in cash and a \$70,000 private placement purchase of PEX units.

During the year ended September 30, 2018 the Company determined it will not conduct further exploration on the Baker Basin property and therefore wrote the property down to a value of \$Nil.

#### ***Genesis, Saskatchewan and Manitoba***

On July 10, 2014, the Company signed a Mining Option Agreement with Roughrider Exploration Limited (“Roughrider”) on the Genesis Property. Roughrider can acquire up to an 85% interest in the Genesis Property in exchange for 3,939,656 common shares, \$1,000,000 cash, and \$5,000,000 in exploration expenditures over four years. Upon acquisition of an 85% interest in the Genesis Property by Roughrider, ValOre’s remaining 15% interest will be carried through to completion of a bankable feasibility study and a recommendation from the board of Roughrider to proceed to commercial production.

On December 22, 2015, the Company and Roughrider amended certain terms in the Mining Option Agreement which included a reduction in minimum exploration expenditures and a one-year extension to all phases of the agreement. On the amendment date Roughrider paid the Company \$400,000, of which \$200,592 was recorded to exploration and evaluation assets to bring the Genesis carrying value down to \$nil. The remaining \$199,408 was recorded to recovery on exploration and evaluation assets in the statement of operations and comprehensive loss during the year ended September 30, 2016.

On August 30, 2016, the Company received 1,969,828 Roughrider shares as per the amended agreement. The shares had a fair value of \$177,285 and were recorded against the property to reduce the carrying value.

On August 31, 2017 Roughrider earned a 50% interest in the Genesis Property by making a final payment to the Company of \$175,000. The payment was settled via common shares of Roughrider, with the Company receiving 2,500,000 shares of Roughrider (Note 3).

Roughrider can increase its ownership in the Genesis Property to 85% by making cash payments to the Company of \$250,000 and \$450,000 on or before August 31, 2018 and August 31, 2019 respectively, and incurring exploration expenditures on the Genesis Property of \$2,500,000 on or before August 31, 2019.

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 6. Exploration and Evaluation Assets – *Continued*

### ***Hatchet Lake, Saskatchewan***

On February 10, 2015, ValOre announced it had acquired 100% of the Hatchet Lake Uranium Property (“Hatchet Lake Property”) from Rio Tinto Exploration Canada Inc. and Rio Tinto Canada Uranium Corporation (“Rio Tinto”) on the following terms:

- ValOre made a cash payment upon execution of the agreement of \$220,000, subject to all claims being in good standing as of the closing date;
- Rio Tinto transferred a 100% interest in the Hatchet Lake Property to ValOre;
- ValOre granted Rio Tinto a 2% net smelter return (“NSR”) royalty on the Hatchet Lake Property, with ValOre holding a buy-down right of 0.5% for \$750,000.

The Hatchet Lake Property encompasses six claims adjacent to the north-eastern margin of the Athabasca Basin in Saskatchewan northwest of ValOre’s Genesis Property.

In January 2017, the Company received \$250,000 from Sandstorm as part of a \$1,000,000 royalty package in return for ValOre transferring and assigning to Sandstorm the Company’s 0.5% buyback right. Upon Sandstorm’s exercise of this royalty buyback right, ValOre has agreed to grant to Sandstorm a 0.5% NSR royalty payable on all mineral products produced from the Hatchet Lake property. The \$250,000 payment received was recorded against the carrying value of the property. In connection with the \$250,000 Hatchet Lake royalty, the Company paid finders’ fees of \$15,000 in cash and 18,750 share purchase warrants (note 7(b)).

## 7. Share Capital

As at September 30, 2018, there were an unlimited number of common voting shares without par value authorized.

On June 28, 2018 the Company completed a consolidation of its share capital on a 10:1 basis. All share and per share information is shown on a post-consolidated basis retroactively throughout these financial statements.

### a) Private Placements

On January 16, 2017, the Company completed a non-brokered private placement of 2,592,500 units at \$0.80 per unit for \$2,074,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is convertible into a common share at \$1.50 for five years. The warrants attached to this issuance have been valued at \$416,969 based upon the Black-Scholes Method using the following assumptions: risk-free interest rate 1.16%; expected dividend yield 0%; expected stock price volatility 78%; and an average expected life of 5 years.

In aggregate, the financing was subject to the following finders’ fees: \$135,560 of cash commission and other fees and 155,550 finder’s warrants with a strike price of \$1.50 exercisable for a period of five years from the date of this private placement. The Company has recorded the fair value of these finder warrants as share issuance costs. The finders’ warrants attached to this issuance have been valued at \$115,314 based upon the Black-Scholes Method using the assumptions noted above.

For all valuation models, the risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected volatility is based on the Company’s historical prices. The expected average warrant is the average expected period to exercise, based on the historical activity patterns for warrants.

## ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

### 7. Share Capital - Continued

#### b) Warrants

The changes in warrants issued are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, September 30, 2016	1,324,187	\$1.70
Issued	1,523,050	\$1.50
Expired	(1,100,187)	\$1.80
Outstanding warrants, September 30, 2017	1,747,050	\$1.50
Issued	-	-
Expired	(224,000)	\$1.50
<b>Outstanding Warrants, September 30, 2018</b>	<b>1,523,050</b>	<b>\$1.50</b>

At September 30, 2018, warrants enabling the holders to acquire common shares as follows:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
January 16, 2022	\$1.50	1,451,800	3.30
February 17, 2022	\$1.50	71,250	3.39
<b>Weighted average of exercise price and remaining contractual life</b>	<b>\$1.50</b>	<b>1,523,050</b>	<b>3.30</b>

On February 17, 2017, the Company issued a total of 71,250 finders' warrants in connection with the Sandstorm royalty packages on the Angilak and Hatchet Lake properties (note 6). The warrants are exercisable at \$1.50 for a period of 5 years. The warrants have been valued at \$67,441 based upon the Black-Scholes Method using the following assumptions: risk-free interest rate 1.16%; expected dividend yield 0%; expected stock price volatility 79%; and an average expected life of 5 years. The fair value of the referral warrants are recorded in exploration and evaluation assets as a reduction of the proceeds received.

#### c) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than five years from the date of issuance. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per common share must be at least \$0.10.

	Number of Options	Weighted Average Exercise Price
Outstanding options, September 30, 2016	821,000	\$2.40
Granted	1,090,000	\$1.00
Expired	(122,000)	\$3.30
Outstanding options, September 30, 2017 and 2018	1,789,000	\$1.47

## ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

### 7. Share Capital – Continued

#### c) Stock Options- continued

At September 30, 2018 the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Issued Number of Options	Vested and Exercisable Number of Options	Weighted Average Remaining Contractual Life in Years
September 12, 2019	\$2.20	699,000	699,000	0.95
July 6, 2022	\$1.00	1,090,000	545,000	3.77
<b>Weighted average of exercise price and remaining contractual life</b>	<b>\$1.47</b>	<b>1,789,000</b>	<b>1,244,000</b>	<b>2.67</b>

The fair value of stock options issued during the years ended September 30, 2018 and 2017 was estimated at the grant date based on the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	n/a	1.50%
Expected dividend yield	n/a	0%
Share price	n/a	\$1.00
Expected stock price volatility	n/a	81.08%
Average expected option life	n/a	5 years
Fair value of options granted	n/a	\$0.06

During the year ended September 30, 2018, the Company recognized \$505,740 (2017 – \$64,494) in share-based payments expense for the fair value of the vested portion of stock options granted during the year ended September 30, 2017.

The risk-free interest rate is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected volatility is based on the Company’s historical prices. The expected average option life is the average expected period to exercise, based on the historical activity patterns for options.

#### d) Flow-through Share Premium Liability

	September 30, 2018	September 30, 2017
Balance, beginning of year	\$ -	\$ 8,193
Premium attributed to flow-through shares issued	-	-
Reduction of liability due to expenditures incurred	-	(8,193)
Balance, end of year	\$ -	\$ -

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

## 8. Related Party Transactions

### *Key management compensation*

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. The aggregate value of compensation with key management for the year ended September 30, 2018 was \$904,303 (2017 - \$430,252) and was comprised of the following:

	Year Ended September 30, 2018		Year Ended September 30, 2017	
Wages, salaries and consulting fees	\$	352,938	\$	300,566
Directors fees		223,800		58,200
Share-based compensation		325,344		51,476
Non-cash benefits		2,221		20,010
<b>Total remuneration</b>	<b>\$</b>	<b>904,303</b>	<b>\$</b>	<b>430,252</b>

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The balance payable to key management at September 30, 2018 was \$176,700 (September 30, 2017 - \$25,500) and such payables are unsecured, non-interest bearing and are expected to be repaid under normal trade terms. These balances are recorded on the statement of financial position under accounts payable and accrued liabilities.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements.

## 9. Financial Instruments

### **Categories of financial assets and liabilities**

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value of the Company's cash and cash equivalents, other receivables, and accounts payable and accrued liabilities approximate carrying value which is the amount recorded on the statement of financial position due to their short-term nature. The Company's marketable securities, under the fair value hierarchy, are based on level one inputs. Long-term liabilities approximate their fair values.



## ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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### 9. Financial Instruments - *Continued*

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and cash equivalents, other receivables, marketable securities and GST recoverable. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents, marketable securities, other receivables and GST recoverable is remote as they relate to deposits and interest receivable from major financial institutions, marketable securities held with a major brokerage firm and GST recoverable from the Government of Canada, and other balances which have been subsequently collected. The maximum credit risk as at September 30, 2018 was \$374,330 (September 30, 2017 - \$1,567,700).

#### *Liquidity risk*

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, ValOre had a cash and cash equivalents balance of \$145,557 (September 30, 2017 - \$1,097,072) to settle accounts payable and accrued liabilities of \$514,805 (September 30, 2017 – \$231,374). All of ValOre’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that ValOre has sufficient funds to meet its obligations as they become due as a successful rights offering was completed in January 2019 (Note 13).

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2018, ValOre had \$Nil (September 30, 2017 – \$1,003,945) in term deposits.

##### (b) Foreign currency risk

The Company operates predominately in Canada and is not exposed to any significant foreign currency risk.

##### (c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company maintains certain

##### (c) Price risk - Continued

Investments in marketable securities which are measured at fair value, being the closing price of each equity investment at the statement of financial position date. We are exposed to changes in share prices which would result in gains and losses being recognized in total comprehensive loss. A 10% fluctuation in the price of the Company’s marketable securities would increase/decrease comprehensive loss by \$14,811 as at September 30, 2018 (September 30, 2017 - \$32,198).

# ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

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## 10. Capital Management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders’ equity.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There were no changes in the Company’s approach to capital management during the year ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

## 11. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company’s equipment and exploration and evaluation assets are located in Canada.

## 12. Income Taxes

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% (2016 – 27%) to the income for the year and is reconciled as follows:

	Year Ended September 30, 2018	Year Ended September 30, 2017
Loss before income taxes	\$ (1,658,233)	\$ (679,272)
Statutory Canadian federal and provincial tax rates	27%	27.00%
Expected tax (recovery)	(447,723)	(183,400)
Non-deductible (deductible) expenses		
Change in statutory, foreign exchange rates and other	11,782	-
Permanent difference	136,935	19,829
Flow-through share renunciation		-
Share issue cost		(36,600)
Adjustment to prior years provision versus statutory tax returns	18,234	46,329
Deferred income tax recovery	\$ (280,772)	\$ (153,842)

## ValOre Metals Corp. (formerly “Kivalliq Energy Corporation”)

(An Exploration Stage Company)

Notes to the Financial Statements for the Years Ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

### 12. Income Taxes - Continued

The tax effects on the temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2018		2017	
Non-capital losses	\$	3,271,999	\$	3,072,899
Investment tax credit		1,499,589		1,499,602
Property and Equipment		241,918		228,435
Share issuance costs		26,423		38,574
Exploration and evaluation assets		(8,132,250)		(8,212,602)
Net deferred tax liability	\$	(3,092,320)	\$	(3,373,092)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have been included on the statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary differences				
Exploration and evaluation assets	\$ (30,119,000)	No expiry date	\$ (30,461,000)	No expiry date
Investment tax credit	2,054,000	2031 to 2035	2,054,000	2030 to 2034
Marketable securities	196,000	No expiry date	22,000	No expiry date
Property and Equipment	896,000	No expiry date	846,000	No expiry date
Share issuance costs	98,000	2039 to 2042	143,000	2038 to 2041
Non-capital losses	12,119,000	2029 to 2038	11,381,000	2028 to 2037

Tax attributes are subject to review and potential adjustment by tax authorities.

### 13. Subsequent Events

On January 15, 2019 the Company completed a rights offering raising a total of \$2,450,000. In connection with the rights offering, the Company issued a total of 24,500,000 common shares of the Company at a price of \$0.10 per common share and issued an aggregate of 2,450,000 bonus warrants. Each bonus warrant is exercisable into a common share at a price of \$0.23 per common share for two years from the date of issuance.

The Company paid a solicitation fee of \$9,598 and issued 95,985 warrants in connection with the distribution of securities in the rights offering. The warrants issued as part of the solicitation fee are exercisable for one common share at a price of \$0.23 and valid for two years from closing.

As previously announced on October 26, 2018, the CEO of the Company agreed to lend the Company up to \$1 million on a revolving basis (“Bridge Loan”) in order to allow the Company to continue its operations until the closing of the rights offering. The total amount advanced by the CEO under the Bridge Loan as of the expiry date of the rights offering was \$610,000. The acquisition cost of 5,462,500 Common Shares (\$546,250) acquired by the CEO pursuant to a standby commitment was satisfied by the reduction of the amounts payable to the CEO pursuant to the Bridge Loan.