



XPLORE RESOURCES HOLDINGS CORP.
(formerly Xplore Resources Corp.)
INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Statements of Financial Position

(Stated in Canadian Dollars)

(Unaudited)

	Notes	September 30, 2020	June 30, 2020
ASSETS			
Current assets			
Cash		\$ 860,760	\$ 3,905
Other receivables		7,449	5,852
Total current assets		868,209	9,757
Non-current assets			
Exploration and evaluation assets	4	244,961	244,961
TOTAL ASSETS		\$ 1,113,170	\$ 254,718
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5	\$ 128,756	\$ 78,888
Equity			
Common shares	7	1,302,910	492,500
Share-based payments reserve	7	10,600	-
Deficit		(329,096)	(316,670)
Total equity		984,414	175,830
TOTAL LIABILITIES AND EQUITY		\$ 1,113,170	\$ 254,718
Nature of business	1		
Going concern uncertainty	2		
Subsequent events	1,4		

Approved on behalf of the Board of Directors:

"Wesley C. Hanson"

Wesley C. Hanson, Director

"Charles Edgeworth"

Charles Edgeworth, Director

Xplore Resources Holdings Corp.
 (formerly Xplore Resources Corp.)
Statements of Loss and Comprehensive Loss
 (Stated in Canadian Dollars)
 (Unaudited)

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019
Expenses			
General and administrative		\$ 498	\$ 1,043
Professional fees		11,928	2,260
Loss and comprehensive loss for the period		\$ (12,426)	\$ (3,303)
Weighted average number of common shares outstanding			
Basic and diluted	7	18,374,348	12,210,440
Basic and diluted loss per common share	7	\$ (0.00)	\$ (0.00)

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

Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Statements of Changes in Equity (Deficit)

(Stated in Canadian Dollars)

(Unaudited)

	Common Shares		Share-based Payments Reserve	Deficit	Total
	Number	Amount			
Balance at June 30, 2020	18,100,000	\$ 492,500	\$ -	\$ (316,670)	\$ 175,830
Shares issued for cash	8,580,000	810,410	10,600	-	821,010
Loss for the period	-	-	-	(12,426)	(12,426)
Balance at September 30, 2020	26,680,000	\$ 1,302,910	\$ 10,600	\$ (329,096)	\$ 984,414

	Common Shares		Share-based Payments Reserve	Deficit	Total
	Number	Amount			
Balance at June 30, 2019	11,000,000	\$ 137,500	\$ -	\$ (133,260)	\$ 4,240
Shares issued for cash	5,450,000	272,500	-	-	272,500
Shares issued for exploration and evaluation assets	1,650,000	82,500	-	-	82,500
Loss for the period	-	-	-	(3,303)	(3,303)
Balance at September 30, 2019	18,100,000	\$ 492,500	\$ -	\$ (136,563)	\$ 355,937

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

Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Statements of Cash Flows

(Stated in Canadian Dollars)

(Unaudited)

	Three months ended September 30, 2020	Three months ended September 30, 2019
Operating activities		
Loss for the year	\$ (12,426)	\$ (3,303)
Changes in non-cash working capital items:		
Other receivables	(1,597)	1,000
Accounts payable and accrued liabilities	49,868	1,789
Net cash provided by (used in) operating activities	35,845	(514)
Investing activity		
Exploration and evaluation assets	-	(162,461)
Net cash used in investing activity	-	(162,461)
Financing activity		
Proceeds from issuance of common shares, net of issue costs	821,010	272,500
Net cash provided by financing activity	821,010	272,500
Change in cash during the period	856,855	109,525
Cash, beginning of period	3,905	535
Cash, end of period	\$ 860,760	\$ 110,060
Supplemental Cash Flow Information		
Income taxes paid (recovered)	\$ -	\$ -
Interest paid (received)	\$ -	\$ -
Non-cash Financing and Investing Activities		
Shares issued for exploration and evaluation assets	\$ -	\$ 82,500
Issuance of finders' warrants for share issue costs	\$ 10,600	\$ -

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

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

1. Nature and Continuance of Operations

Xplore Resources Holdings Corp. (formerly Xplore Resources Corp.) (the “Company”) was incorporated on May 28, 2018 under the Business Corporations Act of Ontario. The head office, principal address, records office, and registered address of the Company is located at 181 Bay Street, Toronto, Ontario, Canada, M5J 2T3.

The Company’s principal business activities include the acquisition and exploration of mineral property assets located in British Columbia, Canada. The Company entered into an asset purchase agreement to acquire 100% rights over specific mineral claims (Note 4).

On August 6, 2019 the Company entered into a Letter of Intent (the “LOI”) with VON Capital Corp. (“VON”), a capital pool company trading on the TSX Venture Exchange (the “TSX-V”). The proposed arm’s length business combination (the “Transaction”) will result in a reverse takeover of VON by the shareholders of the Company and will be a “qualifying transaction” for VON under TSX-V Policy 2.4 (the “Qualifying Transaction”). Upon completion of the Transaction, it is expected that the resulting issuer will be named Xplore Resources Corp. and will be listed as a Tier 2 Mining Issuer on the TSX-V.

Effective October 6, 2020, the Qualifying Transaction was completed. Pursuant to the Qualifying Transaction:

- a) and pursuant to the terms of an amalgamation agreement dated February 13, 2020 among VON, 2717915 Ontario Inc. (“VON Sub”, a private Ontario company and a wholly owned subsidiary of VON), and Xplore Resources Corp. (“Xplore Private Co”), a private Ontario corporation, (i) VON Sub and Xplore Private Co amalgamated, (ii) the amalgamated entity changed its name to Xplore Resources Holding Corp. and became a wholly owned subsidiary of VON, and (iii) the holders of the issued and outstanding common shares (the “Xplore Common Shares”) of Xplore Private Co were exchanged for an aggregate of 18,100,000 Resulting Issuer Shares. In addition, 8,580,000 Resulting Issuer Shares were issued to the subscribers under the Xplore Private Placement (as defined below), which were exchanged for Resulting Issuer Shares on a one for one basis;
- b) VON changed its name to “Xplore Resources Corp.”; and
- c) management and the board of directors of the Company changed such that the board of directors and executive team of the Company now consists of: Wesley C. Hanson, Chief Executive Officer and Director; Charles Edgeworth, Chief Financial Officer and Director; Tim McGuire, Director; Jamie Hyland, Director; and David Patterson, Director.

On September 28, 2020 and September 29, 2020, in connection with the Qualifying Transaction, Xplore Private Co completed a non-brokered private placement, raising gross proceeds in the amount of \$858,000 (the “Xplore Private Placement”) (Note 7) through the issuance of 8,580,000 units of the Xplore Private Co (each a “Unit”) at a price of \$0.10 per Unit. Each Unit was comprised of one Xplore Private Co Common Share and one Xplore Private Co Common Share purchase warrant (post-Amalgamation, each such warrant exercisable for one Resulting Issuer Share and referred to herein as a “Resulting Issuer Warrant”) exercisable at a price of \$0.15 per Resulting Issuer Share for a period of two years from the date of issue. The expiry date of the Resulting Issuer Warrants may be accelerated at the option of the Resulting Issuer if at any time prior to expiration the closing price of the Resulting Issuer Shares on the TSX-V exceeds \$0.30 for ten consecutive trading days. Xplore Private Co also issued 255,500 finders’ warrants with the same terms as the Resulting Issuer Warrant.

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

2. Going Concern Uncertainty

During the first quarter of 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Although the Company has positive working capital of \$739,453 as at September 30, 2020, several adverse conditions cast significant doubt on the validity of the going concern assumption. Namely, the Company had not advanced its mineral properties to commercial production, and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful exercise of its mineral property option agreement (Note 4), results from its mineral property exploration activities, its ability to attain profitable operations, and its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating costs. These events and conditions create a material uncertainty that may cast significant doubt on the ability of the Company to continue operations as a going concern.

3. Basis of Preparation

a) Statement of compliance

These interim condensed financial statements, including comparatives, are unaudited and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

b) Basis of presentation

These interim condensed financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2020 financial statements for the year ended June 30, 2020, with the exception of the following:

- IFRS 3 *Business Combinations* (“IFRS 3”), described in note 3(c)

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

3. Basis of Preparation (cont'd)

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim condensed financial statements do not include all of the information required for full annual financial statements.

These interim condensed financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published and effective at the time of preparation.

These interim condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

c) Recent accounting pronouncements and changes to accounting policies

IFRS 3 Business Combinations – The definition of a business will be amended under IFRS 3. Under the amended definition, to be considered a business an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. Under the prior definition, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business “if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes”. The reference to such integration is now deleted from IFRS 3 in the amendment and the assessment must be based on what has been acquired in its current state and condition. This amendment is effective for annual periods on or after January 1, 2020. The Company does not expect this amended definition to have a material impact on the results and financial position of the Company.

d) Approval of the interim condensed financial statements

The interim condensed financial statements of the Company for the three months ended September 30, 2020 were reviewed, approved and authorized for issue by the board of directors on November 27, 2020.

4. Exploration and Evaluation Assets

On September 30, 2019, the Company finalized an asset purchase agreement (the “Agreement”) to acquire a 100% interest in the Valk property (“the Valk Project”). The Valk Project mineral claims are located at in the Nanaimo mining division in northeastern Vancouver Island, 27 KM northwest of Port Hardy in British Columbia.

The Agreement was amended on February 7, 2020 and again on November 2, 2020 (the “Amended Agreement”). Under the terms of the Amended Agreement, the Company acquired 100% interest in the Valk Project by making the following cash payments and share issuances:

- i. a cash payment of \$50,000 (paid September 2019);
- ii. a cash payment of \$100,000 (paid November 2020);
- iii. issuance of 1,500,000 common shares (issued September 2019); and
- iv. issuance of 1,000,000 common shares (issued November 2020).

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

4. Exploration and Evaluation Assets (cont'd)

After making the November 2020 payments above, the Company has no further commitments of minimum exploration expenditures; no future cash payments; and no further share issuances per the Amended Agreement.

The Company entered into a finder's fee agreement on February 13, 2019 which was further amended on October 26, 2020 (the "Finder's Agreement"). Pursuant to this Finder's Agreement, the Company made a payment of \$5,000 cash (accrued at June 30, 2019), issued 150,000 common shares (issued September 2019), and made a final payment of \$5,000 cash (paid November 2020). There are no further payments owing under the Finder's Agreement.

The Company has granted a 2% Net Smelter Return ("NSR") Royalty which is effective on all future production from the Valk Project. The Company may buy back half (1%) of the Royalty, at any time, for a one-time fixed cost of \$1,500,000.

As at September 30, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at September 30, 2020 and June 30, 2020:

	Three months ended September 30, 2020	Year ended June 30, 2020
Opening balance	\$ 244,961	\$ 112,461
Acquisition Costs		
Cash payments	-	50,000
1,500,000 common shares issued at \$0.05/share	-	75,000
150,000 common shares issued at \$0.05/share for finders' fees	-	7,500
	-	132,500
Closing balance	\$ 244,961	\$ 244,961

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

5. Accounts Payable and Accrued Liabilities

	September 30, 2020	June 30, 2020
Trade payables	\$ 128,756	\$ 78,888
Due to related parties	-	-
	<u>\$ 128,756</u>	<u>\$ 78,888</u>

6. Related Party Balances

Key management personnel include the Directors, the Chief Executive Officer and the Chief Financial Officer who have the authority and responsibility for planning, directing and controlling of the activities of the Company.

The Company did not have any related party transactions during the three months ended September 30, 2020 and 2019.

7. Shareholders' Equity

a) Authorized:

An unlimited number of common shares without par value.

b) During the three months ended September 30, 2020, the Company issued the following common shares:

On September 28, 2020 and September 29, 2020, the Company completed a non-brokered private placement by issuing 8,080,000 and 500,000 units, respectively, at a price of \$0.10 per unit, for gross proceeds of \$858,000. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of \$0.15 per warrant. The warrants expire two years from the date of issue, however, the expiry date of the warrants may be accelerated at the option of the Company if at any time prior to expiration the closing price of the common shares on the TSX-V exceeds \$0.30 for ten consecutive trading days. The Company also issued 336,000 finders' warrants with the same terms as above and paid \$36,990 in commissions and fees.

c) Warrants exercisable and outstanding as at September 30, 2020 are as follows:

Expiry Date	Number of warrants	Exercise Price
September 28, 2020	8,416,000	\$0.10
September 29, 2020	500,000	\$0.10
	<u>8,916,000</u>	

The fair value of \$0.03 per warrant of the 336,000 finders' warrants issued is estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 0.23%; an expected volatility of 80%; an expected life of 2 years; an expected dividend yield of 0%; and an expected forfeiture rate of 0%. 0.03 per warrant.

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

7. Shareholders' Equity (cont'd)

The expected volatility assumption is based on the volatility of stock prices for early stage public companies. The risk-tree interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the warrants' expected life.

d) Loss per share:

Basic and diluted loss per share

	Three months ended September 30, 2020	Three months ended September 30, 2019
Numerator:		
Net (loss) income	\$ (12,426)	\$ (3,303)
Denominator:		
Weighted average number of common shares (basic)	18,374,348	12,210,440
Dilutive effect of share options	-	-
Dilutive effect of warrants	-	-
Weighted average number of common shares (diluted)	18,374,348	12,210,440
Basic and diluted (loss) income per common share	\$ (0.00)	\$ (0.00)

8. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. The Company has minimal credit risk.

Xplore Resources Holdings Corp.
(formerly Xplore Resources Corp.)
Notes to the Condensed Interim Financial Statements
September 30, 2020
(Stated in Canadian Dollars)
(Unaudited)

8. Financial Risk Management (cont'd)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of September 30, 2020 equal \$128,756. All the liabilities presented as accounts payable and accrued liabilities are due on demand. The Company intends to finance its operations over the next twelve months with the funds raised from the completed private placements (Notes 1 and 7).

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital. As at September 30, 2020, the Company is not exposed to significant market risk.