



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

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

(Stated in Canadian Dollars)

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Xplore Resources Holdings Corp. (formerly Xplore Resources Corp.):

### ***Opinion***

We have audited the financial statements of Xplore Resources Holdings Corp. (formerly Xplore Resources Corp.) (the “Company”), which comprise the statements of financial position as at June 30, 2020 and 2019, and the statements of loss and comprehensive loss, statements of changes in equity (deficit) and statements of cash flows for the years ended June 30, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the years ended June 30, 2020 and 2019 in accordance with International Financial Reporting Standards.

### ***Basis for Opinion***

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 2 in the financial statements, which describes events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
October 28, 2020

# Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)  
Statements of Financial Position  
(Stated in Canadian Dollars)

	<u>Notes</u>	June 30, 2020	June 30, 2019
<b>ASSETS</b>			
Current assets			
Cash		\$ 3,905	\$ 535
Other receivables		5,852	1,000
Prepaid expenses		-	3,952
<b>Total current assets</b>		<b>9,757</b>	<b>5,487</b>
Non-current assets			
Exploration and evaluation assets	5	244,961	112,461
<b>TOTAL ASSETS</b>		<b>\$ 254,718</b>	<b>\$ 117,948</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	5,6,7	\$ 78,888	\$ 113,708
Equity			
Common shares	8	492,500	137,500
Deficit		(316,670)	(133,260)
<b>Total equity</b>		<b>175,830</b>	<b>4,240</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 254,718</b>	<b>\$ 117,948</b>
Nature of business	1		
Going concern uncertainty	2		
Subsequent events	1		

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)

	Notes	Year ended June 30,	
		2020	2019
Expenses (recoveries)			
Filing and listing fees		\$ 10,000	\$ -
General and administrative		3,598	8,437
Management fees	7	(1,100)	104,940
Professional fees		170,912	8,190
<b>Loss and comprehensive loss for the year</b>		<b>\$ (183,410)</b>	<b>\$ (121,567)</b>
Weighted average number of common shares outstanding			
Basic and diluted		16,617,623	11,000,000
<b>Basic and diluted loss per common share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

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

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Statements of Changes in Equity (Deficit)  
(Stated in Canadian Dollars)

	Common Shares		Subscriptions Receivable	Deficit	Total
	Number	Amount			
Balance at June 30, 2018	11,000,000	\$ 55,000	\$ (53,000)	\$ (11,693)	\$ (9,693)
Shares repurchased	(5,500,000)	(27,500)	27,500	-	-
Subscriptions received in cash or services	-	-	25,500	-	25,500
Shares issued for services	5,500,000	110,000	-	-	110,000
Loss for the year	-	-	-	(121,567)	(121,567)
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 year	-	-	-	(183,410)	(183,410)
Balance at June 30, 2020	18,100,000	\$ 492,500	\$ -	\$ (316,670)	\$ 175,830

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

# Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Statements of Cash Flows

(Stated in Canadian Dollars)

	Year ended June 30,	
	2020	2019
Operating activities		
Loss for the year	\$ (183,410)	\$ (121,567)
Item not affecting cash:		
Shares issued for services	-	122,500
Changes in non-cash working capital items:		
Other receivables	(4,852)	-
Prepaid expenses	3,952	(3,952)
Accounts payable and accrued liabilities	77,234	(10,446)
Net cash used in operating activities	(107,076)	(13,465)
Investing activity		
Exploration and evaluation assets	(162,054)	-
Net cash used in investing activity	(162,054)	-
Financing activity		
Shares issued for cash	272,500	12,000
Net cash provided by financing activity	272,500	12,000
Change in cash during the period	3,370	(1,465)
Cash, beginning of period	535	2,000
Cash, end of period	\$ 3,905	\$ 535
Supplemental Cash Flow Information		
Income taxes paid (recovered)	\$ -	\$ -
Interest paid (received)	\$ -	\$ -
Non-cash Financing and Investing Activities		
Share issued for exploration and evaluation assets	\$ 82,500	\$ -
Share issued for subscriptions and other receivable	\$ -	\$ 1,000
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	\$ -	\$ 112,054

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

# Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Notes to the Financial Statements

June 30, 2020 and 2019

(Stated in Canadian Dollars)

---

## 1. Nature of Business

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 5).

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; Robert Brain, Corporate Secretary 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") 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 Financial Statements

June 30, 2020 and 2019

(Stated in Canadian Dollars)

---

## 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 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.

Several adverse conditions cast significant doubt on the validity of this assumption. As at June 30, 2020, the Company had a working capital deficiency of \$(69,131), 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, 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. Subsequent to June 30, 2020, the Company closed a non-brokered private placement of 8,580,000 units at a price of \$0.10 per unit for gross proceeds of \$858,000 (Note 1).

## 3. Basis of Preparation

### a) Statement of compliance

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

### b) Basis of presentation

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. The financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments measured at fair value.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

3. Basis of Preparation (cont'd)

c) Approval of the financial statements

The financial statements of the Company for the years ended June 30, 2020 and 2019 were reviewed by the Board of Directors and approved and authorized for issue by the Board of Directors on October 28, 2020.

d) Recent accounting pronouncements and changes to accounting policies

During the year ended June 30, 2020, the Company adopted the following new accounting pronouncements:

*IFRS 16 Leases* – In January 2016, the IASB issued IFRS 16, which establishes principles for the recognition, measurement, presentation, and disclosure of leases for both the lessee and lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. IFRS 16 replaces IAS 17, IFRIC 4, SIC 15, and SIC 27 effective for annual periods on or after January 1, 2019. The Company did not have any lease contracts in place as at June 30, 2019 and did not enter into any lease contracts during the year ended June 30, 2020. As such, there was no material impact on the Company's financial statements upon adoption of this standard.

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective:

*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 will be applied prospectively to future acquisitions (effective for annual periods on or after January 1, 2020).

The Company has not early adopted this standard and does not expect it to have a material impact on the results and financial position of the Company once adopted.

4. Summary of Significant Accounting Policies

a) Exploration and evaluation assets

i) Expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

# Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Notes to the Financial Statements

June 30, 2020 and 2019

(Stated in Canadian Dollars)

---

## 4. Summary of Significant Accounting Policies (cont'd)

Once the legal right to explore has been acquired, costs directly associated with an exploration project are capitalized as either tangible or intangible exploration and evaluation ("E&E") assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved or probable mineral reserves sufficient to sustain profitable production are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

### ii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Exploration and evaluation activities have not led to a discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue further exploration and evaluation activities;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

4. Summary of Significant Accounting Policies (cont'd)

b) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no material restoration, rehabilitation and environmental obligations as at June 30, 2020 and 2019.

c) Cash and cash equivalents

Cash and cash equivalents include bank demand deposit accounts and highly liquid short-term investments with maturities of three months or less when purchased. Cash consists of chequing accounts held at financial institutions in Canada and funds held in trust which, at times, balances may exceed insured limits. The Company has not experienced any losses related to these balances, and management believes the credit risk to be minimal. The Company held no cash equivalents at June 30, 2020 and 2019.

d) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# Xplore Resources Holdings Corp.

(formerly Xplore Resources Corp.)

Notes to the Financial Statements

June 30, 2020 and 2019

(Stated in Canadian Dollars)

---

## 4. Summary of Significant Accounting Policies (cont'd)

### e) Share capital

Common shares, options and warrants are classified as equity. Transaction costs directly attributable to the issue of common shares and options are recognized as a deduction from equity, net of any tax effects.

The Company bifurcates units which consist of common shares and share purchase warrants using the residual value approach, whereby it measures the common share component of the unit at fair value using market prices as input values and then allocates the residual value of the units over the fair value of the common shares to the warrant component. The value of the warrant component is credited to share-based payment reserve. When warrants are exercised, forfeited or expire, the corresponding value is transferred from share-based payment reserve to common stock.

### f) Earnings (loss) per share

Earnings (loss) per share is calculated by dividing the net income (loss) for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. The Company uses the treasury stock method of calculating fully diluted earnings per share amounts, whereby any proceeds from the exercise of dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. Basic and diluted loss per share are the same for the periods presented when there are no dilutive instruments outstanding during the periods presented, or the effect of dilutive instruments would be anti-dilutive.

### g) Financial instruments

Financial assets and financial liabilities, except for trade receivables, but including derivatives, are recognized on the statement of financial position when the Company becomes a party to the financial instrument or derivative contract. Trade receivables are initially recognized when they are originated.

#### *Classification*

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

4. Summary of Significant Accounting Policies (cont'd)

*Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

*Impairment*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information. For trade accounts receivable, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade accounts receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off. The Company assumes that credit risk on financial assets has increased if it is more than 30 days past due.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive.

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

4. Summary of Significant Accounting Policies (cont'd)

The Company's financial instruments are accounted for as follows under IFRS 9:

	<i>Classification</i>	<i>Measurement</i>
Cash	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

h) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued for goods or services to other than employees, the transaction is measured at the fair value of the goods or services received by the Company. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipients become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

i) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

4. Summary of Significant Accounting Policies (cont'd)

j) Critical accounting judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

*Judgments*

*Going concern*

Management makes an assessment about the Company's ability to continue as a going concern by taking into the account the consideration of the various events and conditions discussed in Note 2.

*Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Recognition of deferred income tax assets and liabilities*

The carrying amount of deferred income tax assets and liabilities is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Changes in estimates of future taxable profit can materially affect the amount of deferred income tax assets and liabilities recognized from period to period.

*Impairment*

Management assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment.

Xplore Resources Holdings Corp.  
 (formerly Xplore Resources Corp.)  
 Notes to the Financial Statements  
 June 30, 2020 and 2019  
 (Stated in Canadian Dollars)

---

4. Summary of Significant Accounting Policies (cont'd)

Estimates

*Share-based payments*

The Company issued 1,650,000 common shares for the exploration and evaluation assets. The Company valued the common shares at \$0.05 per share. The price of the Company's recent financing was used as a valuation reference point.

5. Exploration and Evaluation Assets

On September 30, 2019, the Company closed its previously signed Asset Purchase agreement to acquire a 100% interest in the Valk Property ("the Valk Claims"). The Mineral Claims are located at in the Nanaimo mining division in northeastern Vancouver Island, 27 KM northwest of Port Hardy in British Columbia. The Purchase Agreement was amended on February 7, 2020 and again on October 15, 2020 (the "Amended Purchase Agreement").

Pursuant to the Amended Purchase Agreement, the Company may acquire a 100% interest in the Valk Claims by issuing cash and common shares and incurring minimum exploration expenditures as follows:

	Cash	Common Shares	Minimum exploration expenditures
At closing (paid and issued)	\$ 50,000	1,500,000	\$ -
At October 31, 2020	\$ 100,000	-	\$ 100,000
At October 31, 2021	\$ 100,000	-	\$ 250,000
At October 31, 2022	\$ -	-	\$ 500,000
	<u>\$ 250,000</u>	<u>1,500,000</u>	<u>\$ 850,000</u>

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

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

5. Exploration and Evaluation Assets (cont'd)

As at June 30, 2020, the project is still at an early exploration stage. The Company has incurred the following exploration expenditures as at June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Opening balance	\$ 112,461	\$ -
Acquisition Costs		
Cash payments	50,000	5,000
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	-
	<u>132,500</u>	<u>5,000</u>
Exploration Costs		
Personnel and management	-	49,299
Food and lodging	-	8,450
Transportation	-	9,225
Equipment rentals and consumables	-	6,435
Analytical	-	13,935
Reporting	-	15,000
Non recoverable HST	-	5,117
	<u>-</u>	<u>107,461</u>
Closing balance	<u>\$ 244,961</u>	<u>\$ 112,461</u>

Finder's fees

The Company entered into a Finder's Fee Agreement on February 13, 2019. Pursuant to this agreement the Company made a one-time payment of \$5,000 cash (accrued at June 30, 2019) and issued 150,000 common shares at the Closing Date.

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 Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

6. Accounts Payable and Accrued Liabilities

	June 30, 2020	June 30, 2019
Trade payables	\$ 78,888	\$ 112,608
Due to related parties	-	1,100
	<u>\$ 78,888</u>	<u>\$ 113,708</u>

7. Related Party Transactions and 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. Included in the Statements of Loss and Comprehensive Loss for the years ended June 30, 2020 and 2019 are the following amounts, which arose due to transactions with related parties:

	Year ended June 30, 2020	Year ended June 30, 2019
Management fees charged by directors	\$ (1,100)	\$ 104,940
	<u>\$ (1,100)</u>	<u>\$ 104,940</u>

As at June 30, 2020, accounts payable and accrued liabilities includes \$nil (2019 - \$1,100) owing to certain directors which is due on demand, unsecured and non-interest bearing.

8. Shareholders' Equity

a) Authorized:

An unlimited number of common shares with no par value.

b) During the year ended June 30, 2020 and 2019, the Company issued the following common shares:

- i) On September 30, 2019, the Company issued 1,500,000 common shares, with a fair value of \$0.05 per common share in accordance with the Amended Purchase Agreement to acquire 100% interest in the Valk Property. In addition, the Company issued 150,000 common shares in accordance with the finder's fee agreement.
- ii) On September 11, 2019, the Company closed a non-brokered private placement of 5,450,000 common shares at a price of \$0.05 per common share for gross proceeds of \$272,500.
- iii) On April 1, 2019, the Company issued 5,500,000 common shares at \$0.02 per share for cash proceeds of \$13,000 (of which \$1,000 was collected during the three months ended September 30, 2019) and services provided by related parties of \$122,500.

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

8. Shareholders' Equity (cont'd)

iv) On March 31, 2019, the Company repurchased 5,500,000 common shares at \$0.005 per share.

The Company has neither warrants nor options outstanding as at June 30, 2020 and 2019.

c) Loss per share:

Basic and diluted loss per share

	Year ended June 30, 2020	Year ended June 30, 2019
Numerator:		
Net loss	\$ (183,410)	\$ (121,567)
Denominator:		
Weighted average number of common shares (basic)	16,617,623	11,000,000
Dilutive effect of share options	-	-
Weighted average number of common shares (diluted)	16,617,623	11,000,000
Basic and diluted (loss) income per common share	\$ (0.01)	\$ (0.01)

9. Capital Management

The Company manages the capital structure and makes adjustments to it in light of changes in 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 or borrow funds from related parties. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended June 30, 2020. The Company is not subject to external restrictions on its capital.

10. Financial Risk Management

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

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

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

10. Financial Risk Management (cont'd)

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.

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 June 30, 2020 equal \$78,888. 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 loans from directors and companies controlled by directors and common share private placements (Note 1).

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 June 30, 2020, the Company is not exposed to significant market risk.

11. Segmented Information

At June 30, 2020 the Company has one reportable operating segment being the acquisition and exploration of mineral property assets. All of the Company's assets are located in Canada.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

Xplore Resources Holdings Corp.  
(formerly Xplore Resources Corp.)  
Notes to the Financial Statements  
June 30, 2020 and 2019  
(Stated in Canadian Dollars)

---

12. Income Taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the income (loss) before income taxes due to the following:

	Year ended June 30, 2020	Year ended June 30, 2019
Income (loss) before income taxes	\$ (183,410)	\$ (121,567)
Canadian federal and provincial income tax rate	27.0%	26.5%
Income tax expense (recovery) based on Canadian federal and provincial income tax rates	(50,000)	(32,000)
Increase (decrease) in income taxes attributable to:		
Non-capital losses not recognized	50,000	32,000
Income tax (recovery)	\$ -	\$ -

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

	Year ended June 30, 2020	Year ended June 30, 2019
Non-capital loss carry forwards	\$ 85,000	\$ 35,000
Less: tax benefits not recognized	(85,000)	(35,000)
Net deferred income tax asset (liability)	\$ -	\$ -

At June 30, 2020 the Company has non-capital losses of approximately \$317,000 available for carry-forward to reduce future years' income taxes, expiring as follows:

Expiry Date	Amount
June 30, 2038	\$ 12,000
June 30, 2039	122,000
June 30, 2040	183,000
	\$ 317,000