

Vanadiumcorp Resource Inc.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VANADIUMCORP RESOURCE INC.

Opinion

We have audited the consolidated financial statements of Vanadiumcorp Resource Inc. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at October 31, 2020 and 2019;
- ♦ the consolidated statements of comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$672,429 during the year ended October 31, 2020 and, as of that date, had an accumulated deficit of \$40,607,155. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
August 11, 2021

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Vanadiumcorp Resource Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at,	October 31 2020 \$	October 31 2019 \$
Assets		
Current		
Cash	439,647	795,004
Receivables (Notes 4 and 12)	146,541	191,630
Short-term investments (Note 5)	23,000	23,000
Prepaid and deposits	43,831	122,062
	653,019	1,131,696
Non-Current		
Equipment (Note 6)	30,369	24,446
Right-of-use asset (Note 19)	62,876	-
Exploration and evaluation assets (Note 7)	5,637,152	4,696,108
Total assets	6,383,416	5,852,250
Liabilities		
Current		
Accounts payable and accrued Liabilities (Notes 9 and 12)	481,036	765,281
Current portion of lease liability (Note 19)	61,127	-
Flow-through share premium liability	-	520,547
	542,163	1,285,828
Non-Current		
Long-term portion of lease liability (Note 19)	5,397	-
Total liabilities	547,560	1,285,828
Equity		
Share capital (Note 10)	33,849,120	32,064,154
Warrants	19,900	-
Shares subscribed	198,488	61,491
Contributed surplus (Note 11)	12,375,503	12,375,503
Accumulated deficit	(40,607,155)	(39,934,726)
Total equity	5,835,856	4,566,422
Total liabilities and equity	6,383,416	5,852,250

GOING CONCERN (Note 1)

These consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2021. They are signed on behalf of the Company by:

"Adriaan Bakker"

Adriaan Bakker, Director

"Stephen W. Pearce"

Stephen W. Pearce, Director

See accompanying notes to these consolidated financial statements

Vanadiumcorp Resource Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years Ended October 31,	
	2020	2019
	\$	\$
Expenses:		
Consulting	108,994	118,434
Depreciation (Notes 6 and 19)	63,483	6,652
Directors fees (Note 12)	82,000	100,366
Foreign exchange loss	3,026	-
Interest and bank charges	6,482	-
Investor relations	95,146	8,899
Management fees (Note 12)	60,000	110,000
Office	122,438	99,550
Professional fees	106,384	67,417
Rent	27,065	26,565
Research and development (Note 13)	249,503	191,039
Salaries and wages (Note 12)	341,840	188,468
Shareholder communications	77,679	16,135
Share-based compensation (Notes 10 and 12)	-	794,600
Trade shows and marketing	37,357	19,184
Transfer agent and regulatory fees	29,940	23,109
Travel and entertainment	50,030	92,698
	(1,461,367)	(1,863,116)
Other items:		
Option payment received on exploration and evaluation assets	16,522	50,000
Option payment received under Patent Option Agreement (Note 8)	-	323,881
Cost of sale of prototype batteries (net of sale) (Note 2)	(55,824)	-
Recovery on flow-through liability	828,240	-
Net loss and comprehensive loss for the year	(672,429)	(1,489,235)
Basic and diluted loss per share	(\$0.00)	(\$0.01)
Weighted average number of shares outstanding	290,388,481	244,688,728

See accompanying notes to these consolidated financial statements

Vanadiumcorp Resource Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Share Capital		Warrants	Contributed Surplus	Shares Subscribed	Deficit	Total
	Number of Shares	Amount \$					
Balance - October 31, 2018	229,026,676	29,571,228	1,200,508	10,735,762	(14,509)	(38,445,491)	3,047,498
Flow-through shares issued for cash	23,249,570	1,789,000	-	-	-	-	1,789,000
Flow-through share premium	-	(520,547)	-	-	-	-	(520,547)
Share issuance costs	666,667	(99,694)	-	-	-	-	(99,694)
Shares issued through exercise of warrants	15,610,476	1,324,167	(293,095)	(62,272)	-	-	968,800
Reallocation of fair value on expiry of warrants	-	-	(954,225)	954,225	-	-	-
Subscriptions received	-	-	-	-	76,000	-	76,000
Share-based compensation	-	-	-	794,600	-	-	794,600
Warrant modification	-	(109,502)	109,502	-	-	-	-
Net loss for the year	-	-	-	-	-	(1,489,235)	(1,489,235)
Reclassification of share capital and warrants reserve	-	109,502	(62,690)	(46,812)	-	-	-
Balance - October 31, 2019	268,553,389	32,064,154	-	12,375,503	61,491	(39,934,726)	4,566,422
Shares issued for cash	21,397,731	1,262,603	19,900	-	(61,491)	-	1,221,012
Flow-through share premium	-	(307,693)	-	-	-	-	(307,693)
Share issuance costs	-	(87,944)	-	-	-	-	(87,944)
Shares issued through exercise of warrants	9,300,000	918,000	-	-	-	-	918,000
Subscriptions received net of share receivables	-	-	-	-	198,488	-	198,488
Net loss for the year	-	-	-	-	-	(672,429)	(672,429)
Balance - October 31, 2020	299,251,120	33,849,120	19,900	12,375,503	198,488	(40,607,155)	5,835,856

See accompanying notes to these consolidated financial statements

Vanadiumcorp Resource Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years Ended October 31,	
	2020	2019
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss for the year	(672,429)	(1,489,235)
Adjustments for items not affecting cash:		
Depreciation	63,483	6,652
Share-based compensation	-	794,600
Recovery on flow-through liability	(828,240)	-
	(1,437,186)	(687,983)
Net change in non-cash working capital items:		
Receivables	45,089	(64,590)
Prepaid and deposits	78,231	(96,305)
Accounts payable and accrued liabilities	104,572	67,291
Cash used in operating activities	(1,209,294)	(781,587)
INVESTING ACTIVITIES		
Purchase of equipment	(14,933)	(9,242)
Exploration and evaluation recovery	-	581,117
Exploration and evaluation expenditures	(1,329,861)	(1,561,291)
Cash used in investing activities	(1,344,794)	(989,416)
FINANCING ACTIVITIES		
Lease liability payments	(50,825)	-
Shares issued and subscribed, net of issuance costs	1,349,556	1,765,306
Proceeds from exercise of warrants	900,000	760,500
Cash from financing activities	2,198,731	2,525,806
Change in cash during the year	(355,357)	754,803
Cash - beginning of year	795,004	40,201
Cash - end of year	439,647	795,004
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Exploration and evaluation expenditures included in payables	48,850	437,667
Fair value of finder's shares	-	60,000
Interest received	-	1,406

See accompanying notes to these consolidated financial statements

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Vanadiumcorp Resource Inc. (the "Company") was incorporated on October 23, 1980 under the British Columbia Business Corporations Act and is engaged in the acquisition and exploration of mineral properties in Canada.

The Company's registered office is Suite 400 – 1505 West 2nd Avenue, Vancouver, British Columbia, V6H 3Y4.

The Company's mineral property interests have not reached the development stage or commercial production. To continue exploration programs, maintain its mineral property interests and develop future projects beyond the exploration stage, the Company will need additional funding.

These consolidated financial statements have been prepared on the assumption that the Company is a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred significant losses and accumulated a deficit of \$40,607,155 (2019 - \$39,934,726) as at October 31, 2020. The ability of the Company to continue as a going concern is dependent on obtaining the financing necessary to continue operations and, ultimately, on attaining profitable operations. Funding for operations is raised primarily through share offerings. No provision has been made in these consolidated financial statements for any adjustments to the carrying value of exploration and evaluation and other assets should the Company not be able to continue as a going concern. Such adjustments could be material.

During the year ended October 31, 2020, the Company raised funds from issuance of shares and exercise of warrants. Although there is no certainty, management is of the opinion that additional funding for future projects and operations can be raised as needed. If the Company is unsuccessful in obtaining adequate financing in the future due to prolonged economic decline, exploration activities will be postponed until market conditions improve. These circumstances and conditions may cast significant doubt about the Company's ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank 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 in future periods.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these consolidated financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2021.

Effective November 1, 2019, the Company adopted IFRS 16 *Leases* ("**IFRS 16**"). IFRS 16 was adopted using the modified retrospective approach with no restatement of comparative periods, as permitted by the transition provisions of the standard. As a result of the application of IFRS 16, the Company changed its accounting policies for leases as described in Note 3.

2. BASIS OF PRESENTATION – CONTINUED

b) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Pro Minerals Ltd., Power Vanadium Corporation, Prosperity Minerals Corporation, and Prestige Mining Corporation, all Canadian companies, and Vanadiumcorp GmbH (“GmbH”), a German company. A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All subsidiaries are 100% controlled by the Company. Intercompany transactions and balances have been eliminated upon consolidation.

GmbH is the only active subsidiary and is engaged in the development of commercializing and deploying Vanadium Redox Flow batteries for microgrid applications. In fiscal 2020, GmbH had sales of such prototype batteries of \$79,522 while incurring cost of sales of \$135,346. These amounts are disclosed in the Company’s consolidated statements of comprehensive loss while other GmbH’s operating and administration expenses totaling \$276,593 are consolidated with the Company’s expenses.

c) Basis of measurement, estimates, and significant judgments

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Elements of these consolidated financial statements subject to material estimation uncertainty include:

Valuation of stock options and warrants

In the preparation of these consolidated financial statements, management has estimated the fair value of stock options granted and warrants issued in private placements based on the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions including the expected price and volatility of the Company’s stock. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company’s stock options granted and warrants issued during the year.

Elements of these consolidated financial statements subject to significant judgment include:

Significant judgments about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) *going concern assessment:*

Management assesses the Company’s ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 1), whose subsequent changes could materially impact the validity of such an assessment.

2. BASIS OF PRESENTATION – CONTINUED

c) Basis of measurement, estimates, and significant judgments (continued)

ii) *consideration of exploration and evaluation asset impairment criteria:*

Assets or cash-generating units (“CGUs”) are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s exploration and evaluation assets.

Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The retention of regulatory permits and licenses, the Company’s ability to obtain financing for exploration and development activities and its future plans on the exploration and evaluation assets, current and future metal prices, and market sentiment are all factors considered by the Company.

In respect of the carrying value of exploration and evaluation assets recorded on the statements of financial position, management has determined that it continues to be appropriately recorded, as there has been no obsolescence or physical damage to the assets and there are no indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

iii) *the useful life and recoverability of equipment:*

The Company reviews its estimate of the useful lives of equipment at each reporting date, based on the expected utilization of the assets. A change in the useful life or residual value will impact the reported carrying value of the equipment resulting in a change in related depreciation expense.

iv) *recovery of amounts receivable:*

The accounts receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

v) *right-of-use assets and lease liability:*

The right of use assets and lease liability are measured by discounting the future lease payments at incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Cash

Cash consists of cash held in bank accounts. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. The Company had no cash equivalents as at October 31, 2020 and 2019.

b) Foreign currency translation

Transactions in foreign currencies are translated to the presentation currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the presentation currency at the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

c) Financial instruments

Classification

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

c) Financial instruments (continued)

The Company classifies its financial instruments as follows:

Financial assets/ liabilities	
Cash	FVTPL
Receivables	Amortized cost
Short-term investments	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Lease liability	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

c) Financial instruments (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Fair value of financial instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

d) Impairment of assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances as defined in *IFRS 6, Exploration for and Evaluation of Mineral Resources*, are as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

d) Impairment of assets (continued)

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in other comprehensive income (loss).

e) Exploration and evaluation assets

The Company is in the process of exploring mineral property interests in several locations in Canada. Title to mineral property interests may include options, leases, concessions, participating interests and direct title.

(i) Pre-exploration costs

Pre-exploration costs are costs incurred prior to the Company obtaining the right to explore and are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as material used, surveying costs, drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

e) Exploration and evaluation assets (continued)

When a project is deemed to be no longer viable to the Company, capitalized exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those expenditures, in excess of estimated recoveries, are written-off to the statement of comprehensive loss. When a project has been established as commercially viable and technically feasible, the exploration and evaluation assets attributable to the project are first tested for impairment and then transferred to property and equipment.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration and evaluation activities are applied as a reduction to capitalized costs.

(iii) Government assistance

The Company is eligible for a refundable tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 31%. This credit is recorded as a government grant against exploration and evaluation assets when there is reasonable assurance that the amounts claimed qualify and the amounts will be received.

f) Rehabilitation provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is determined. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks and the change is recorded to profit or loss.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

As at October 31, 2020 and 2019, management is not aware of any reportable asset retirement obligations.

g) Equipment

Equipment is initially recorded at historical cost less accumulated depreciation and impairment losses. Depreciation is provided at various rates designed to depreciate the assets over their estimated useful lives. The annual depreciation rates are as follows:

Computer equipment	30%	Declining balance method
Office equipment	20%	Declining balance method
Website development costs	30%	Declining balance method
Leasehold improvement costs		Straight-line basis over 5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

g) Equipment (continued)

Equipment used in exploration activities, where substantially all the economic life or value of the asset is expected to be derived from a specific project, are accounted for as dedicated equipment and included as a separate category within the costs allocated to the related exploration stage mineral property interest. Depreciation of these assets would be provided over the estimated life based on utilization and charged to exploration costs of the related project.

Residual values and economic useful lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditure relating to an item of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance expenses during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other income in the statement of comprehensive loss.

h) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred. To date, no development costs have been capitalized.

i) Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

j) Share capital

(i) Unit offerings

During the year ended October 31, 2020, the Company amended its accounting policy with respect to its unit offerings. The Company amended its accounting policy with respect to the measurement of shares and warrants issued as equity units from the relative fair value method to the residual value method. Under the residual value method, proceeds are allocated first to share capital up to the fair value of the common share, determined by reference to the quoted market price of the common shares on the unit pricing date, with the residual amount of proceeds, if any, allocated to the reserve for warrants.

The amounts have been retrospectively recasted with \$383,646 recasted from warrants reserve to share capital as at October 31, 2018, and \$109,502 recasted from warrants reserve to share capital as at October 31, 2019. As the amounts are an adjustment within shareholders' equity, the recasting had no effect on the consolidated financial position, operating results or cash flows previously reported.

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

j) Share capital (continued)

(i) Unit offerings (Continued)

	Share Capital \$	Warrants Reserve \$	Contributed Surplus \$
Amount previously reported prior to change in accounting policy	29,187,582	1,584,154	10,735,762
Effect of change in accounting policy	383,646	(383,646)	-
Balance, October 31, 2018	<u>29,571,228</u>	<u>1,200,508</u>	<u>10,735,762</u>
Amount previously reported prior to change in accounting policy	31,571,006	446,336	12,422,315
Effect of change in accounting policy	493,148	(446,336)	(46,812)
Balance, October 31, 2019	<u>32,064,154</u>	<u>-</u>	<u>12,375,503</u>

ii) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as interest expense until paid.

k) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. 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. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The Company's stock option plan permits the Company to grant options to employees, consultants and directors when the number of shares that may be purchased under that option and all previously granted options does not exceed 10% of the issued and outstanding shares. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 5 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

k) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings (loss) per share is computed by dividing net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. As the Company incurred a loss for the years ended October 31, 2020 and 2019, basic and diluted loss per share are the same.

l) Income taxes

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Risk management

The Company operates in the mining industry which is subject to environmental laws and regulations specific to countries in which exploration, development or mining is conducted. It is management's policy to review environmental compliance and exposure on an ongoing basis.

Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standard and specific project environmental requirements. However, there is no certainty that all environmental risks and contingencies have been addressed.

Although management has taken steps to verify title on the properties on which it conducts exploration and in which it has an interest, these procedures may not guarantee the Company's title. Property title may be at risk from unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

n) Adoption of IFRS 16 Leases

The Company adopted IFRS 16 effective October 1, 2019 using the modified retrospective approach. The comparative figures for the 2019 reporting period have not been restated and are accounted for under IAS 17 *Leases*, and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard.

The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset (“ROU asset”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured on the initial amount of the lease liability, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain re-measurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statements of comprehensive loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease liability” on the consolidated statements of financial position.

On transition to IFRS 16, the Company has an office lease in Germany which is classified as an operating lease under IAS 17. Upon transition to IFRS 16, the lease liability was measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 10%. As a result, the Company, as a lessee, recognized \$117,349 as a lease liability for the German office, representing its obligation to make lease payments. A ROU asset of the same amount was recognized, representing its right to use the underlying asset.

	\$
Operating lease liability as at October 30, 2019	131,023
Effect of discounting at incremental borrowing rate	<u>(13,674)</u>
Lease Liability recognized as at November 1, 2019	117,349

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. RECEIVABLES

	October 31, 2020	October 31, 2019
Sales tax receivable	\$ 135,400	\$ 152,139
Amounts receivable	9,782	13,510
Amounts due from related parties (Note 13)	1,359	25,981
	\$ 146,541	\$ 191,630

5. SHORT-TERM INVESTMENTS

	October 31, 2020		October 31, 2019	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
Investments at fair value through profit or loss:				
Guaranteed investment certificate ("GIC") *	23,000	23,000	23,000	23,000
Total short-term investments	23,000	23,000	23,000	23,000

* The GIC is pledged as security for a credit card for Company expenditures.

6. EQUIPMENT

	Computer Equipment \$	Office Equipment \$	Leasehold Improvement \$	Website Development \$	Total \$
Cost:					
At October 31, 2018	32,476	6,372	-	4,000	42,848
Additions	5,865	-	3,377	-	9,242
At October 31, 2019	38,341	6,372	3,377	4,000	52,090
Additions	-	-	-	14,933	14,933
At October 31, 2020	38,341	6,372	3,377	18,933	67,023
Depreciation:					
At October 31, 2018	15,272	2,598	-	3,122	20,992
Depreciation	5,380	755	253	264	6,652
At October 31, 2019	20,652	3,353	253	3,386	27,644
Depreciation	5,307	604	675	2,424	9,010
At October 31, 2020	25,959	3,957	928	5,810	36,654
Net book value:					
At October 31, 2019	17,689	3,019	3,124	614	24,446
At October 31, 2020	12,382	2,415	2,449	13,123	30,369

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

A summary of changes in the Company's exploration and evaluation assets in Quebec is as follows:

	Iron-T	Lac Dore	Total
	\$	\$	\$
Balance, October 31, 2018	1,924,854	1,490,059	3,414,913
Consulting	-	771,754	771,754
Drilling	-	1,067,639	1,067,639
Field work	19,511	3,408	22,919
Option Proceeds	(25,000)	-	(25,000)
Mineral tax credit recovery	-	(556,117)	(556,117)
Balance, October 31, 2019	1,919,365	2,776,743	4,696,108
Consulting	-	361,286	361,286
Drilling	-	474,981	474,981
Field work	5,432	99,345	104,777
Balance, October 31, 2020	1,924,797	3,712,355	5,637,152

The Company's mineral properties have either been ground staked, map staked or acquired through option agreements or purchase agreements.

During the year ended October 31, 2019, the Company recovered \$556,117 in mining tax credits from the government of Quebec.

a) Iron-T Vanadium Project

The property covers approximately 8,515 Hectares ("Ha"), located in Isle Dieu, Lozeau, Comporte and Galinee Townships in the province of Quebec and was acquired through a purchase and sale agreement and through staking.

Pursuant to a purchase and sale agreement dated February 1, 2008, as amended February 24, 2009 and August 21, 2009, wherein the Company acquired 100% interest in 17 mining claims situated in central Quebec west of the mining centre of Matagami, in exchange for \$250,000 (paid) and 900,000 common shares (issued).

The vendors will receive a 3% net smelter return ("NSR") royalty of which the Company may purchase at its discretion, 1½% of the net smelter return royalty for \$500,000. The Company also retains a first right of refusal on the balance of the net smelter return royalty.

Pursuant to an agreement dated October 18, 2019 (the "Effective Date"), the Company has granted exclusive right and option to an arm's length third party, to acquire up to 75% undivided interest in the Iron-T Vanadium property (the "Property").

Under the terms of the agreement, the third party is able to acquire a 100% undivided right, title, and interest in and to the Property (the "First Option") by:

- (i) making payment in aggregate of \$1,000,000 to the Company (the "First Option Payments") as follows:
 - a. \$25,000 in cash upon signing of the letter of intent (received);
 - b. \$75,000 in cash on the Effective Date of the agreement, being October 18, 2019 (not received);
 - c. an additional \$100,000 in cash on or prior to that date that is six months from the Effective Date (not received);

7. EXPLORATION AND EVALUATION ASSETS – CONTINUED

a) Iron-T Vanadium Project – continued

- (ii) issuing to the Company, over a period of four years, starting from the Effective Date, an amount of shares of the public entity representing an amount of \$800,000 (the "Compensation Shares"), as follows:
- a. an amount of shares of the public entity, representing an amount of \$200,000 on the date which is one year from the Effective Date (the "First Anniversary") (not received);
 - b. an amount of shares of the public entity, representing an amount of \$200,000 on the date which is two years from the Effective Date (the "Second Anniversary");
 - c. an amount of shares of the public entity, representing an amount of \$200,000 on the date which is three years from the Effective Date (the "Third Anniversary");
 - d. an amount of shares of the public entity, representing an amount of \$200,000 on the date which is one year from the Effective Date (the "Fourth Anniversary");
- (iii) incurring an aggregate of \$5,000,000 in expenditures on the Property on or before the date that is 48 months from the Effective Date (the "First Option Expenditures").

Additionally, if the third party has exercised the First Option, they will have the additional exclusive right and option to acquire an additional 10% undivided interest in the Property, for a total interest of 85% (the "Second Option"). To exercise the Second Option, the third party must complete a preliminary economic assessment on the Property within 24 months of the exercise of the First Option.

Additionally, if the third party has exercised the Second Option, they will have the additional exclusive right and option to acquire an additional 15% undivided interest in the Property, for a total interest of 100% (the "Third Option"). To exercise the Third Option, the third party must complete a positive feasibility study within 36 months of the exercise of the Second Option.

b) Lac Doré Project

The Lac Doré Project comprises two claim blocks, referred to as Lac Doré Main and Lac Doré North. The Lac Doré Main claims cover an area of 648.82 ha, and the Lac Doré North claims cover an area of 4,637.87 ha, with a total property area of 5,286.69 ha. and were acquired through staking. The Property overlaps four townships, Lemoine and Rinfret in the south and Roy and McCorkill in the north and occupies part of the southeast quadrant of the municipality of Chibougamau. The Lac Doré Project is located approximately 27 km east-southeast from the city of Chibougamau, in Eeyou Istchee James Bay Territory, Nord-du-Québec administrative region, Province of Québec, Canada.

c) Chibougamau Copper/Gold Assemblage

The property covered approximately 5,173 Ha in the Chibougamau region in the Province of Quebec acquired through staking, purchase or option agreements.

During the year ended October 31, 2016, the Company wrote off \$288,865 in costs associated with this property, as the Company is moving away from copper/gold projects in order to concentrate on its vanadium interests.

7. EXPLORATION AND EVALUATION ASSETS – CONTINUED

c) Chibougamau Copper/Gold Assemblage – continued

Pursuant to an agreement dated September 6, 2017 (the “Effective Date”), the Company has granted exclusive right and option to an arm’s length third party, to acquire up to 100% undivided interest in the surface and mining rights and mining claims of the Chibougamau project.

Under the terms of the agreement, the third party is able to acquire an 80% undivided interest (the “First Option”) in certain claims by:

- (i) making payments of an aggregate of \$200,000 to the Company as follows:
 - a. \$50,000 in cash on the Effective Date of the agreement, being September 6, 2017 (received);
 - b. an additional \$50,000 in cash on or prior to the date that is 12 months from the Effective Date (received);
 - c. an additional \$50,000 in cash on or prior to the date that is 24 months from the Effective Date (received);
 - d. an additional \$50,000 in cash on or prior to the date that is 36 months from the Effective Date (not received); and
- (ii) incurring an aggregate of \$500,000 in expenditures on the Chibougamau project on or before the date that is 36 months from the Effective Date.

Additionally, if the third party has exercised the First Option, they will have the additional exclusive right and option (the “Second Option”), exercisable any time prior to September 6, 2021, to acquire an additional 20% undivided interest in the Cornerback project, for a total interest of 100%, by paying the Company an additional \$50,000 on or before September 6, 2021.

If at any time after the First Option has been exercised, commercial production commenced or announced, whichever occurs first, the third party shall make a one-time payment of \$250,000 to the Company in cash.

Once the third party has exercised the Second Option, they shall grant the Company a 2% net smelter returns royalty on the Chibougamau project, which shall be subject to the right by the third party to repurchase one-half of the royalty (1%) for \$1,000,000 and a right of first refusal on the royalty, regardless of whether the third party has exercised its repurchase right.

During the year ended October 31, 2019, the Company received \$100,000 in option payments.

The third party also has the option to acquire 100% undivided interest in the surface and mining rights and certain mining claims for a cash payment of \$50,000 on or before September 6, 2021.

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

8. PATENT OPTION AGREEMENT

On November 23, 2018, the Company signed a Patent Option Agreement (“POA”) for Ultra Power Systems Pty Ltd. (“Ultra”) to purchase an exclusive license. Ultra plans to utilize the Australian license of VanadiumCorp-Electrochem Chemical Process Technology (“VEPT”) to expedite construction of the world’s first dedicated vanadium processing facility.

Key aspects of the signed POA include the following terms with all financial considerations split evenly between the Company and Electrochem Technologies & Materials Inc.:

- i) USD \$500,000 payment;
- ii) Non-reimbursable down payment received upon signed of the POA;
- iii) 6-month option to acquire the exclusive license of VEPT for the jurisdiction of Australia Territory; and
- iv) Definitive license terms in the POA include minimum annual payment, financing fees, and a gross royalty due upon production, applicable to all vanadium products, ferrous sulfate heptahydrate (copperas), titanium products, and other by-products for a project duration of 25 years.

During the year ended October 31, 2020, the Company received payments totaling \$Nil (2019 - \$323,881 (US\$250,000)) in relation to the POA. This agreement terminated in November 2019.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2020	October 31, 2019
Trade payables	\$ 280,662	\$ 560,475
Amounts due to related parties (Note 13)	157,000	126,543
Accrued liabilities	8,200	33,200
Subscriptions refundable	35,174	35,174
Payroll liabilities	-	9,889
	\$ 481,036	\$ 765,281

10. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value.

During the year ended October 31, 2020:

In November, 2019, the Company issued 5,700,000 units pursuant to a private plaacement for gross proceeds of \$285,000. Each unit consists of one common share and one common share purchase warrant, exercisable for two years at \$0.07. The Company incurred share issuance costs of \$8,106 in connection to this financing.

In December, 2019, the Company issued 12,307,731 flow-through common shares pursuant to a private placement for gross proceeds of \$800,003. Using the residual value method, the Company allocated \$492,310 to share capital and \$307,693 to the flow-through share premium liability. A cash commissions of \$64,000 was paid in connection to this financing.

In January, 2020, the Company issued 1,990,000 units pursuant to a private placement for gross proceeds of \$99,500. Each unit consists of one common share and one common share purchase warrant, exercisable for two years at \$0.07. Using the residual value method, \$79,600 was allocated to share capital and \$19,900 was allocated to the warrants reserve. The Company incurred share issuance costs of \$9,958 in connection to this financing.

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL – CONTINUED

In August, 2020, 1,400,000 flow-through common shares pursuant to a private placement for gross proceeds of \$98,000. The Company did not record a flow-through premium. A cash commissions of \$5,880 was paid in connection to this financing.

The Company issued 9,300,000 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$918,000.

During the year ended October 31, 2019:

The Company issued 11,111,109 flow-through common shares pursuant to a private placement for gross proceeds of \$1,000,000. The Company paid cash commissions of \$32,338 and issued 666,667 finder's shares with a deemed fair value of \$60,000 in compensation related to this financing.

The Company issued 12,138,461 flow-through common shares pursuant to a private placement for gross proceeds of \$789,000. The Company paid cash commissions of \$67,356 in compensation related to this financing.

The Company recorded a flow-through premium of \$520,547.

The Company issued 15,610,476 common shares pursuant to the exercise of share purchase warrants for gross proceeds of \$968,800.

Stock Options

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance - October 31, 2018	12,100,000	0.12
Granted	12,600,000	0.07
Expired	(300,000)	0.10
Balance - October 31, 2019 and 2020	24,400,000	0.09

During the year ended October 31, 2019, the Company granted a total of 12,600,000 stock options with an aggregate fair value of the vested options determined to be \$794,600. Using the Black-Scholes option pricing model to estimate the fair value of stock options granted as at the date of grant, the Company determined the weighted average fair value of each option to be \$0.06.

Details of stock options outstanding at October 31, 2020:

Options Outstanding	Exercise Price \$	Expiry Date	Remaining Life (years)
700,000	0.07	August 12, 2021	0.78
11,800,000	0.12	February 26, 2023	2.33
11,900,000	0.07	January 21, 2024	3.22
24,400,000	0.09		2.72

The fair values of the options were determined using the Black-Scholes option pricing model using the following assumptions:

	Risk-free interest rate	Dividend yield	Volatility factor	Expected option life
October 31, 2019	1.33% - 1.95%	0%	160%	2 - 5 years

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

10. SHARE CAPITAL – CONTINUED

Share Purchase Warrants

The continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance - October 31, 2018	50,119,174	0.08
Exercised	(15,610,476)	0.06
Expired	(20,789,999) (i)	0.09
Balance - October 31, 2019	13,718,699	0.10
Issued	7,690,000	0.07
Exercised	(9,300,000)	0.10
Balance - October 31, 2020	12,108,699	0.08

(i) Number of warrants expired adjusted by decreasing the previous number of 21,089,999 by 300,000 as these warrants were exercised and paid for in January, 2019, prior to expiry, but shares were not issued until June, 2020.

Details of share purchase warrants outstanding at October 31, 2020:

Number of Warrants	Exercise Price \$	Expiry Date	Remaining Life (Years)
5,700,000	0.07	November 18, 2021	1.05
1,990,000	0.07	January 30, 2022	1.25
4,418,699	0.10	April 8, 2022 *	1.44
12,108,699	0.08		1.24

* Expiry of warrants extended two years from April 8, 2020 to April 8, 2022.

11. CONTRIBUTED SURPLUS

Contributed surplus includes items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amounts are transferred to share capital.

12. RELATED PARTY TRANSACTIONS

Transactions with related parties were at the amounts agreed to by the related parties. Related party transactions not otherwise disclosed in these consolidated financial statements were as follows:

- During the year ended October 31, 2020, the Company paid a salary of \$241,232 (2019 - \$120,000) and a bonus of \$Nil (2019 - \$25,000) to officers of the Company.
- During the year ended October 31, 2020, the Company incurred management fees of \$60,000 (2019 - \$60,000) and a bonus of \$Nil (2019 - \$25,000) to the Chief Financial Officer of the Company.
- During the year ended October 31, 2020, the Company incurred consulting fees of \$41,706 (2019 - \$40,000) to a director and a company controlled by a director of the Company and a bonus of \$Nil (2019 - \$25,000) to the director.
- Included in receivables at October 31, 2020 is \$1,359 (2019 - \$25,981) owed from directors and officers.
- Included in accounts payable and accrued liabilities at October 31, 2020 is \$166,450 (2019 - \$126,543) owing to directors, officer and former director.

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS – CONTINUED

- f) During the year ended October 31, 2020, the Company incurred directors fees of \$82,000 (2019 - \$100,366) which includes a bonus of \$Nil (2019 - \$25,000).
- g) During the year ended October 31, 2020, the Company recorded share-based payments for options granted to directors and officers totalling \$Nil (2019 - \$622,422).

In the normal course of business, the Company advances and/or reimburses directors and officers for expenses incurred on the Company's behalf. Amounts due to and from related parties are non-interest bearing, unsecured and due on demand.

Key management personnel compensation

Key management includes the Company's executive directors and officers.

	Years ended	
	October 31, 2020	October 31, 2019
Short-term employee benefits – management fees, consulting fees and salaries	\$ 342,938	\$ 295,000
Directors fees	82,000	100,366
Share-based payments	-	622,422
	\$ 424,938	\$1,017,788

13. RESEARCH AND DEVELOPMENT

	Years ended	
	October 31, 2020	October 31, 2019
Research and development	\$ 249,503	\$ 191,039

Research and development expenses mostly relate to fees paid to a Quebec-based industrial company, Electrochem Technologies & Materials Inc. (Electrochem). In February 2017, the Company entered into an agreement with Electrochem to collaborate on metallurgical and electrochemical technologies to produce vanadium electrolyte ("VE") directly from Vanadiferous Titaniferous Magnetite concentrate. The Company and Electrochem each have a 50% ownership interest in the new intellectual property developed.

14. RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is in its cash and receivables. Cash and term deposits are held with major brokerage houses and major banks in Canada, which are high credit quality financial institutions as determined by rating agencies. At October 31, 2020, the Company's receivables comprise of \$145,182 (2019 - \$152,142) due from government agencies, \$Nil (2019 - \$13,507) receivable in relation to a vendor refund, and \$1,359 (2019 - \$25,981) due from related parties. Credit risk is determined to be low.

14. RISK MANAGEMENT – CONTINUED

Currency Risk

The Company's functional currency is the Canadian dollar. There is low foreign exchange risk to the Company as the Company primarily operates within Canada.

Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The income earned from bank accounts and short-term deposits is subject to movements in interest rates.

Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash to satisfy short-term liabilities in highly liquid investments. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms with the expectation of lease liabilities. The Company's lease liability matures based on the terms outlined in the lease agreement.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

Market Risk

All short-term investments are subject to price and market volatility.

15. CAPITAL MANAGEMENT

The Company currently manages its capital structure and makes adjustments to it, based on cash resources expected to be available to the Company, in order to support the planned exploration of mineral property interests. Management has not established a quantitative capital structure, but reviews on a regular basis the capital requirements of the Company relative to the stage of development of the business entity and mineral property interest and market conditions.

The Company currently is dependent on externally provided equity financing to fund its exploration activities. In order to carry out planned exploration and fund administrative costs, the Company will concentrate its capital plans to raise additional amounts as needed through equity placements. Management reviews the capital management approach on an ongoing basis and believes that this approach is reasonable given the current state of financial markets and the exploration industry. In the case of uncertainty over the ability to raise funds in current or future economic conditions, the Company would manage capital by minimizing ongoing expenses.

Other than circumstances arising from the global financial markets, there were no changes in the Company's approach to capital management for the year ended October 31, 2020, compared to the year ended October 31, 2019. The Company is not subject to externally imposed capital requirements.

16. CONTINGENCIES

A legal claim against the Company's directors, and numerous other parties, by the former CEO for wrongful dismissal and defamation during the Company's proxy contest in 2013 has commenced. The action is considered to be without merit and the action is being vigorously defended. The outcome of this legal action is not determinable and an estimate of any contingent loss arising from this action cannot be made.

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the exploration and development of mineral properties in Canada and the development of vanadium redox flow battery technology in Germany. At October 31, 2020, the long-term assets of \$30,369 (2019 - \$24,446) and \$5,637,152 (2019 - \$4,696,108) relate to equipment and exploration and evaluation assets, respectively, located in Canada and \$62,876 (2019 - \$Nil) of right-of-use asset located in Germany.

18. INCOME TAXES

Reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2019 – 27%) to the effective tax rate:

	October 31, 2020	October 31, 2019
	\$	\$
Expected income tax recovery at statutory rates	182,000	403,000
Non-deductible items and permanent differences	221,000	(218,000)
Share issuance costs and other	32,000	26,000
Flow-through shares renounced	(699,000)	-
Change in deferred tax assets not recognized	264,000	(211,000)
Deferred income tax recovery	-	-

As at October 31, 2020, the Company has unused non-capital losses of approximately \$16,331,000 that are available to offset future income for income tax purposes. The benefit of these tax losses has not been recognized in these consolidated financial statements.

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

18. INCOME TAXES – CONTINUED

These losses expire as follows:

2026	\$ 1,914,000
2028	1,112,000
2029	1,399,000
2030	1,786,000
2031	1,884,000
2032	1,356,000
2033	1,541,000
2034	378,000
2035	548,000
2036	517,000
2037	809,000
2038	849,000
2039	707,000
2040	1,531,000
	<u>\$ 16,331,000</u>

The significant components of the Company's unrecognized deferred tax assets were as follows:

	October 31, 2020	October 31, 2019
	\$	\$
Deferred income taxes assets:		
Exploration and evaluation assets	(370,000)	329,000
Losses available for future periods	4,695,000	4,273,000
Equipment	6,000	8,000
Share issue costs	35,000	23,000
Other temporary differences	64,000	61,000
	4,430,000	4,694,000
Unrecognized deferred tax assets	(4,430,000)	(4,694,000)
Deferred income tax assets	<u>-</u>	<u>-</u>

Vanadiumcorp Resource Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

19. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On transition to IFRS 16, the Company has a lease agreement for its office space in Germany. Effective October 1, 2020, the Company entered into a separate lease agreement for office space in Vancouver, British Columbia.

The ROU asset for the German office is amortized on a straight-line basis until the end of the lease term of December 2021.

The continuity of the ROU asset and lease liability for the year ended October 31, 2020 is as follows:

	\$
Right-of-use asset	
Value of ROU asset as at November 1, 2019	117,349
Depreciation	<u>(54,473)</u>
Value of ROU asset as at October 31, 2020	<u>62,876</u>
Lease liability	
Lease liability recognized as of November 1, 2019	117,349
Interest on lease liability	9,263
Lease payments	<u>(58,848)</u>
Foreign exchange	<u>(1,240)</u>
Lease liability as at October 31, 2020	<u>66,524</u>
Current portion	61,127
Long-term portion	<u>5,397</u>
	<u>66,524</u>

The future minimum lease payments as of October 31, 2020 were as follows:

Year ending October 31	\$
2021	65,197
2022	<u>5,444</u>
Total	70,640
Less amount representing interest payments	<u>(4,116)</u>
Present value of net minimum lease payments	<u>66,524</u>

20. COMMITMENT

The Company entered into flow-through share subscription agreements whereby it was obligated to incur a total of \$2,589,003 and \$98,000 on flow-through eligible expenditures by December 31, 2020 and 2021, respectively (\$2,188,685 incurred as at October 31, 2020).

21. SUBSEQUENT EVENTS

Subsequent to October 31, 2020:

- a) 10,000,000 units were issued for gross proceeds of \$500,000 pursuant to a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant, with each share purchase warrant exercisable to purchase one additional common share of the Company at an unit price of \$0.10 for a period of two years from closing.
- b) 8,406,000 units were issued for gross proceeds of \$840,600 pursuant to a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant, with each share purchase warrant exercisable to purchase one additional common share of the Company at an unit price of \$0.15 for a period of two years from closing.
- c) 1,594,000 units were issued for gross proceeds of \$159,400 pursuant to a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant, with each share purchase warrant exercisable to purchase one additional common share of the Company at an unit price of \$0.15 for a period of two years from closing.
- d) 4,200,000 stock options were granted to consultants for the Company. All stock options were fully vested on grant with options of 400,000, 100,000, 700,000 and 3,000,000 exercisable to purchase one common share of the Company at a price of \$0.12, \$0.10, \$0.08 and \$0.05 per share respectively for a period of five years from the date of grant.
- e) 2,600,000 stock options were granted to a director of the Company and 5,500,000 stock options were granted to consultants for the Company. All stock option were fully vested on grant with the 2,600,000 options and the 5,500,000 options exercisable to purchase one common share of the Company at a price of \$0.12 and \$0.08 per share respectively for a period of five years from the date of the grant.