

# **WESTKAM GOLD CORP.**

## **FINANCIAL STATEMENTS**

**For the Years Ended October 31, 2018 and 2017**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
WestKam Gold Corp.

We have audited the accompanying financial statements of WestKam Gold Corp., which comprise the statements of financial position as at October 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of WestKam Gold Corp. as at October 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about WestKam Gold Corp.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

March 1, 2019

**WESTKAM GOLD CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	Note	Oct. 31, 2018	Oct. 31, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 34,105	\$ 56,950
Receivables	3	41,242	30,522
Prepaid expense		2,620	-
Exploration advance	5	50,000	-
		127,967	87,472
<b>Equipment</b>	4	5,288	6,540
<b>Exploration and evaluation assets</b>	5	14,341,198	14,341,198
<b>Reclamation bonds</b>	5	100,000	100,000
		<b>\$ 14,574,453</b>	<b>\$ 14,535,210</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 769,816	\$ 570,557
Notes payable	6	183,520	-
		953,336	570,557
<b>Reclamation obligation</b>	5	41,000	41,000
		994,336	611,557
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	52,893,747	52,209,369
Share-based payments reserve	7	1,387,256	402,381
Share subscriptions in advance	7	-	626,000
Deficit		(40,700,886)	(39,314,097)
		13,580,117	13,923,653
		<b>\$ 14,574,453</b>	<b>\$ 14,535,210</b>

**Nature of Operations and Going Concern** (note 1)  
**Subsequent Event** (note 14)

On behalf of the Board:

"Matt Wayrynen" Director

"Akash Patel" Director

**WESTKAM GOLD CORP.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

		Year Ended Oct. 31,	
	Note	2018	2017
<b>EXPENSES</b>			
Consulting	8	\$ 10,000	\$ 231,403
Depreciation	4	1,252	1,555
Exploration expenses	5	306,439	668,053
Investor relations and shareholder information		12,029	16,095
Management fees	8	190,000	350,667
Office	8	40,909	56,101
Professional fees		49,802	73,825
Regulatory and filing fees		52,388	27,728
Share based compensation	7,8	920,023	-
<b>Operating loss</b>		(1,582,842)	(1,425,427)
<b>Interest expense</b>		(29,557)	(10,205)
<b>Reversal of payables</b>		64,400	-
<b>Loss and comprehensive loss for the year</b>		\$ (1,547,999)	\$ (1,435,632)
<b>Loss per share (Basic and Diluted)</b>	10	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>		249,932,842	205,076,954

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

**WESTKAM GOLD CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in Canadian Dollars)**

	Number of common shares	Share Capital	Share Subscriptions Receivable	Share Subscriptions in advance	Share-based payments reserve	Deficit	Total shareholders equity
<b>Balance, Oct. 31, 2016</b>	197,642,707	\$51,899,369	\$ (15,000)	\$ -	\$ 340,548	\$(37,878,465)	\$14,408,285
Private placements	15,500,000	310,000	15,000	-	-	-	325,000
Subscriptions received in advance	-	-	-	626,000	-	-	626,000
Loss and comprehensive loss	-	-	-	-	-	(1,435,632)	(1,435,632)
<b>Balance, Oct. 31, 2017</b>	<b>213,442,707</b>	<b>\$52,209,369</b>	<b>\$ -</b>	<b>\$ 626,000</b>	<b>\$ 402,381</b>	<b>\$ (39,314,097)</b>	<b>\$13,923,653</b>
Private placement	45,600,000	910,440	-	(626,000)	-	-	284,440
Residual value of warrants	-	(228,000)	-	-	228,000	-	-
Reversal of expired options	-	-	-	-	(161,210)	161,210	-
Reversal of expired warrants	-	1,938	-	-	(1,938)	-	-
Share-based compensation	-	-	-	-	920,023	-	920,023
Loss and comprehensive loss	-	-	-	-	-	(1,547,999)	(1,547,999)
<b>Balance, Oct. 31, 2018</b>	<b>259,042,707</b>	<b>\$52,893,747</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,387,256</b>	<b>\$ (40,700,886)</b>	<b>\$13,580,117</b>

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

**WESTKAM GOLD CORP.**  
**STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian Dollars)**

	Year ended October 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss and comprehensive loss for the year	\$ (1,547,999)	\$ (1,435,632)
Items not affecting cash:		
Depreciation	1,252	1,555
Gain on write off of accounts payable	(64,400)	-
Accrued interest	28,582	-
Share-based compensation	920,023	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(10,720)	125,267
Decrease (increase) in prepaid expenses	(2,620)	58,846
Decrease (increase) in exploration advances	(50,000)	21,438
Increase in accounts payable	235,077	311,438
<b>Net cash used in operating activities</b>	<b>(490,805)</b>	<b>(917,088)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation bond	-	(60,000)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(60,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares for cash	286,000	325,000
Notes payable proceeds	213,520	-
Notes payable repaid	(30,000)	-
Share subscriptions received in advance	-	626,000
Share issuance costs	(1,560)	-
<b>Net cash provided by financing activities</b>	<b>467,960</b>	<b>951,000</b>
<b>CHANGE IN CASH DURING THE YEAR</b>	<b>(22,845)</b>	<b>(26,088)</b>
<b>CASH, beginning of year</b>	<b>56,950</b>	<b>83,038</b>
<b>CASH, end of year</b>	<b>\$ 34,105</b>	<b>\$ 56,950</b>
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	975	-
<b>Supplemental disclosure with respect to cash flows</b>		
Re-allocation of subscriptions received in advance	626,000	-
Expiry of warrants	1,938	-
Expiry of options	161,210	-

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

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN**

WestKam Gold Corp. (the "Company") was incorporated October 2, 1982 under the laws and Company Act of British Columbia, Canada, is domiciled in Canada and is a reporting issuer in the provinces of British Columbia and Alberta, Canada. The Company trades on the TSX Venture Exchange under the symbol "WKG". The Company's head and registered offices are located at Suite 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recovery of amounts comprising the exploration and evaluation assets is dependent upon the confirmation of recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of these reserves, the potential future profitability of these reserves or alternatively, the disposition, on an advantageous basis, of the Company's interests in the exploration and evaluation assets. The Company has a working capital deficiency, continues to incur losses and will require additional financing for the upcoming year. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance:**

These financial statements have been prepared in accordance with IAS 1 "Presentation of Financial Statements" ("IAS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on February 27, 2019.

**b) Basis of presentation:**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**c) Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**d) Equipment:**

Equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. The cost of equipment includes the purchase price, costs that can be directly attributed to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs for dismantling, removal and restoration of the site on which it is located.

Depreciation is recorded over the estimated useful life of the asset on a declining balance basis at the following annual rates:

Office furniture and equipment	20%
Computer equipment	30%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

**e) Exploration and evaluation assets:**

Upon acquiring the legal right to explore a mineral property (exploration and evaluation assets), all direct costs related to the acquisition of a mineral property are capitalized. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and the decision to proceed with development are recognized in profit or loss as incurred, net of recoveries.

Development expenditures incurred to increase or to extend the life of existing production and incurred subsequent to the development decision, are capitalized and amortized on the unit-of-production method using estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period that such a determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**f) Provisions:**

*Rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual and constructive or legal obligations, resulting from the acquisition, construction, development or normal operations of exploration and evaluation assets and property, plant and equipment including those associated with the reclamation of these assets. Initially, a liability for an decommissioning liability is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized costs are amortized over the life of the related assets. At the end of each reporting period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional decommissioning costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Rehabilitation expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

**g) 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. 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.

**h) Significant accounting estimates and judgments:**

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

*Significant accounting judgments*

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**h) Significant accounting estimates and judgments (cont'd):**

Critical judgements exercised relates primarily to the going concern issue in Note 1.

*Critical Accounting Estimates*

- i) Share-based compensation – The fair value of share-based payments is determined using the Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.
- ii) Deferred income taxes – Judgment is required in determining whether deferred income tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.
- iii) Recoverability of the carrying value of the Company's exploration and evaluation assets – Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

**i) Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**j) Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local statutory tax rates enacted or substantively enacted at the statement of financial position date, and include adjustments to income tax payable or receivable for previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be in effect when the temporary differences are likely to be settled. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

No deferred income tax assets have been recognized for the years presented.

**k) Earnings (loss) per share:**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**l) Financial assets:**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through statements of loss and comprehensive loss. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost using the effective interest rate. The Company’s receivables and reclamation bonds are classified as loans and receivables.

Financial assets classified as available for sale or held for maturity are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered other than temporary which are recognized in the statements of loss and comprehensive loss. The Company has not classified any financial assets as available for sale or held to maturity.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**l) Financial assets (cont'd):**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less direct attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and notes payable are classified as other financial liabilities.

**m) Impairment:**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. 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 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and 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.

**n) Flow-through shares:**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability. The liability is reduced and recorded to profit or loss on a proportionate basis as the qualifying expenditures are made.

**o) Share capital:**

Share capital represents the amount received on the issue of shares, less issuance costs. Reserves includes charges related to stock options and warrants until such equity instruments are exercised. The Company transfers to share capital or deficit the value of expired, forfeited or canceled warrants or options respectively. Warrants that are part of units are assigned a value based on the residual value, if any, and are included in reserves. Deficit includes all current and prior year losses.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**p) New standards, amendments and interpretations adopted:**

A number of new standards, amendments to standards and interpretations are not yet effective as of October 31, 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, other than increased note disclosure.

**Effective for annual periods beginning on or after January 1, 2018**

**IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*:**

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

**IFRS 2 *Share-based Payment*:**

IFRS 2 was amended in June 2016, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled.

**Effective for annual periods beginning on or after January 1, 2019**

**IFRS 16, *Leases*:**

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

**NOTE 3 – RECEIVABLES**

Receivables are comprised of the following:

	<b>October 31, 2018</b>	<b>October 31, 2017</b>
GST Receivable	\$ 41,242	\$ 30,522
Total	<u>\$ 41,242</u>	<u>\$ 30,522</u>

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 4 – EQUIPMENT**

	Computer equipment	Furniture, fixtures and equipment	Total
<b>Cost</b>			
Balance at October 31, 2016, 2017 and 2018	\$ 41,035	\$ 68,065	\$ 109,100
<b>Depreciation and impairment</b>			
Balance at October 31, 2016	\$ 40,389	\$ 60,616	\$ 101,005
Depreciation	173	1,382	1,555
Balance at October 31, 2017	\$ 40,562	\$ 61,998	\$ 102,560
Depreciation	127	1,125	1,252
Balance at October 31, 2018	\$ 40,689	\$ 63,123	\$ 103,812
<b>Carrying values</b>			
Balance at October 31, 2017	\$ 473	\$ 6,067	\$ 6,540
Balance at October 31, 2018	\$ 346	\$ 4,942	\$ 5,288

**NOTE 5 – EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

Exploration and evaluation assets costs are set out below:

	Bonaparte
As at October 31, 2018 and 2017	\$ 14,341,198

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2018 and 2017**

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**NOTE 5 – EXPLORATION AND EVALUATION ASSETS (Continued)**

**Bonaparte Gold property - Kamloops, British Columbia**

The Company has a 100% interest in the Bonaparte Gold property located in the Kamloops mining district in British Columbia.

The Company entered into an advanced exploration agreement with the Stk'emlupsemc Te Secwepemc Nation requiring the Company to fund a Cultural Heritage Study ( the "Study") with funding requirements as follows:

- 1) \$100,000 upon receipt of Study proposal (paid – fiscal 2016)
- 2) \$50,000 within 12 months of receipt of proposal (paid – fiscal 2016)
- 3) \$150,000 upon receipt of final Study

The above payments have been included in exploration expenditures as advanced exploration fees.

The table below is a summary of exploration expenditures recognized in profit or loss for the years ended October 31, 2018 and 2017:

	2018	2017
	Bonaparte	Bonaparte
<b>Exploration Expenses</b>		
Assays	-	6,599
Camp supplies, maintenance and miscellaneous	35,670	65,588
Drilling and field support	2,568	-
Excavation and support	117,890	397,013
Geological consulting	49,025	114,627
Other	19,602	23,545
Travel and accommodation	13,396	23,414
Water monitoring and testing	8,289	37,267
<b>Net Exploration</b>	<b>\$ 306,439</b>	<b>\$ 668,053</b>

As at October 31, 2018, the Company had \$50,000 in advances (2017 - \$nil) to certain vendors for future exploration costs and has issued reclamation bonds of \$100,000 (2017 - \$100,000) for future reclamation work on the Bonaparte Gold property.

As at October 31, 2018, the Company has recognized a reclamation obligation of \$41,000 (2017 - \$41,000). The undiscounted amount of estimated cash flows was estimated at \$41,000. The liability was estimated using an expected life of three years and a net discount rate of 0.64%

**NOTE 6 – NOTES PAYABLE**

During fiscal 2018, the Company entered into notes payable with a related party (Note 8) for gross proceeds of \$183,520. The notes payable bear interest at an annual rate of 8.95%, does not have fixed repayment terms, and is due on demand. The Company also entered into a note payable with an annual interest rate of 8.95% with the CFO for proceeds of \$30,000 which was repaid during the year. The Company paid \$975 in interest associated with the note payable.

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**NOTE 7 – SHARE CAPITAL**

The Company's share capital consists of an unlimited number of common shares without par value.

**Fiscal 2018 Transactions**

On December 13, 2017, the Company completed a non-brokered private placement of 31,750,000 flowthrough units and 13,850,000 non-flow-through units at a price of \$0.02 per unit for gross proceeds of \$912,000, of which \$626,000 was received in advance. Units and flow-through units consisted of one common share and one common share purchase warrant exercisable at a price of \$0.05 for a period of three years following the close of the private placement. The warrants were assigned a residual value of \$228,000

**Fiscal 2017 Transactions**

On May 16, 2017, the Company completed a non-brokered private placement of 6,500,000 flow-through units and 9,000,000 non-flow units at a price of \$0.02 per unit for gross proceeds of \$310,000. Units and flow-through units consisted of one common share and one common share purchase warrant exercisable at a price of \$0.05 for a period of three years following the close of the private placement.

**Share-based compensation**

The Company has an equity-settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

On February 6, 2018, the Company granted incentive stock options for the purchase of up to 22,400,000 common shares, at a price of \$0.05 per share, and exercisable on or before February 6, 2023, to directors, officers and consultants of the Company. The total fair value of options granted using the Black-Scholes option pricing model was \$920,023. A total of \$920,023 (2017 - \$nil) was charged to operations, offset to share-based payment reserves (2017 - \$nil).

The continuity of options for the years ended October 31, 2018 and 2017 is as follows:

Number outstanding Oct. 31, 2017	Granted	Exercised	Expired/ Cancelled	Number outstanding Oct. 31, 2018	Exercise price per share	Expiry date
4,300,000	-	-	(2,450,000)	<b>1,850,000*</b>	\$0.05	Aug. 21, 2019
-	22,400,000	-	-	<b>22,400,000*</b>	\$0.05	Feb. 6, 2023
4,300,000	22,400,000	-	(2,450,000)	<b>24,250,000</b>	\$0.05	<i>(weighted average)</i>
				Exercisable		
\$0.05	\$0.05	-	\$0.05	<b>24,250,000</b>	\$0.05	<i>(weighted average)</i>

\* Cancelled or expired subsequent to year-end, unexercised.

**WESTKAM GOLD CORP.**  
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**NOTE 7 – SHARE CAPITAL (Continued)**

The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2018	2017
Dividend yield	Nil	Nil
Expected volatility	118.46%	-
Risk free rate of return	1.49%	-
Expected life	5 yrs.	-
Fair value	\$0.04	-

**Warrants**

The continuity of warrants for the years ended October 31, 2018 and 2017 is as follows:

Expiry Date	Exercise Price	Oct. 31, 2017	Granted	Exercised	Expired/ cancelled	Oct. 31, 2018
July 26, 2018	\$0.10	10,626,000	-	-	(10,626,000)	-
July 26, 2018	\$0.10/ \$0.20	3,300,000	-	-	(3,300,000)	-
Aug. 21, 2019	\$0.10	3,008,333	-	-	-	3,008,333
Aug. 21, 2019	\$0.10	656,000	-	-	-	656,000
May 16, 2020	\$0.05	15,500,000	-	-	-	15,500,000
June 17, 2020	\$0.05	16,300,000	-	-	-	16,300,000
June 17, 2020	\$0.05	570,000	-	-	-	570,000
Dec. 13, 2020	\$0.05	-	45,600,000	-	-	45,600,000
Jan. 27, 2021	\$0.05	17,900,000	-	-	-	17,900,000
Apr. 29, 2021	\$0.05	59,697,499	-	-	-	59,697,499
May 16, 2021	\$0.05	7,762,333	-	-	-	7,762,333
		135,320,165	45,600,000		(13,926,000)	166,994,165
Weighted average		\$0.06	\$0.05	-	\$0.12	\$0.05

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**NOTE 7 – SHARE CAPITAL (Continued)**

**Warrants (Continued)**

Expiry Date	Exercise Price	Oct. 31, 2016	Granted	Exercised	Expired/ cancelled	Oct. 31, 2017
July 26, 2018	\$0.10	10,626,000	-	-	-	10,626,000
July 26, 2018	\$0.10/ \$0.20	3,300,000	-	-	-	3,300,000
Aug. 21, 2019	\$0.07/ \$0.10 <sup>(ii)</sup>	3,008,333	-	-	-	3,008,333
Aug. 21, 2019	\$0.10	656,000	-	-	-	656,000
May 16, 2020	\$0.05	-	15,500,000	-	-	15,500,000
June 17, 2020	\$0.05	16,300,000	-	-	-	16,300,000
June 17, 2020	\$0.05	570,000	-	-	-	570,000
Jan. 27, 2021	\$0.05	17,900,000	-	-	-	17,900,000
Apr. 29, 2021	\$0.05	59,697,499	-	-	-	59,697,499
May 16, 2021	\$0.05	7,762,333	-	-	-	7,762,333
		119,820,165	15,500,000			135,320,165
Weighted average		\$0.06	\$0.05	-	-	\$0.06

<sup>ii)</sup> the exercise price of the warrants is \$0.07 in the first two years, and \$0.10 thereafter

**NOTE 8 – RELATED PARTY TRANSACTIONS**

The Company's related parties which consist of individuals who are executive officers and/or directors of the Company and or are directly related to a director of the Company are as follows:

Name	Nature of transaction
Matt Wayrynen, CEO, Director <sup>(1)</sup>	Management fees, office
Dana Dziurzynski <sup>(2)</sup>	Management fees
Pamela Saulnier, CFO	Management fees and consulting fees
Corey Klassen, Director	Consulting fees

<sup>(1)</sup> Mr. Wayrynen was reappointed as CEO on January 25, 2018.

<sup>(2)</sup> Mr. Dziurzynski resigned as CEO on January 25, 2018.

Key management consist of the chief executive officer, chief financial officer, directors and a company controlled by a director.

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**NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)**

The Company incurred the following fees and expenses with key management.

	<b>October 31, 2018</b>	<b>October 31, 2017</b>
Management and consulting fees	\$ 200,000	\$ 359,000
Office	15,800	5,977
Interest expense	975	-
Share-based compensation	49,286	-
Rent (included in Office)	18,887	31,609
<b>Total</b>	<b>\$ 284,948</b>	<b>\$ 396,586</b>

Included in accounts payable is \$144,574 (2017 - \$27,819) to directors and officers or companies controlled by them. Notes payable of \$183,520 are due to a company controlled by the CEO. Included in prepaid expenses is \$2,620 (2017 - \$nil) to the CFO.

Compensation of related parties other than key management included \$nil (2017 - \$20,000) in consulting fees, which remains in accounts payable as of October 31, 2018.

**NOTE 9 – SEGMENTED INFORMATION**

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada.

**NOTE 10 – BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the year ended October 31, 2018 is based on the loss attributable to common shareholders of \$1,547,999 (2017 - \$1,435,632) and a weighted average number of common shares outstanding of 249,932,842 (2017 – 205,076,954).

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**NOTE 11 - INCOME TAX**

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

	2018	2017
Loss for the year	\$ (1,547,999)	\$ (1,435,632)
Expected income tax (recovery)	(415,000)	(373,000)
Change in statutory rates and other	16,000	(362,000)
Impact of flow through share	82,000	34,000
Permanent differences	247,000	-
Adjustment per statutory return filed	(256,000)	-
Change in unrecognized deductible temporary differences	326,000	701,000
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial positions are as follows:

	2018	2017
Share issuance costs	24,000	55,000
Non-capital losses	4,209,000	3,777,000
Reclamation obligation	11,000	11,000
Allowable capital losses	90,000	-
Equipment	18,000	18,000
Exploration and evaluation assets	888,000	1,053,000
Unrecognized deferred tax assets	\$ 5,240,000	\$ 4,914,000

The Company has non-capital losses of approximately \$15,590,000 (2017 - \$13,988,000) available for deduction against future taxable income. These losses, if not utilized, will expire through 2038. The Company has resource expenditures of approximately \$17,629,000 (2017 - \$18,242,000) available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized. The Company is obligated to incur \$329,000 in eligible exploration expenditures pursuant to flow-through financings completed.

**NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair values**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;

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**NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (Continued)**

- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, reclamation bonds, accounts payable and accrued liabilities and notes payable are measured at amortized cost using effective interest rate.

**Financial instrument risk exposure and risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

**Credit risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of amounts due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

**Interest rate risk**

The Company has cash balances. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk. The Company's bank account earns interest income at variable rates and its notes payable carry fixed interest rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

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**NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (Continued)**

**Foreign currency risk**

The Company has limited exposure to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars.

**Commodity price risk**

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

**NOTE 13 – CAPITAL MANAGEMENT**

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

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.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments. There have been no changes to the Company's approach to capital management during the year ended October 31, 2018. The Company is not subject to externally imposed capital requirements.

**NOTE 14 – SUBSEQUENT EVENT**

Subsequent to the year ended October 31, 2018, 24,250 stock options were cancelled or expired unexercised.