

# **WESTKAM GOLD CORP.**

## **FINANCIAL STATEMENTS**

**For the Years Ended October 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
WestKam Gold Corp.

### *Opinion*

We have audited the accompanying financial statements of WestKam Gold Corp. (the "Company"), which comprise the statements of financial position as at October 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company has a working capital deficiency, continues to incur losses and will require additional financing for the upcoming year. As stated in Note 1, these material uncertainties may cast significant doubt regarding 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's 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.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

A handwritten signature in black ink that reads "Davidson & Coysany LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 1, 2021

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

	Note	Oct. 31, 2020	Oct. 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 250,615	\$ 28,006
Receivables	3	10,426	31,241
Prepaid expense	8	5,000	5,000
		266,041	64,247
<b>Deferred financing costs</b>	14	11,831	-
<b>Equipment</b>	4	3,464	4,278
<b>Exploration and evaluation assets</b>	5	1,000	14,341,198
<b>Reclamation bonds</b>	5	100,000	100,000
		<b>\$ 382,336</b>	<b>\$ 14,574,453</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 983,860	\$ 1,007,083
Notes payable	6	-	245,085
		983,860	1,252,168
<b>Reclamation obligation</b>	5	41,000	41,000
		1,024,860	1,293,168
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	7	54,068,696	52,935,764
Share subscriptions received in advance	14	285,000	-
Share-based payments reserve	7	287,895	303,500
Deficit		(55,284,115)	(40,022,709)
		(642,524)	13,216,555
		<b>\$ 382,336</b>	<b>\$ 14,509,723</b>

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

On behalf of the Board:

**"Matt Wayrynen" Director**

**"Corey Klassen" Director**

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

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

		Year Ended Oct. 31,	
	Note	2020	2019
<b>EXPENSES</b>			
Consulting		\$ 65,000	\$ -
Depreciation	4	814	1,010
Exploration expenses (net of recovery)	5	2,668	109,075
Investor relations and shareholder information		19,034	13,335
Management fees	8	170,000	180,000
Office		26,213	24,036
Professional fees		19,897	30,112
Regulatory and filing fees		33,406	23,769
<b>Operating loss</b>		<b>(337,032)</b>	<b>(381,337)</b>
<b>Interest expense and penalties</b>	<b>6,8</b>	<b>(162,076)</b>	<b>(23,060)</b>
<b>Loss on settlement of debt</b>	<b>7</b>	<b>(396,471)</b>	<b>-</b>
<b>Mineral property impairment loss</b>	<b>5</b>	<b>(14,340,198)</b>	<b>-</b>
<b>Impairment of receivables</b>		<b>(25,629)</b>	<b>-</b>
<b>Recovery of bad debt</b>	<b>8</b>	<b>-</b>	<b>22,500</b>
<b>Reversal of payables</b>		<b>-</b>	<b>18,335</b>
<b>Loss and comprehensive loss for the year</b>		<b>\$ (15,261,406)</b>	<b>\$ (363,562)</b>
<b>Loss per share (Basic and Diluted)</b>	<b>10</b>	<b>\$ (1.62)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>		<b>9,435,412</b>	<b>7,401,216</b>

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

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

	Number of common shares	Share Capital	Share Subscriptions in advance	Share-based payments reserve	Deficit	Total shareholders equity (deficiency)
<b>Balance, Oct. 31, 2018</b>	<b>7,401,216</b>	<b>\$52,893,747</b>	<b>\$ -</b>	<b>\$1,387,256</b>	<b>\$ (40,700,886)</b>	<b>\$13,580,117</b>
Reversal of expired options	-	-	-	(1,041,739)	1,041,739	-
Reversal of expired warrants	-	42,017	-	(42,017)	-	-
Loss and comprehensive loss	-	-	-	-	(363,562)	(363,562)
<b>Balance, Oct. 31, 2019</b>	<b>7,401,216</b>	<b>\$52,935,764</b>	<b>-</b>	<b>303,500</b>	<b>(40,022,709)</b>	<b>13,216,555</b>
Shares issued for settlement of debt	7,208,560	1,117,327	-	-	-	1,117,327
Share subscriptions	-	-	285,000	-	-	285,000
Reversal of expired warrants	-	15,605	-	(15,605)	-	-
Loss and comprehensive loss	-	-	-	-	(15,261,406)	(15,261,406)
<b>Balance, Oct. 31, 2020</b>	<b>14,609,776</b>	<b>\$54,068,696</b>	<b>\$ 285,000</b>	<b>\$ 287,895</b>	<b>\$(55,284,115)</b>	<b>\$ (642,524)</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,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss and comprehensive loss for the year	\$ (15,261,406)	\$ (363,562)
Items not affecting cash:		
Depreciation	814	1,010
Gain on reversal of accounts payable	-	(18,335)
Loss on settlement of debt	396,471	-
Mineral property impairment charge	14,340,198	-
Impairment of receivables	25,629	-
Accrued interest	10,059	17,901
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(4,814)	10,001
Decrease (increase) in prepaid expenses	-	(2,380)
Decrease in exploration advances	-	50,000
Increase (decrease) in accounts payable	462,632	255,602
<b>Net cash used in operating activities</b>	<b>(30,347)</b>	<b>(49,763)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subscriptions received in advance	285,000	-
Notes payable proceeds (repayment)	(32,044)	43,664
<b>Net cash provided by financing activities</b>	<b>252,956</b>	<b>43,664</b>
<b>CHANGE IN CASH DURING THE YEAR</b>	<b>222,609</b>	<b>(6,099)</b>
<b>CASH, beginning of year</b>	<b>28,006</b>	<b>34,105</b>
<b>CASH, end of year</b>	<b>\$ 250,615</b>	<b>\$ 28,006</b>
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	23,995	5,159
<b>Supplemental disclosure with respect to cash flows</b>		
Expiry of warrants	\$ 15,605	\$ 42,017
Expiry of options	-	1,041,739
Shares issued for debt	1,117,327	-
Share issue costs in accounts payable	11,831	-

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, 2020 and 2019**

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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.

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

During December 2019, the Company completed a share consolidation on a thirty-five to one basis. All share and per share amounts have been restated to reflect the consolidation.

**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 March 1, 2021.

**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 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, 2020 and 2019**

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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.

Tax credits received are applied to the related expenditures.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2020 and 2019**

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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, 2020 and 2019**

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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) 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.

**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.

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

**j) Income taxes (cont'd):**

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 instruments:**

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

**Fair Value Through Profit or Loss (“FVTPL”)**

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Gains and losses arising from changes in fair value are presented in profit or loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

**Fair value through other comprehensive income (“FVTOCI”)**

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2020 and 2019**

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

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

Amortized Cost

Amortized cost instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Amortized cost instruments are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. Receivables and reclamation bonds are classified as amortized cost.

Financial Liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables, and notes payable which are classified at amortized cost.

Expected Credit Loss

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 profit or 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.

**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.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the years ended October 31, 2020 and 2019**

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

**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.

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

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's consolidated financial statements.

**NOTE 3 – RECEIVABLES**

Receivables are comprised of the following:

	<b>October 31, 2020</b>	<b>October 31, 2019</b>
GST Receivable	\$ 10,426	\$ 31,241
Total	<u>\$ 10,426</u>	<u>\$ 31,241</u>

During the year ended October 31, 2020, certain receivables were considered to be uncollectible, accordingly the Company recorded an impairment of \$25,629 (2019 – nil)

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**NOTE 4 – EQUIPMENT**

	Computer equipment	Furniture, fixtures and equipment	Total
<b>Cost</b>			
Balance at October 31, 2018, 2019 and 2020	\$ 41,035	\$ 68,065	\$ 109,100
<b>Depreciation and impairment</b>			
Balance at October 31, 2018	\$ 40,689	\$ 63,123	\$ 103,812
Depreciation	93	917	1,010
Balance at October 31, 2019	\$ 40,782	\$ 64,040	\$ 104,822
Depreciation	68	746	814
Balance at October 31, 2020	\$ 40,850	\$ 64,786	\$ 105,636
<b>Carrying values</b>			
Balance at October 31, 2019	\$ 254	\$ 4,025	\$ 4,278
Balance at October 31, 2020	\$ 185	\$ 3,279	\$ 3,464

**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, 2019 and 2018	\$ 14,341,198
Additions	-
Impairment charge	(14,340,198)
As at October 31, 2020	\$ 1,000

For the year ended December 31, 2020 an impairment charge of \$14,340,198 was recognized in respect of the Bonaparte Property, leaving a nominal property value. Management performed impairment testing on the property and assessed that indicators of impairment were present, primarily due to current market conditions affecting the Company's market capitalization and recoverability of value, and determined the property should be impaired. The Company will continue to maintain its mineral claims in good standing and undertake further exploration on the property.

**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.

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

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"). To date, the Company funded \$150,000 and is required to fund \$150,000 upon receipt of the final Study.

The table below is a summary of exploration expenditures recognized in profit or loss for the years ended October 31, 2020 and 2019:

	2020	2019
	Bonaparte	Bonaparte
<b>Exploration Expenses</b>		
Camp supplies, maintenance and miscellaneous	-	19,774
Drilling and field support	-	38,436
Geological consulting	51,600	48,506
Other	-	-
Travel and accommodation	-	-
Water monitoring and testing	6,303	2,359
Tax credit recovery	(55,235)	-
<b>Net Exploration</b>	<b>\$ 2,668</b>	<b>\$ 109,075</b>

As at October 31, 2020, the Company has issued reclamation bonds of \$100,000 (2019 - \$100,000) for future reclamation work on the Bonaparte Gold property.

As at October 31, 2020, the Company has recognized a reclamation obligation of \$41,000 (2019 - \$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. An additional \$43,664 in principal was advanced during fiscal 2019. The notes payable bear interest at an annual rate of 8.95%, do not have fixed repayment terms, and are due on demand. During fiscal 2020 the Company recorded interest expense of \$10,129 (2019 - \$17,901) associated with the loans.

During fiscal 2020, the Company paid \$32,044 and issued 2,171,840 common shares valued at \$336,635 to settle \$217,184 of principal and interest resulting in a loss on settlement of debt of \$119,451.

**NOTE 7 – SHARE CAPITAL**

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

In December 2019, the Company consolidated its share capital on a 35:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

**Fiscal 2020 Transactions**

During the year ended October 31, 2020, the Company completed a debt settlement transaction, issuing 7,208,560 common shares at a value of \$1,117,327 to retire \$720,856 of amounts payable to consultants, lenders and other creditors, including related parties, resulting in a loss on settlement of \$396,471.

**Fiscal 2019 Transactions**

There were no share issuances during the year ended October 31, 2019.

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

**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.

No options were granted during the years ended October 31, 2020 or 2019.

There were no stock options outstanding as at October 31, 2020 or 2019.

**Warrants**

The continuity of warrants for the years ended October 31, 2020 and 2019 is as follows:

Expiry Date	Exercise Price	Oct. 31, 2019	Granted	Exercised	Expired/ cancelled	Oct. 31, 2020
May 16, 2020	\$1.75	442,857	-	-	(442,857)	-
June 17, 2020	\$1.75	465,714	-	-	(465,714)	-
June 17, 2020	\$1.75	16,286	-	-	(16,286)	-
Dec. 13, 2020	\$1.75	1,302,857	-	-	-	1,302,857*
Jan. 27, 2021	\$1.75	511,429	-	-	-	511,429*
Apr. 29, 2021	\$1.75	1,705,643	-	-	-	1,705,643
May 16, 2021	\$1.75	221,782	-	-	-	221,782
		4,666,568	-	-	(924,857)	3,741,711
Weighted average		\$1.75	-	-	\$1.75	\$1.75

\*expired subsequent to October 31, 2020, unexercised.

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

Expiry Date	Exercise Price	Oct. 31, 2018	Granted	Exercised	Expired/ cancelled	Oct. 31, 2019
Aug. 21, 2019	\$3.50	85,952	-	-	(85,952)	-
Aug. 21, 2019	\$3.50	18,743	-	-	(18,743)	-
May 16, 2020	\$1.75	442,857	-	-	-	442,857
June 17, 2020	\$1.75	465,714	-	-	-	465,714
June 17, 2020	\$1.75	16,286	-	-	-	16,286
Dec. 13, 2020	\$1.75	1,302,857	-	-	-	1,302,857
Jan. 27, 2021	\$1.75	511,429	-	-	-	511,429
Apr. 29, 2021	\$1.75	1,705,643	-	-	-	1,705,643
May 16, 2021	\$1.75	221,782	-	-	-	221,782
		4,771,263	-	-	(104,695)	4,666,568
Weighted average	\$1.75	-	-	-	\$3.50	\$1.75

**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	Management fees
Pamela Saulnier, CFO	Management fees
Corey Klassen, Director	Management fees

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

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

	October 31, 2020	October 31, 2020
Management fees	\$ 170,000	\$ 200,000
Interest expense	10,129	975
Total	\$ 180,129	\$ 284,948

Included in accounts payable is \$446,777 (2019 - \$319,468) owing to directors and officers or companies controlled by them. Notes payable of \$nil (2019 - \$245,085) are due to a company controlled by the CEO. Included in prepaid expenses is \$5,000 (2019 - \$5,000) to executive officers of the Company.

During fiscal 2019, the Company recovered \$22,500 in bad debt from a company related by way of common management.

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

During fiscal 2020, the company repaid notes payable and related interest of \$249,228 via cash and shares (Note 6) to a related party. The Company also issued a further 225,000 shares to related parties to settle debt of \$34,875, resulting in a loss on settlement of \$12,375.

**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, 2020 is based on the loss attributable to common shareholders of \$15,261,406 (2019 - \$363,562) and a weighted average number of common shares outstanding of 9,435,412 (2019 – 7,401,216).

**NOTE 11 - INCOME TAX**

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

	2020	2019
Loss for the year	\$ (15,261,406)	\$ (363,562)
Expected income tax (recovery)	(4,121,000)	(98,000)
Change in statutory rates and other	-	1,000
Impact of flow through share	-	28,000
Change in unrecognized deductible temporary differences	4,114,000	326,000
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:

	2020	2019
Share issuance costs	-	11,000
Non-capital losses	4,736,000	4,400,000
Reclamation obligation	11,000	11,000
Allowable capital losses	90,000	90,000
Equipment	19,000	19,000
Exploration and evaluation assets	4,567,000	778,000
Unrecognized deferred tax assets	9,423,000	\$ 5,309,000

The Company has non-capital losses of approximately \$17,540,000 (2019 - \$16,296,000) available for deduction against future taxable income. These losses, if not utilized, will expire through 2040. The Company has resource expenditures of approximately \$16,916,000 (2019 - \$17,224,000) 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.

## **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;
- 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, and approximate fair value due to their short term nature.

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.

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

**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.

**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, 2020. The Company is not subject to externally imposed capital requirements.

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**NOTE 14 – SUBSEQUENT EVENT**

Subsequent to the year ended October 31, 2020, the Company completed a private placement, issuing 8,125,331 units for gross proceeds of \$975,040 (of which \$285,000 had been received in advance). Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.20 per share for five years. In connection with the financing, the Company issued 65,940 finders' warrants exercisable at a price of \$0.20 for a period of five years from the date of grant. The Company also incurred \$11,831 in share issue costs at October 31, 2020 which were recorded as deferred financing costs.