



Interim Condensed Financial Statements of

**WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.**

For the three and nine months ended September 30, 2019 (unaudited)

## **NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of West High Yield (W.H.Y.) Resources Ltd. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

Calgary, Alberta  
November 20, 2019

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Interim Condensed Balance Sheets (unaudited)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,721	\$ 36,010
Accounts receivable	3,091	63,437
Prepaid expenses	15,242	16,084
	<u>33,054</u>	<u>115,531</u>
Restricted deposits	55,068	55,068
Property and equipment (note 3)	19,749	31,016
Exploration and evaluation – mineral property (note 4)	1,480,984	1,480,984
	<u>\$ 1,588,855</u>	<u>\$ 1,682,599</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,516,534	\$ 1,857,505
Due to related party (note 8)	2,503,458	2,426,892
	<u>4,019,992</u>	<u>4,284,397</u>
Long term liabilities:		
Long term debt (note 6)	1,394,164	1,283,245
	<u>1,394,164</u>	<u>1,283,245</u>
<b>Total liabilities</b>	<b>5,414,156</b>	<b>5,567,642</b>
Shareholders' equity:(note 7)		
Common shares	13,831,357	13,033,330
Warrants	106,496	489,590
Contributed surplus	7,065,058	6,109,947
Deficit	(24,828,212)	(23,517,910)
	<u>(3,825,301)</u>	<u>(3,885,043)</u>
Going concern (note 1)		
Commitments and contingencies (note 10)		
Subsequent events (note 11)		
	<u>\$ 1,588,855</u>	<u>\$ 1,682,599</u>

See accompanying notes to interim condensed financial statements.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Interim Condensed Statements of Operations and Comprehensive Loss (unaudited)

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Expenses</b>				
Head office expense	\$ 169,574	\$ 114,158	\$ 398,487	\$ 566,351
Exploration expense (note 5)	1,896	584,759	177,328	1,673,881
Interest and bank charges (note 8)	34,127	34,353	102,040	102,775
Interest on long term debt (note 6 and 8)	37,935	34,211	110,918	100,503
Foreign exchange (gain) or loss	398	(15,306)	(292)	8,047
Stock based compensation (note 7)	-	-	510,554	-
Depreciation and amortization (note 3)	3,797	3,730	11,267	9,947
	<u>247,727</u>	<u>755,905</u>	<u>1,310,302</u>	<u>2,461,504</u>
Net loss and comprehensive loss	\$ (247,727)	\$ (755,905)	\$ (1,310,302)	\$ (2,461,504)
Loss per common share:				
Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average number of shares				
outstanding, basic and diluted:	66,703,809	62,568,973	65,908,578	60,809,269

See accompanying notes to interim condensed financial statements.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Interim Condensed Statements of Cash Flows (unaudited)

	Nine months ended	
	September 30, 2019	September 30, 2018
<b>Cash Flow From (Used in) Operating Activities</b>		
Net loss	\$ (1,310,302)	\$ (2,461,504)
Add (deduct) non-cash items:		
Interest accrued - related party loan (note 8)	101,566	102,000
Interest accrued - long term loan (note 8)	110,918	100,504
Unrealized loss on Foreign exchange	-	(10,124)
Stock based compensation (note 7)	510,554	-
Depreciation and amortization (note 3)	11,267	9,947
	<u>(575,997)</u>	<u>(2,259,177)</u>
Net change in non-cash working capital (note 9)	<u>(279,782)</u>	<u>315,255</u>
	<u>(855,779)</u>	<u>(1,943,922)</u>
<b>Cash Flow From Financing Activities</b>		
Repayment of related party loan (Note 8)	(25,000)	-
Issue of shares and warrants (note 7)	867,440	2,070,679
Share and warrant issue costs (note 7)	(7,950)	(42,338)
Repayment of long term loan (note 6)	-	(63,000)
	<u>834,490</u>	<u>1,965,341</u>
<b>Cash Flow From Investing Activities</b>		
Payment held in restricted funds	-	(8,000)
Purchase of equipment and software (note 3)	-	(44,761)
	<u>-</u>	<u>(52,761)</u>
Increase (decrease) in cash and cash equivalents	(21,289)	(31,342)
Cash and cash equivalents, beginning of year	36,010	76,436
Cash and cash equivalents, end of period	<u>\$ 14,721</u>	<u>\$ 45,094</u>
Interest paid	<u>\$ 474</u>	<u>\$ 774</u>

Cash and cash equivalents is comprised of cash deposits at the bank.

See accompanying notes to interim condensed financial statements

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Interim Condensed Statements of Shareholders' Deficit (unaudited)

	Nine months ended	
	September 30, 2019	September 30, 2018
Shareholders' equity: (note 7)		
Common shares		
Balance, beginning of year	\$ 13,033,330	\$ 11,209,329
Private placement	805,977	1,605,379
Share issue costs	(7,950)	(42,338)
Balance, end of period	13,831,357	12,772,370
Warrants		
Balance, beginning of year	489,590	124,597
Issued on private placement	78,963	465,300
Warrants exercised	-	(1,691)
Warrants expired unexercised	(462,057)	(122,906)
Balance, end of period	106,496	465,300
Contributed surplus		
Balance, beginning of year	6,109,947	5,985,350
Transfer on expired of warrants	462,057	122,906
Stock based compensation	510,554	-
Stock options exercised	(17,500)	-
Warrants exercised	-	1,691
Balance, end of period	7,065,058	6,109,947
Deficit		
Balance, beginning of year	(23,517,910)	(20,252,177)
Net loss	(1,310,302)	(2,461,504)
Balance, end of period	(24,828,212)	(22,713,681)
	\$ (3,825,301)	\$ (3,366,064)

See accompanying notes to interim condensed financial statements.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

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West High Yield (W.H.Y.) Resources Ltd. (the "Company") was incorporated on August 29, 2003 under the laws of the Province of Alberta and its principal business activities are the acquisition, exploration and development of mineral properties.

## 1. Going Concern

These financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable.

For the nine months ended September 30, 2019, the Company had incurred a net loss of \$1,310,302, and used cash from operations of \$855,779. At September 30, 2019, the Company had a working capital deficiency of \$3,986,938.

The ability of the Company to continue as a going concern is dependent on forbearance of the amounts due to related parties and the Company's ability to obtain financing to continue development of the mineral property and commercialize the mineral property. There is no certainty that the Company will be able to obtain the financing required to continue development activities or of the ongoing forbearance of related parties and other creditors. In addition, there is no certainty that the mineral property will contain economically recoverable reserves.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

As at September 30, 2019, the Company was in the exploration stage based on the following considerations:

- a) Revenues have not been earned from the Company's mineral properties and to date the Company has not been profitable and there is uncertainty of cost recovery;
- b) Available capital is directed towards mining exploration and resource development, not mining production or operating activities;
- c) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects; and

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

The Company commenced exploration in 2005 and on a cumulative basis has incurred the following exploration costs:

Prior to 2008	\$	2,704,173
2008		1,589,042
2009		764,414
2010		485,928
2011		762,566
2012		227,279
2013		313,814
2014		88,397
2015		61,100
2016		1,557,985
2017		993,521
2018		1,855,337
2019		177,328
Cumulative exploration costs	\$	11,580,884
Recovery of exploration costs		(547,074)
Cumulative exploration costs, net of recoveries	\$	11,033,810

## 2. Significant accounting policies, judgments and estimation uncertainty

### (a) Basis of presentation and measurement

These interim financial statements for the three and nine months ended September 30, 2019 are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). The disclosures provided below are incremental to those included with the annual financial statements. These interim condensed financial statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2018.

These financial statements were authorized for issue by the Board of Directors on November 20, 2019.

The preparation of financial statements requires management to make estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. Financial results as determined by actual events may differ.

The significant area requiring the use of management estimates and judgment is the determination of stock based compensation and impairment of exploration and evaluation assets and deferred income taxes (including related tax credits and incentives).

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

The identification of impairment indicators requires judgment, and if identified, the determination of the recoverable amount of the related asset requires several estimates that are inherently subject to uncertainty. The recoverability of amounts for mineral properties is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain the necessary financing to complete development, and upon future profitable production from its mineral properties.

The measurement of stock based compensation requires management's estimate as to the valuation methodology and several inputs, including the estimated volatility of the Company's stock and the forfeiture rate.

Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates, and the likelihood of future taxable profits permitting the realization of assets. Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates, and the interpretations of such matters by the Company, are subject to change.

The Company is entitled to certain income tax credits pertaining to qualifying drilling expenditures, which may be refunded by the British Columbia government. Determination of qualifying expenditures is a matter of judgement and assessing the Company's ability to recover such credits requires estimation and is subject to audit by the taxation authorities. In addition, and in conjunction with past issuances of flow through share issuances, the Company is required to renounce qualifying exploration expenditures to flow through investors and the determination of qualifying expenditures requires judgment.

### 3. Property and Equipment:

September 30, 2019	Cost	Accumulated amortization	Net book value
Buildings	\$ 29,692	\$ 29,692	\$ -
Office equipment	74,799	55,050	19,749
Automotive equipment	135,962	135,962	-
Field equipment	82,449	82,449	-
	\$ 322,902	\$ 303,153	\$ 19,749

### 4. Exploration and Evaluation assets - Mineral property:

In September 2003 the Company acquired the mineral property for a total cost of \$1,258,509 including direct legal costs of \$33,509. The property consists of eight crown granted mineral claims, three modified grid claims and six staked claims in the Rossland Mining Camp located in the Trail Creek Mining district in southeastern British Columbia, Canada.

During 2007, the Company acquired additional adjacent mineral claims for a total cost of \$148,350. During 2008, the Company acquired additional adjacent mineral claims for a total cost of \$19,857 and incurred mineral property lease maintenance costs of \$12,254. During 2012 and 2013 the Company acquired additional adjacent mineral claims for a total cost of \$15,000 and \$22,201 respectively.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

Exploration and Evaluation assets - Mineral property	Cost
2003	\$ 1,258,509
2007	148,350
2008	32,111
2012	15,000
2013	22,201
2014	4,313
2015	500
<b>Total</b>	<b>\$ 1,480,984</b>

## 5. Exploration and evaluation costs

Exploration costs expensed by the Company on its mineral property are detailed in the following table.

Exploration costs	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Consulting and labour	\$ 353	\$ 441,438	\$ 155,581	\$ 1,342,301
Assay	-	78,083	3,150	188,825
Miscellaneous field office	1,530	17,193	2,982	34,318
Project costs	-	21,669	3,371	66,404
Accommodation and meals	13	13,724	6,237	25,444
Travel and transportation	-	12,652	146	13,480
Freight and equipment transport	-	-	3,603	690
Property and mineral taxes	-	-	2,258	2,419
<b>Total</b>	<b>\$ 1,896</b>	<b>\$ 584,759</b>	<b>\$ 177,328</b>	<b>\$ 1,673,881</b>

## 6. Long Term Debt

On April 27, 2016, the Company received a \$1,000,000 unsecured loan with a 10 year repayment term, which bears interest at 11.61% payable at end of term. Loan repayment terms advance in the event the Company achieves cumulative net cash flow from operations of greater than \$5,000,000 subsequent to April 27, 2016. On January 12, 2018 \$63,000 was paid. Should an event such as an amalgamation, merger, or other consolidation occur, the Company would be responsible for principle and interest of \$2,844,058.

	Nine months ended	
	September 30, 2019	September 30, 2018
Loan due April 27, 2026	\$ 1,000,000	\$ 1,000,000
Payments	-	(63,000)
Cummulative interest costs	394,164	311,143
	<b>\$ 1,394,164</b>	<b>\$ 1,248,143</b>

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

## 7. Equity Instruments

(a) Authorized:

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

(b) Common Shares issued and outstanding:

The continuity of the Company's issued common share capital is as follows:

<b>Amount</b>	<b>Number of shares</b>	
Balance, December 31, 2018	63,970,087	\$ 13,033,330
Private placement	2,256,066	608,836
Shares for debt	416,667	104,641
Stock Options exercise	250,000	92,500
Share issue costs	-	(7,950)
Balance September 30, 2019	66,892,820	\$ 13,831,357

On January 23, 2019, the Company completed a private placement totaling 709,666 units for gross proceeds of \$212,899.80. Each unit priced at \$0.30 per unit, includes a one common share and 1/3 warrant where each full warrant entitles the holder to purchase one additional common share at an exercise price of \$0.50 for a period of one year from the date of issuance of the warrant.

Pursuant to a settlement agreement, the terms of which were finalized in 2018, the Company settled a dispute for \$150,000 included in accounts payable and accrued liabilities as at December 31, 2018. On February 19, 2019, the Company paid cash of \$25,000, issued 416,667 common shares, and 138,869 warrants that entitle the holder to purchase one additional common share at an exercise price of \$0.50 until February 18, 2020.

On Mar 4, 2019, 250,000 stock options were exercised with a strike price of \$0.30 per option.

On April 9, 2019, the Company completed a private placement totaling 679,400 units for gross proceeds of \$237,790. Each unit priced at \$0.35 per unit, includes a one common share and 1/3 warrant where each full warrant entitles the holder to purchase one additional common share at an exercise price of \$0.55 for a period of one year from the date of issuance of the warrant.

On June 7, 2019, the Company completed a private placement totaling 609,000 units for gross proceeds of \$152,250. Each unit priced at \$0.25 per unit, includes a one common share and 1/3 warrant where each full warrant entitles the holder to purchase one additional common share at an exercise price of \$0.45 for a period of one year from the date of issuance of the warrant.

On July 19, 2019, the Company completed a private placement totaling 258,000 units for gross proceeds of \$64,500. Each unit priced at \$0.25 per unit, includes a one common share and 1/3 warrant where each full warrant entitles the holder to purchase one additional common share at an exercise price of \$0.45 for a period of one year from the date of issuance of the warrant.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

(c) Warrants:

	Number of warrants*	Amount
Balance, December 31, 2018	2,385,838	\$ 489,590
Private placement	752,022	58,605
Warrants for debt	138,889	20,358
Warrants expire unexercised	(1,802,426)	(462,057)
Balance, September 30, 2019	1,474,323	\$ 106,496

\*represents the number of shares warrant holders are eligible to purchase.

(d) Stock Options:

The Company has a stock option plan (the "Plan") for its officers, directors, employees and consultants. The maximum number of common shares issuable under the Plan cannot exceed 10% of the Company's issued and outstanding common shares.

The following table summarizes the status of the options issued pursuant to the plan.

Stock Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, December 31, 2018	4,108,334	\$0.30	1.75
Options granted	550,000	0.38	
Options granted	1,325,000	0.35	
Options expired unexercised	(250,000)	0.55	
Options exercised	(250,000)	0.30	
Balance, September 30, 2019	5,483,334	\$0.31	2.34
Balance, Exercisable September 30, 2019	5,233,334	\$0.31	2.23

The fair value of the 550,000 stock options granted to consultants on March 4, 2019 of \$0.28 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 1.76%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 104%. The 550,000 stock options vested immediately and expire in 5 years.

The fair value of the 1,325,000 stock options granted to Directors and consultants on March 29, 2019 of \$0.27 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 1.53%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 104%. 1,075,000 stock options vested on March 29, 2019 and 250,000 vest one year later. All stock options expire in 5 years from date of grant.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

(e) Contributed Surplus:

The following table presents changes in contributed surplus:

	September 30, 2019	September 30, 2018
Balance, beginning of year	\$ 6,109,947	\$ 5,985,350
Transfer on expired of warrants	462,057	124,597
Stock based compensation	510,554	-
Stock options exercised	(17,500)	-
Balance, end of period	\$7,065,058	\$6,109,947

## 8. Related party transactions

The Company has received loans from Big Mountain Development Corp. Ltd. ('Big Mountain'), a significant shareholder of the Company as detailed in the table below which are secured by promissory notes and a general security agreement over all the assets of the Company.

Big Mountain loan	September 30, 2019	December 31, 2018
Loan due July 23, 2020, bears interest at 8%	\$ 1,700,000	\$ 1,700,000
Accrued interest at end of period	648,198	546,632
	\$ 2,348,198	\$ 2,246,632

Loans from Directors			
Loans, non interest bearing, no specified terms of repayment	\$	200,000	\$ 200,000
Loan repayment		(44,740)	(19,740)
	\$	155,260	\$ 180,260

Interest and bank charges expense is comprised of the following:

	Nine months ended	
	September 30, 2019	September 30, 2018
Interest on related party loans	\$ 101,566	\$ 98,707
Interest long term loan (Note 6)	110,918	96,305
Other interest and bank charges	474	625
	\$ 212,958	\$ 195,637

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to Financial Statements

For the three and nine months ended September 30, 2019

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## 9. Supplemental cash flow information

	Nine months ended	
	September 30, 2019	September 30, 2018
Accounts receivables	\$ 60,346	(1,706)
Prepaid expenses	842	(14,997)
Accounts payable and accrued liabilities	(340,970)	331,958
	<u>\$ (279,782)</u>	<u>\$ 315,255</u>

## 10. Commitments and contingencies

The Company has a 10.5 hectare surface land lease to purchase agreement where rent is \$1,500 per month for a one year term ending August 31, 2019 and subsequently on a month to month basis. At any time during the term the Company has the option to purchase the lands for \$340,000.

The Company was the defendant in a Class action claim in the amount of approximately \$116,000 as the result of the proposed sale of assets on October 5, 2017. On May 1, 2019, the Company has reached a settlement agreement of \$99,000 of which \$84,000 has been recovered from an insurance claim. Certain legal costs incurred may be recoverable from insurance and will recorded as a recovery once received.

## 11. Subsequent events

On October 23, 2019, Big Mountain added an additional \$25,000 to its loan to the Company (Note 8).