

WESTERN EXPLORATION, LLC
CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020
(EXPRESSED IN U.S. DOLLARS)
(UNAUDITED)

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WESTERN EXPLORATION, LLC
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN US DOLLARS)

As at	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash	\$ 18,994	\$ 1,065,085
Accounts receivable	1,650,000	-
Prepaid expenses	39,303	31,897
	<u>1,708,297</u>	<u>1,096,982</u>
Non-current Assets		
Mineral properties (note 6)	7,865,000	7,865,000
Property and equipment (note 7)	115,152	80,719
Restricted cash (note 5)	623,297	814,147
Deposits	5,886	5,286
	<u>8,609,335</u>	<u>8,765,152</u>
Total Assets	<u>\$ 10,317,632</u>	<u>\$ 9,862,134</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 645,594	\$ 268,991
Related party promissory notes (note 11)	278,555	\$ -
Due to related party (note 11)	1,305,501	1,299,251
	<u>2,229,650</u>	<u>1,568,242</u>
Non-current Liabilities		
Reclamation provision (note 9)	427,775	401,540
	<u>427,775</u>	<u>401,540</u>
Total Liabilities	<u>2,657,425</u>	<u>1,969,782</u>
Members' equity		
Class A Members' contributions (note 10)	34,189,325	34,189,325
Class A-1 Members' contributions (note 10)	7,000,000	7,000,000
Class B Members' contributions (note 10)	3,333,333	3,333,333
Contributed surplus	14,779,061	14,779,061
Accumulated deficit	(51,641,512)	(51,409,367)
Total Members' Equity	<u>7,660,207</u>	<u>7,892,352</u>
Total Liabilities and Members' Equity	<u>\$ 10,317,632</u>	<u>\$ 9,862,134</u>

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

WESTERN EXPLORATION, LLC
 STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2020
 (EXPRESSED IN US DOLLARS)
 (Unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating expenses				
Exploration and evaluation expenditures (note 12)	\$ 197,154	\$ 3,225,274	\$ 690,789	\$ 3,896,275
General and administrative expenses (note 13)	173,065	419,846	1,181,257	1,144,168
	<u>370,219</u>	<u>3,645,120</u>	<u>1,872,046</u>	<u>5,040,443</u>
Other income (expense)				
Foreign exchange loss	-	-	2,878	-
Other (income)	(1,650,007)	(295)	(1,650,068)	(1,333)
Gain on sale of vehicle	(22,500)	-	(22,500)	-
Interest expense	1,181	-	3,554	-
Government grant (note 14)	-	-	-	(62,500)
Accretion expense (note 9)	-	279	26,235	836
	<u>(1,671,326)</u>	<u>(16)</u>	<u>(1,639,901)</u>	<u>(62,997)</u>
Net income (loss) and comprehensive income (loss) for the period	<u>\$ 1,301,107</u>	<u>\$ (3,645,104)</u>	<u>\$ (232,145)</u>	<u>\$ (4,977,446)</u>
Basic and diluted net income (loss) per unit (note 15)	3.25	(220.45)	(97.19)	(361.73)

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

WESTERN EXPLORATION, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(EXPRESSED IN US DOLLARS)

	Members' Contributions	Contributed Surplus	Accumulated Deficit	Total
Balance at December 31, 2019	\$ 36,522,651	\$ 14,779,061	\$ (44,188,994)	\$ 7,112,718
Capital contributions - Class "A" units	3,302,000	-	-	3,302,000
Capital contributions - Class "A-1" units	-	-	-	-
Capital contributions - Class "B" units	-	-	-	-
Net loss	-	-	(4,977,446)	(4,977,446)
Balance at June 30, 2020	\$ 39,824,651	\$ 14,779,061	\$ (49,166,440)	\$ 5,437,272
Capital contributions - Class "A" units	4,698,007	-	-	4,698,007
Capital contributions - Class "A-1" units	-	-	-	-
Capital contributions - Class "B" units	-	-	-	-
Net loss	-	-	(2,242,927)	(2,242,927)
Balance at December 31, 2020	\$ 44,522,658	\$ 14,779,061	\$ (51,409,367)	\$ 7,892,352
Capital contributions - Class "A" units	-	-	-	-
Capital contributions - Class "A-1" units	-	-	-	-
Capital contributions - Class "B" units	-	-	-	-
Net loss	-	-	(232,145)	(232,145)
Balance at September 30, 2021	\$ 44,522,658	\$ 14,779,061	\$ (51,641,512)	\$ 7,660,207

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

WESTERN EXPLORATION, LLC
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 and 2020
(EXPRESSED IN US DOLLARS)

	Nine Months Ended September, 30 2021	Nine Months Ended September, 30 2020
Operating Activities		
Net loss	\$ (232,145)	\$ (4,977,446)
Adjustments to reconcile net loss to net cash:		
Depreciation expense	9,402	27,877
Accretion expense	26,235	836
Accrued interest	3,554	-
Changes in operating assets and liabilities:		
Account receivable	(1,650,000)	-
Deposits	(600)	(15,298)
Prepays	(7,406)	-
Due to related party	6,250	432,760
Accounts payable and accrued liabilities	376,603	217,618
Cash used in operating activities	(1,468,106)	(4,313,654)
Investing Activities		
Acquisition of property and equipment	(43,835)	(30,963)
(Increase) decrease in restricted cash	190,850	-
Cash used in investing activities	147,015	(30,963)
Financing Activities		
Proceeds from loan payable	275,000	-
Proceeds from capital contributions	-	6,407,000
Cash provided by financing activities	275,000	6,407,000
Net change in cash	(1,046,091)	2,062,383
Cash, beginning of period	1,688,382	1,025,639
Cash, end of period	\$ 642,291	\$ 3,088,022
Reconciliation of cash and restricted cash:		
Cash	\$ 18,994	\$ 2,273,875
Restricted cash in other non-current assets	623,297	814,147
Total cash and restricted cash	\$ 642,291	\$ 3,088,022
Supplemental Cash Flow Information		
Government grant (note 14)	\$ -	\$ 62,500
Debt settled for shares (note 10)	\$ -	\$ 593,007

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

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

1. Nature of Operations

Western Exploration LLC (an exploration stage company referred to as the “Company” or “Western”) was originally incorporated in the state of Nevada on July 11, 1997 as Western Exploration, Inc. (the “Corporation”). In September 2013, a conversion was executed pursuant to Nevada Revised Statute 92A.105 whereby the Corporation was converted into a limited liability company (LLC). The Company’s main office is located in the United States at 121 Woodland Avenue in Reno, Nevada.

The Company is engaged in the business of exploration, acquisition, development and mining (if warranted) of precious metal and other mineral deposits in the State of Nevada. All the Company’s projects are conducted pursuant to claims, leases, permits, and licenses granted by appropriate authorities or on fee land owned by the Company. In the future, when deemed appropriate certain projects may be pursued on a joint venture basis to share the associated risk and to assist in the project funding.

During the 2020 fiscal year, there was a global outbreak of COVID-19 (“Coronavirus”), which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the U.S. government or local state authorities, and other countries to fight the virus. While the extent of the impact is unknown, the Company has employed new standards of operation and safety at its field sites. The company formally adopted the Association of Mineral Exploration in British Columbia’s “COVID-19 Exploration Fieldwork Safety Guidelines”. The guidelines define best practices for preventing and controlling the spread of COVID-19 in a remote exploration environment. Western Exploration LLC requires all contractors and employees to self-monitor their health at all times and not report to work if they have any associated symptoms. In addition, the Company monitors and records all employees’ temperatures daily, has a one person to room policy, completes sanitization of all work and living areas regularly, limits office and works space to employees only. There has been no impact on operations as a result of COVID-19.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed interim financial statements are based on IFRSs issued and outstanding as of December 27, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2020.

These condensed interim financial statements and the accompanying notes were prepared using the accounting policies described in note 2 to the annual financial statements except as discussed in note 2 herein.

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

2. Summary of Significant Accounting Policies (continued)

(b) Significant accounting estimates

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the condensed interim financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the condensed interim financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the condensed interim financial statements include:

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for reclamation obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of several significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

The recoverability of exploration and evaluation assets

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

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

3. Financial Risk Management

The Company's financial instruments include cash and restricted cash which are classified as financial assets measured at amortized cost, accounts payable and accrued liabilities, and due to related parties and promissory notes, which are classified as financial liabilities measured at amortized cost. The carrying values of the Company's financial instruments approximate fair value due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks, including interest rate risk, liquidity risk, and credit risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company is not exposed to material interest rate risk.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure. As at September 30, 2021 and December 31, 2020, all the Company's financial liabilities are either due immediately or have contractual maturities of less than 90 days.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is mainly exposed to credit risk with respect to managing its cash and reclamation bonds. The Company's risk management policies require that significant cash deposits are held with U.S. FDIC insured banks. All investments must be less than one year in duration.

4. Capital Risk Management

The Company's capital is the members' equity balance. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its shareholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments, and exploration activities. As the Company is in the exploration stage, its operations have been substantially funded by the issuance of member units and mineral property earn-in agreements. The Company is not subject to any externally imposed credit or capital requirements. However, the Company will continue to rely on such funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the nine months ended September 30, 2021.

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

5. Restricted Cash

The Company held restricted cash outstanding in the amounts of \$623,297 and \$814,147 as at September 30, 2021, and December, 31, 2020, respectively, for the Wood Gulch and Doby George Projects as required by the U.S. Forest Service and Bureau of Land Management. These amounts are held in a bank account and are restricted for use to cover current and future reclamation obligations.

6. Mineral Properties

Total mineral property acquisition costs as at September 30, 2021, and December 31, 2020 were as follows:

Balance at January 1, 2020	\$	7,865,000
Additions		-
(Impairments)		-
Balance at September 30, 2020	\$	7,865,000
Additions		-
(Impairments)		-
Balance at December 31, 2020	\$	7,865,000
Additions		-
(Impairments)		-
Balance at September 30, 2021	\$	7,865,000

Aura Project

The Aura project consists of 709 unpatented lode mining claims, totaling 12,848 acres, and mineral leases on 2,296 acres of fee land in nine different parcels. The Aura project is an amalgamation of three projects, Doby George, IL Ranch and Wood Gulch.

The current mineral lease agreement has an expiration date of December 31, 2031.

The Aura project is subject to a 2% Net Smelter Royalty (NSR) on precious metals and a 1.4% NSR on base metals payable to IL Minerals LLC. RG Royalties holds a 2% NSR after the first 400,000 ounces of gold production at Doby George. When the RG Royalties royalty becomes effective the IL Minerals NSR decreases to 1% on the RG Royalties area. There is also additional 1% NSR and production royalties ranging from .1% to 1% payable to Tyler Shepard on claims overlying the Wood Gulch.

Trout Creek Project

In January 2019, the Company purchased property and water rights for certain properties from Doby George, LLC for \$100,000. Subsequently, the property and water rights were sold to Marigold Mining Company for \$1,050,000. As part of the sale agreement, Western is entitled to a top up payment of up to \$4,000,000 in cash proceeds based on exploration success as well as up to a 1% NSR on the property. The Company realized a gain of \$950,000, (included in the Loss and Comprehensive Loss). Marigold Mining Company purchased 187.24 Class A units for \$999,999 (note 10).

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

7. Property and Equipment

Cost	Fixed assets
Balance, January 1, 2020	\$ 419,148
Additions	30,963
Balance, September 30, 2020	\$ 450,111
Additions	2,246
Balance, December 31, 2020	\$ 452,357
Additions	43,835
Deletions	(53,296)
Balance, September 30, 2021	\$ 442,896

Accumulated Depreciation	Fixed assets
Balance, January 1, 2020	\$ 341,176
Depreciation for the period	27,877
Balance, September 30, 2020	\$ 369,053
Depreciation for the period	2,585
Balance, December 31, 2020	\$ 371,638
Depreciation for the period	9,402
Dispositions for the period	(53,296)
Balance, September 30, 2021	\$ 327,744

Carrying amount	Fixed assets
Balance, December 31, 2020	\$ 80,719
Balance, September 30, 2021	\$ 115,152

8. Accounts Payable and Accrued Liabilities

	September 30, 2021	December 31, 2020
Due within the next year:		
Trade payables	\$ 581,767	\$ 109,605
Accrued liabilities	63,827	159,386
	\$ 645,594	\$ 268,991

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

9. Reclamation Provision

The provision for environmental rehabilitation consists of land rehabilitation and related costs. Although the ultimate amount of the environment rehabilitation provision is uncertain, the amount of these obligations is based on information currently available, including closure plans and the Company’s interpretation of current regulatory requirements.

The provision for environmental rehabilitation relates to reclamation and closure costs of the Company’s Aura Project. The undiscounted provision for environmental rehabilitation is estimated at \$379,488 as at September 30, 2021 (December 31, 2020: \$379,488), over a period of 4-5 years, and discounted using a risk-free rate of 0.46% per annum and an inflation rate of 5.40%.

Balance as of January 1, 2020	\$	359,433
Add: Accretion		-
Add: Additional disturbance		-
Balance as of September 30, 2020	\$	359,433
Add: Accretion		1,114
Add: Additional disturbance		40,993
Balance as of December 31, 2020	\$	401,540
Add: Accretion		26,235
Add: Additional disturbance		-
Balance as of September 30, 2021	\$	427,775

10. Capital Contributions

Membership interests in the Company are represented by units consisting of four classes: “Class A”, “Class A-1”, “Class B”, and “Common units”. Class A, Class A-1 and Class B units entitle the holders to share in the income, gains, losses, deductions, credit, or similar items of distribution. Class A and Class A-1 membership interests have a distribution priority equal to a cumulative 6% annual return, compounded annually on any unreturned capital contributions.

Common units are reserved for employees and managers of the Company as incentives. Never to exceed 10% of the total issued and outstanding units at any given time, these units entitle the holder to share in profits as decided by the appointed Management Committee.

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

10. Capital Contributions (continued)

Units issued for the nine months ended September 30, 2021 and 2020 are as follows:

	Number of Units		
	Class A	Class A-1	Class B
Balance - January 1, 2020	14,804	993	1,560
Class A units issued to Agnico Eagle (USA) Limited May 15, 2020	1,096		
Class A units issued to Golkonda LLC June 9, 2020	110		
Class A units issued to Coral Reef July 25, 2020	150		
Class A units issued to Darcy Marud July 25, 2020	66		
Class A units issued to Golkonda LLC August 4, 2020	38		
Class A units issued to Agnico Eagle (USA) Limited September 2, 2020	1,096		
Balance - September 30, 2020	17,361	993	1,560
Class A units issued to Agnico Eagle (USA) Limited October 23, 2020	273		
Balance - December 31, 2020 and September 30, 2021	17,634	993	1,560

Capital contributions for the nine months ended September 30, 2021 and 2020 are as follows:

	Number of Units			Amount US \$
	Class A	Class A-1	Class B	
Balance - January 1, 2020	\$ 26,189,318	\$ 7,000,000	\$ 3,333,333	\$ 36,522,651
Class A units issued to Agnico Eagle (USA) Limited May 15, 2020	3,000,000			3,000,000
Class A units issued to Golkonda LLC June 9, 2020	302,000			302,000
Class A units issued to Coral Reef July 25, 2020	411,057			411,057
Class A units issued to Darcy Marud July 25, 2020	181,950			181,950
Class A units issued to Golkonda LLC August 4, 2020	105,000			105,000
Class A units issued to Agnico Eagle (USA) Limited September 2, 2020	3,000,000			3,000,000
Balance - September 30, 2020	\$ 33,189,325	\$ 7,000,000	\$ 3,333,333	\$ 43,522,658
Class A units issued to Agnico Eagle (USA) Limited October 23, 2020	1,000,000			1,000,000
Balance - December 31, 2020 and September 30, 2021	\$ 34,189,325	\$ 7,000,000	\$ 3,333,333	\$ 44,522,658

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

10. Capital Contributions (continued)

In May 2020, Agnico Eagle (USA) Limited (Agnico), entered into an agreement with the Company to subscribe to a total of 3,011 Class A Units for gross proceeds of \$9 million. The investment is to be made in three tranches as follows:

- 1) First Tranche - \$3 million through the issuance of 1,096 Class A units
- 2) Second Tranche - \$3 million through the issuance of 1,096 Class A units
- 3) Third Tranche - \$3 million through the issuance of 819 Class A units

As part of the agreement, the Company must use the proceeds raised as follows:

- 1) First Tranche – A minimum of \$2.6 million is to be used on exploration expenses at the Gravel Creek Property
- 2) Second Tranche – A minimum of \$2.7 million is to be used on exploration expenses at the Gravel Creek Property
- 3) Third Tranche – A minimum of \$2.7 million is to be used on exploration expenses at the Gravel Creek Property

The first tranche was completed on May 15, 2020 and the second tranche was completed on September 2, 2020 resulting in the issuance of 2,192 Class A Units of the Company.

On June 9, 2020, the Company issued 111 Class A units for total cash proceeds of \$302,000.

On July 25, 2020, the Company issued units to certain Board and Management members to extinguish outstanding debt. The Company issued 67 Class A units to Mr. Marud, CEO in settlement of \$125,700 of advances to the Company (see note 11) and \$56,250 in deferred compensation held as due to related party. In addition, 150 Class A units were issued to Coral Reef LLC in settlement of amounts totaling \$411,057 held in due to related party.

On August 4, 2020 the Company issued 38 Class A units for total cash proceeds of \$105,000.

On October 9, 2020, Agnico and Western entered into an Amended Subscription Agreement whereby the Third Tranche was split into an Initial Third Tranche of US\$1 million and a Final Third Tranche of \$2 million. The Initial Third Tranche was due on or before October 26, 2020 and the Final Third Tranche is executable within 20 days of the assay results from Phase 2 being received. Agnico executed the Initial Third Tranche on October 23, 2020 and as a result 273 Class A shares were issued. As of December 31, 2020 assays from Tranche 2 drilling are still outstanding and Agnico has not been notified of their 20-day notice for the Final Third Tranche.

Incentive Units

On October 1, 2020, a total of 1,639 incentive units were granted to certain officers, directors and consultants of the Company, with each incentive unit convertible into one common unit of the Company at no additional cost to the holder. Under the terms of the incentive units, a total of 1,357 incentive units are to vest immediately, with 59 units vesting on November 1, 2020, 23 units vesting on Jan 1, 2021, 23 units vesting on January 1, 2022 and the remaining 177 vesting upon the achievement of certain performance measures. The incentive units were estimated to have a nominal fair value as at the date of grant due to the subordinate nature of common units.

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

11. Related Party Transactions

Related parties include the Board of Directors, officers, and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The below noted transactions are in the normal course of business and are measured at the amount as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations. The Company considers key management to be officers and directors of the Company.

During the three and nine months ended September 30, 2021 and 2020, the Company paid, or accrued remuneration to key management of the Company as follows:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Salaries and fees (i)	\$62,500	\$68,750	\$187,500	\$206,250
Director's fees (ii)	\$6,250	\$6,250	\$18,750	\$18,750

- (i) As at September 30, 2021, \$6,250 (December 31, 2020 - \$6,250) was due to an officer of the Company and this amount was included in due to related party.
- (ii) As at September 30, 2021, directors were owed \$18,750 (December 31, 2020 - \$6,250) and this amount was included in accounts payable and accrued liabilities.

A corporation controlled by Marceau Schlumberger, an officer of the Company, was paid or accrued consulting fees of \$nil for the nine months ended September 30, 2021 (September 30, 2020 - \$244,330). As at September 30, 2021, this corporation was owed \$1,299,251 (year ended December 31, 2020 - \$1,299,251).

On June 9, 2021, the Company entered into a series of Promissory Notes totaling \$275,000 with certain Officers and Directors of the Company. Under the terms of the Notes, the Company promises to pay to the order of the noteholder or its registered assigns, the principal amount or such lesser amount as shall equal the outstanding principal amount hereof, together with simple interest from the date of the Promissory Note (the "Note") on the unpaid principal balance at a rate equal to 15% per annum, computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then accrued but unpaid interest and any other amounts payable hereunder, shall be due and payable on the earliest to occur of (i) fifteen days following the demand of Holder, which demand may not be made earlier than June 9, 2022, (ii) the occurrence of an Event of Default, or (iii) such other time as expressly provided for in the Note.

As at September 30, 2021 principal and accrued interest on the promissory notes was \$278,554 (September 30, 2020 - \$0). For the nine months ended September 30, 2021 interest expense was \$3,554 (September 30, 2020 - \$0).

WESTERN EXPLORATION LLC
NOTES TO THE FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2021
(Expressed in U.S. Dollars)

11. Related Party Transactions (continued)

Major unitholder:

To the knowledge of the directors and senior officers of the Company, as at September 30, 2021, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Type of unit	Percentage of outstanding units	Number of units
Golkonda LLC	Class A	73.04%	14,745.62
Agnico Eagle (USA) Ltd	Class A and A-1	17.23%	3,478.49

12. Exploration Expenditures

The following table reflects the exploration and evaluation expenditures incurred in the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Drilling	\$ -	\$ 2,575,090	\$ 161,610	\$ 2,979,554
Permitting	28,429	96,630	54,896	99,328
Geological	43,112	402,411	344,824	666,250
Land	125,613	126,270	126,309	126,270
Metallurgy	-	24,873	3,150	24,873
Geophysics	-	-	-	-
	\$ 197,154	\$ 3,225,274	\$ 690,789	\$ 3,896,275

13. General and Administrative Expenses

The following table reflects general and administrative expenses incurred in the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Director fees	\$ 6,250	\$ 6,250	\$ 18,750	\$ 18,750
Salary	95,262	109,093	295,684	319,331
Office and general	53,571	101,848	183,403	217,706
Accounting fees	(20,000)	26,691	54,710	83,911
Consulting fees (note 11)	-	122,165	-	366,495
Legal fees	34,848	46,232	608,871	110,098
Depreciation	3,134	7,567	9,402	27,877
Regulatory fees	-	-	10,437	-
	\$ 173,065	\$ 419,846	\$ 1,181,257	\$ 1,144,168

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14. Government grant

During the nine-month period ended September 30, 2020, the Company applied for an SBA Payroll Protection Loan ("PPL") that is overseen by the U.S. Treasury Department and enacted to provide cash flow assistance to small business employers to help retain workers and maintain payroll during the current economic uncertainties associated with COVID-19. On May 19, 2020, the Company received proceeds totaling \$62,500 in connection with the PPL. Under the terms of the PPL, the Company may apply for loan forgiveness on all eligible expenses up to a maximum of the total principal balance on the loan. As of September 30, 2020, the Company has incurred the maximum amount of eligible expenses resulting in amounts totaling \$62,500 to be forgiven. In connection with the principal balance to be forgiven, \$nil (\$62,500 – September 30, 2020) has been included in other income on the statement of loss and comprehensive loss for the three month and nine-month period ended September 30, 2020.

15. Net Loss Per Unit

The calculation of basic and diluted loss per unit for the nine months ended September 30, 2021 was based on the Class B holders proportionate share of the net loss attributable to unitholders of \$232,145 (September 30, 2020 - \$4,977,446), the 6% cumulative unpaid dividends for the nine months ended September 30, 2021 totaling \$1,841,671 (September 30, 2020 - \$1,584,415) and the weighted average number of Class B units outstanding of 1,560 (September 30, 2020– 1,560).

16. Subsequent Events

On February 19, 2021, Western entered into a definitive arrangement agreement (the "**Arrangement Agreement**") with Crystal Peak Minerals ("Crystal Peak"). The transactions described in the Arrangement Agreement will be effected pursuant to a statutory plan of arrangement (the "**Arrangement**") under Part 9, Division 5 of the British Columbia Business Corporations Act (the "**BCBCA**"), following the continuance of Crystal Peak from the Yukon Territory to British Columbia, which is required for the Arrangement to proceed under the BCBCA, and will result in a "Reverse Takeover" (as defined in the policies of the TSX Venture Exchange, the "**Exchange**") of Crystal Peak by Western Exploration, with the resulting company continuing as "Western Exploration Inc." (the "**Resulting Issuer**").

Pursuant to the Arrangement, among other things:

- (a) Crystal Peak will incorporate Western Mergeco LLC ("**Mergeco**") and subscribe for the sole membership interest in Western Mergeco for a nominal cash subscription price. Western Mergeco and Western Exploration will merge, with holders of Western Exploration membership interests receiving 14,550,894,583 pre-consolidation (as defined herein) common shares of Crystal Peak ("**Crystal Peak Shares**") (or 29,637,034 post-Consolidation Crystal Peak Shares) and the resulting entity becoming a wholly owned subsidiary of Crystal Peak;
- (b) each option to purchase Crystal Peak Shares and restricted share units of Crystal Peak outstanding immediately prior to the Effective Time, whether vested or unvested, will be transferred to the Corporation and cancelled, and the stock option plan of Crystal Peak and the restricted share unit plan of Crystal Peak will be terminated and of no further force and effect;
- (c) the Crystal Peak Shares outstanding immediately prior to the Effective Time will be consolidated on the basis of one (1) post-consolidation Crystal Peak Share for each 490.97 pre-consolidation Crystal Peak Shares (the "**Consolidation**");

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- (d) the name of the Corporation will be changed from "Crystal Peak Minerals Inc." to "Western Exploration Inc."; and
- (e) the board of directors of the Resulting Issuer (the "**Resulting Issuer Board**") will be reconstituted to include (i) Mr. Marceau Schlumberger, as Chair of the Resulting Issuer Board, (ii) Mr. Darcy Marud, (iii) Mr. John Rogers, (iv) Mr. Brian Kennedy, (v) Mr. Nicolas Schlumberger, and (vi) Mr. Gerard Munera, all as more particularly described in the accompanying notice of annual general and special meeting of Crystal Peak Shareholders (the "**Notice of Meeting**") and the accompanying management information circular (the "**Information Circular**").

Management of the Resulting Issuer is expected to comprise of Mr. Darcy Marud (President and Chief Executive Officer), Mr. Curtis Turner (Chief Financial Officer) and Mr. Jacob Fainzilberg (Corporate Secretary).

On July 12, 2021, Crystal Peak Minerals and the Company amended and extended the Arrangement Agreement to October 29th, 2021. Under the Amending Agreement, Crystal Peak and the Company agree that Crystal Peak will receive CAD\$1.3M of aggregate value at an offering price of CAD\$2.65 for the financing of Mergeco. In addition, the consolidation of Crystal Peak was changed to 1 share post consolidation for each 363.30 current Crystal Peak shares.

On October 5, 2021, Western LLC entered into a Purchase and Sale Agreement with Marigold Mining Company ("Marigold") for the sale of a retained resource discovery payment and a royalty on property sold to Marigold on January 23, 2019 (see note 6 Mineral Properties above). The sale resulted in Western LLC receiving cash in the amount of US \$1,650,000.

On October 5, 2021 the Ranch Lease controlling fee lands adjacent Western's claim interests at the Aura Project and other properties in Humboldt and Pershing counties was amended, restated and superseded by the Amended and Restated Mineral Lease, between Nevada Gold Mines LLC and the Company. The Amended and Restated Mineral Lease amended certain provisions of the Ranch Lease, including the description of the Fee Lands subject to the Ranch Lease to exclude any Fee Lands outside Elko County, Nevada, and the term of the lease to extending it to December 31, 2031, and so long thereafter as the Company is actively engaged in development or processing of minerals on the leasehold property. Western Exploration LLC is the present title owner of the leasehold interest under the Ranch Lease.

On October 12, 2021 Crystal and the Company entered into a second Amended Agreement whereby the agreement was extended to January 31, 2022 and all other conditions remained the same.

On October 13, 2021 the Company with Canaccord Genuity Corp., as the lead agent on behalf of a syndicate of agents, completed a "best efforts" private placement for subscription receipts of Crystal (the "Subscription Receipts") for gross proceeds of CAD \$5,959,680 (the "Financing"). Each Subscription Receipt will entitle the holder thereof to receive, for no additional consideration and without further action on the part of the holder thereof, on or about the date the RTO is completed, one common share of the Resulting Issuer after giving effect to the completion of the RTO. The Resulting Issuer shares to be issued in Canada upon conversion of the Subscription Receipts will be freely tradeable upon closing of the RTO.