

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021

(EXPRESSED IN U.S. DOLLARS)

(UNAUDITED)

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WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN US DOLLARS)

As at	September 30, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	\$ 1,133,393	\$ 5,495,609
Other receivable	986	1,060
Prepaid expenses	126,568	28,847
	<u>1,260,947</u>	<u>5,525,516</u>
Non-current Assets		
Mineral properties (note 7)	7,865,000	7,865,000
Property and equipment (note 8)	102,801	112,017
Restricted cash (note 6)	623,297	623,297
Deposits	7,107	6,886
	<u>8,598,205</u>	<u>8,607,200</u>
Total Assets	<u>9,859,152</u>	<u>14,132,716</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 235,954	\$ 1,267,359
Due to related party (note 12)	-	446,346
Warrant liability (note 11)	36,535	-
	<u>272,489</u>	<u>1,713,705</u>
Non-current Liabilities		
Warrant liability (note 11)	-	276,110
Due to related party (note 12)	440,095	-
Reclamation provision (note 10)	602,595	507,952
	<u>1,042,690</u>	<u>784,062</u>
Total Liabilities	<u>1,315,179</u>	<u>2,497,767</u>
Shareholders' equity		
Share capital (note 11)	46,185,755	45,764,078
Contributed surplus	17,104,055	15,782,047
Accumulated deficit	(54,673,490)	(49,965,659)
Accumulated other comprehensive income	(72,347)	54,483
	<u>8,543,973</u>	<u>11,634,949</u>
Total Shareholders' Equity	<u>8,543,973</u>	<u>11,634,949</u>
Total Liabilities and Shareholders' Equity	<u>\$ 9,859,152</u>	<u>\$ 14,132,716</u>

Nature of Operations and Going Concern (note 1)

Subsequent events (note 17)

(Signed) "Brian Kennedy", Director

(Signed) "Marceau Schlumberger", Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021
(EXPRESSED IN US DOLLARS)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021 (Note 16)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021 (Note 16)
Operating expenses				
Exploration and evaluation expenditures (note 13)	\$ 1,703,475	\$ 197,154	\$ 2,096,387	\$ 690,789
General and administrative expenses (notes 12, 14)	<u>577,780</u>	<u>173,065</u>	<u>2,817,782</u>	<u>1,181,257</u>
	2,281,255	370,219	4,914,169	1,872,046
Other (income) expense				
Foreign exchange (gain) loss	(33,215)	-	(59,390)	2,878
Gain on fair value of warrant liability (note 11)	(48,124)	-	(239,575)	-
Gain on sale of property and equipment (note 8)	-	-	(10,000)	-
Loss on settlement of debt (note 11)	-	-	113,834	-
Interest income	(11,207)	(6)	(11,207)	(68)
Gain on sale of vehicle	-	(22,500)	-	(22,500)
Interest expense	-	1,181	-	3,554
Accretion expense (note 10)	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,235</u>
	(92,546)	(21,325)	(206,338)	10,099
Net loss for the period	<u>\$ (2,188,709)</u>	<u>\$ (348,894)</u>	<u>\$ (4,707,831)</u>	<u>\$ (1,882,145)</u>
Cumulative translation adjustment	\$ (92,790)	-	(126,830)	-
Net loss and comprehensive loss for the period	<u>\$ (2,281,499)</u>	<u>\$ (348,894)</u>	<u>\$ (4,834,661)</u>	<u>\$ (1,882,145)</u>
Basic and diluted net loss per share (note 15)	\$ (0.07)	\$ (0.01)	\$ (0.15)	\$ (0.06)
Weighted average number of shares outstanding	30,666,831	29,509,469	30,613,695	29,509,469

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THE NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021
(EXPRESSED IN US DOLLARS)

	Share Capital	Contributed Surplus	Accumulated Deficit (Note 16)	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	\$ 44,522,658	\$ 14,779,061	\$ (51,409,367)	\$ -	\$ 7,892,352
Net loss for the period	-	-	(1,882,145)	-	(1,882,145)
Balance at September 30, 2021	\$ 44,522,658	\$ 14,779,061	(53,291,512.23)	\$ -	\$ 6,010,207
Shares issued on RTO	772,120	-	-	-	772,120
Units issued for cash	3,185,190	1,002,986	-	-	4,188,176
Shares issued in settlement of debt	857,416	-	-	-	857,416
Shares redemption	(3,573,306)	-	3,300,660	-	(272,646)
Cumulative translation adjustment	-	-	-	54,483	54,483
Net loss for the period	-	-	25,193	-	25,193
Balance at December 31, 2021	\$ 45,764,078	\$ 15,782,047	\$ (49,965,659)	\$ 54,483	\$ 11,634,949
Units issued in settlement of debt	339,440	127,146	-	-	466,586
Vesting of restricted stock units	82,237	(82,237)	-	-	-
Stock-based compensation	-	1,277,099	-	-	1,277,099
Cumulative translation adjustment	-	-	-	(126,830)	(126,830)
Net loss for the period	-	-	(4,707,831)	-	(4,707,831)
Balance at September 30, 2022	\$ 46,185,755	\$ 17,104,055	\$ (54,673,490)	\$ (72,347)	\$ 8,543,973

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASHFLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021
(EXPRESSED IN US DOLLARS)

	September 30, 2022	September 30, 2021 (Note 16)
Operating Activities		
Net loss	\$ (4,707,831)	\$ (1,882,145)
Adjustments to reconcile net loss to net cash:		
Depreciation expense (note 8)	9,216	9,402
Accretion expense (note 10)	-	26,235
Reclamation provision	94,643	-
Foreign exchange	(126,756)	-
Gain on fair value of warrant liability (note 11)	(239,575)	-
Stock-based compensation	1,277,099	-
Accrued interest	-	3,554
Gain on sale of property and equipment	(10,000)	-
Loss on settlement of debt for units (note 11)	113,834	-
Changes in operating assets and liabilities:		
Prepaid expenses	(97,721)	(7,406)
Deposits	(221)	(600)
Accounts payable and accrued liabilities (note 9)	(678,653)	376,603
Due to related party (note 12)	(6,251)	6,250
Cash used in operating activities	(4,372,216)	(1,468,106)
Investing Activities		
Acquisition of property and equipment	-	(43,835)
Sale of property and equipment	10,000	-
Cash provided by (used in) investing activities	10,000	(43,835)
Financing Activities		
Proceeds from loan payable	-	275,000
Cash provided by financing activities	-	275,000
Net change in cash	(4,362,216)	(1,236,941)
Cash, beginning of period	\$ 6,118,906	\$ 1,879,232
Cash, end of period	\$ 1,756,690	\$ 642,291
Reconciliation of cash and restricted cash:		
Cash	\$ 1,133,393	\$ 18,994
Restricted cash in non-current assets	623,297	623,297
Total cash and restricted cash	\$ 1,756,690	\$ 642,291
Supplemental Cash Flow Information		
Debt settled for units (note 11)	\$ 352,752	\$ -

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in U.S. Dollars)

1. Nature of Operations and Going Concern

Western Exploration, Inc., formerly Crystal Peak Minerals Inc. (an exploration stage company referred to as the “Company” or “Western” or “WEX” was originally incorporated in the Yukon territory, Canada on June 25, 2015. The Company commenced trading on the TSX Venture Exchange (the “TSXV”) under the symbol “CPM”. Effective November 13, 2020, the listing of the Company’s common shares was transferred from the TSXV to the TSX NEX Board as a result of the corporate restructuring in connection with the reverse takeover transaction (the “RTO”) (note 5). The Company’s registered and records office is located at Suite 2500, Park Place, 666 Burrard Street, Vancouver, British Columbia. The Company has an operations and project office in the United States at Suite 140, 121 Woodland Avenue in Reno, Nevada.

On December 22, 2021, the Company changed its name from Crystal Peak Minerals Inc. to Western Exploration Inc. in conjunction with the RTO and resumed trading on the TSXV at the opening of the market under the new symbol “WEX” on January 19, 2022.

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 controlled 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.

These consolidated financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. Several adverse conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption. At September 30, 2022, the Company had working capital of \$ 1,024,993, an accumulated deficit of \$54,673,490, produced a net loss of \$4,707,831 and used funds in operations of \$4,372,216 for the nine months period then ended. The Company has incurred operating losses to date and is currently unable to self-finance any future operations. The Company’s ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed consolidated financial statements, adjustments would be necessary in statement of financial position classifications used. Such adjustments could be material.

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.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in U.S. Dollars)

1. Nature of Operations and Going Concern (continued)

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 consolidated 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.

(b) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Western Exploration LLC, incorporated under the laws of the State of Nevada in the United States of America. All intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

(c) Functional and presentation currency

These condensed consolidated interim financial statements have been prepared in US dollars ("USD"), which is the Company's presentation currency. As of December 31, 2021 and September 30, 2022, the functional currency was determined to be USD for the Western Exploration LLC and Canadian dollars ("CAD") for Western Exploration Inc.

For the purpose of presenting consolidated financial statements, the assets and liabilities are presented in USD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate fluctuated significant during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a cumulative translation adjustment in other comprehensive income in the condensed consolidated interim statements of loss and comprehensive loss.

The policies applied in these condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of November 18, 2022, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2021.

2. Summary of Significant Accounting Policies (continued)

(d) Stock-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The corresponding amount is recorded to contributed surplus. The Company records stock-based compensation expense for service-based stock options and restricted share units (“RSU’s”) on a graded method over the requisite service period. The Company records stock-based compensation expense for non-market performance-based stock options on a graded method over the requisite service period, and only if performance-based conditions are considered probable to be satisfied.

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

(e) Significant accounting estimates

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

2. Summary of Significant Accounting Policies (continued)

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.

Fair value of equity instruments and warrant liability

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

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, which are classified as financial liabilities measured at amortized cost and warrant liability which is classified as a financial liability measured at FVTPL. 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, 2022, all of the Company's financial liabilities with the exception of amounts due to related parties 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 restricted cash. 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 shareholders' 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 common stock 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, 2022.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
 (Expressed in U.S. Dollars)

5. Reverse Takeover Transaction

On December 22, 2021, Western Exploration LLC completed its RTO with Crystal Peak Minerals Inc. (“CPM”) pursuant to which the Company indirectly acquired all the issued and outstanding member units of Western Exploration LLC. through the amalgamation of WEX Holdings Inc., an entity incorporated under the Business Corporations act of British Columbia for the purpose of the RTO and 1331971 B.C. Ltd., a former wholly owned subsidiary of CPM. As part of the transaction, the Company changed its name to Western Exploration Inc.

The terms of the RTO were as follows:

- A total of 178,222,314 issued and outstanding common shares of CPM shall consolidate at a ratio of 363.3, resulting in a total of 490,566 resulting issuers shares;
- All outstanding capital of Western Exploration LLC shall be exchanged for a total of 29,509,468 Company shares;
- The Company shall complete a redemption agreement, resulting in the repurchase of 2,358,490 Company shares (note 11);
- The Company shall complete a debt settlement agreement, resulting in the issuance of 544,646 Company shares (note 11).

The acquisition of Western Exploration LLC was accounted for as a reverse takeover transaction that was not a business combination but effectively a capital transaction of the Company accounted for in accordance with IFRS 2 Share-based payments. The RTO is equivalent to the issuance of common shares by the non-public operating entity, Western Exploration LLC, for the net assets and the listing status of the non-operating public company, CPM.

Western Exploration LLC. has been treated as the accounting parent (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) on closing of the transaction. As Western Exploration LLC was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Western Exploration Inc.’s financial results have been consolidated from the date of closing of the RTO. The legal capital continues to be that of Western Exploration Inc., the legal parent.

The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Western Exploration Inc., determined to be \$1.57 on the date of closing.

Upon closing of the RTO on December 22, 2021, the transaction was recorded as follows:

Purchase Price Consideration	22-Dec-21
Fair value of common shares issued	\$ 772,120
Net identifiable assets acquired:	
Cash	64,450
Other receivables	1,060
	<u>65,510</u>
Allocated to listing expense	<u>\$ 706,610</u>

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in U.S. Dollars)

6. Restricted Cash

The Company held restricted cash outstanding in the amounts of \$623,297 (December 31, 2021 - \$623,297) as of September 30, 2022, for the Wood Gulch and Doby George Projects as required by the U.S. Forest Service and Bureau of Land Management.

During the period ended September 30, 2022, these amounts were held in a restricted fund to be held as collateral for surety bonds in place to cover current and future reclamation obligations.

7. Mineral Properties

Total mineral property acquisition costs as at September 30, 2022 and December 31, 2021 were \$7,865,000.

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.

On December 22, 2021, the Company granted a 1% royalty on the entire Aura project to Agnico Eagle in exchange for the redemption of 2,358,490 Western shares (note 11). The royalty has a \$5,000,000 buyback option for 2 years and thereafter the buyback escalates by \$500,000 per year up to a maximum of \$9,000,000 on the tenth anniversary date, thereafter, increasing to \$10,000,000 up until the eleventh anniversary and expiring thereafter. As of the date of grant, the fair value of the royalty was deemed to be \$nil as it was undetermined at the time of grant whether the Company will achieve commercial production with its property.

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.

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. As of both September 30, 2022 and December 31, 2021, the Company held no continuing rights or involvement in the Trout Creek Property.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
 (Expressed in U.S. Dollars)

8. Property and Equipment

Cost

Balance, January 1, 2021	\$ 452,357
Additions	43,834
Disposals	(53,296)
Balance, September 30, 2021 and December 31, 2021	\$ 442,895
Disposals	(16,573)
Balance, September 30, 2022	\$ 426,322

Accumulated Depreciation

Balance, January 1, 2021	\$ 371,638
Depreciation for the period	9,402
Disposals	(53,296)
Balance, September 30, 2021	\$ 327,744
Depreciation for the period	3,134
Balance, December 31, 2021	\$ 330,878
Depreciation for the period	9,216
Disposals	(16,573)
Balance, September 30, 2022	\$ 323,521

Carrying amount

Balance, December 31, 2021	112,017
Balance, September 30, 2022	102,801

During the three and nine month periods ended September 30, 2022, the Company disposed of equipment with a carrying value of \$nil for gross proceeds of \$nil and \$10,000, resulting in a gain of \$nil and \$10,000 that is recognized in the condensed consolidated interim statements of loss and comprehensive loss.

9. Accounts Payable and Accrued Liabilities

	September 30, 2022	December 31, 2021
Trade payables	\$ 183,546	\$ 1,208,160
Accrued liabilities	52,408	59,199
	\$ 235,954	\$ 1,267,359

10. 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.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in U.S. Dollars)

10. Reclamation Provision (continued)

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 \$506,200 as at September 30, 2022 (December 31, 2021: \$379,488), over a period of 4-5 years, and discounted using a risk-free rate of 4.06% (December 31, 2021: 1.26%) per annum.

Balance as of December 31, 2020	\$	401,540
Add: Accretion		26,235
Add: Additions		-
Balance as of September 30, 2021	\$	427,775
Add: Accretion		(24,991)
Add: Additions		105,168
Balance as of December 31, 2021	\$	507,952
Add: Additions		94,643
Balance as of September 30, 2022	\$	602,595

11. Share Capital Authorized

Share Capital

Prior to closing of the RTO on December 22, 2021, the Company's authorized capital consisted of membership interests represented by units consisting of four classes: "Class A", "Class A-1", "Class B" and "Common units". Class A, Class-1 and Class B units entitled the holders to share in the income, gains, losses, deductions, credits, 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.

Upon closing of the RTO, the Company's authorized capital consisted solely of voting common shares without par value.

Issued Share Capital

30,666,831 common shares issued and outstanding as at September 30, 2022.

During the period ended September 30, 2022 and December 31, 2021, the Company issued the following shares:

	Number of units/shares			
	Class A	Class A-1	Class B	Common Shares
Balance - January 1, 2021 and September 30, 2021	17,634	993	1,560	-
Conversion as a result of RTO (note 5)	(17,634)	(993)	(1,560)	29,509,468
Shares issued on RTO	-	-	-	490,566
Units issued for cash	-	-	-	2,248,936
Shares issued in settlement of debt	-	-	-	544,646
Share redemption	-	-	-	(2,358,490)
Balance - December 31, 2021	-	-	-	30,435,126
Units issued in settlement of debt	-	-	-	169,205
Exercise of restricted stock units	-	-	-	62,500
Balance - September 30, 2022	-	-	-	30,666,831

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11. Share Capital Authorized (Continued)

	\$ value of units/shares					Amount
	Class A	Class A-I	Class B	Common Shares		
Balance - January 1, 2021 and September 30, 2021	\$ 34,189,325	\$ 7,000,000	\$ 3,333,333	\$ -	\$ -	\$ 44,522,658
Conversion as a result of RTO (note 5)	(34,189,325)	(7,000,000)	(3,333,333)	44,522,658	-	-
Shares issued on RTO	-	-	-	772,120	772,120	772,120
Units issued for cash	-	-	-	3,185,190	3,185,190	3,185,190
Shares issued in settlement of debt	-	-	-	857,416	857,416	857,416
Share redemption	-	-	-	(3,573,306)	(3,573,306)	(3,573,306)
Balance - December 31, 2021	\$ -	\$ -	\$ -	\$ 45,764,078	\$ -	\$ 45,764,078
Units issued in settlement of debt	-	-	-	339,440	339,440	339,440
Exercise of restricted stock units	-	-	-	82,237	82,237	82,237
Balance - September 30, 2022	\$ -	\$ -	\$ -	\$ 46,185,755	\$ -	\$ 46,185,755

On October 13, 2021, the Company completed a concurrent financing, issuing a total of 2,248,936 subscription receipts each at a price of CAD\$2.65 for aggregate proceeds of CAD\$5,959,680 (\$4,611,684). On closing of the RTO, each subscription receipt converted into one common share and one common share purchase warrant exercisable into one additional common share at a price of CAD\$3.975 up until October 13, 2023. The Company incurred cash broker fees and legal fees of \$423,508 in relation to the financing. Proceeds were allocated to common shares and warrants using the relative fair value method. The fair value of the warrants was determined to be \$975,801 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.03, risk free interest rate of 0.96%, an expected dividend yield of 0%, volatility rate of 94% based on historical share prices of comparable companies and an expected life of 1.81 years.

In addition to the cash broker fees and legal fees paid, the Company also issued a total of 89,957 broker warrants, each exercisable into a common share of the Company at a price of CAD\$3.05 for a period of one year from the closing date of the RTO. The fair value of the broker warrants was determined to be \$27,185 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.03, risk free interest rate of 0.96%, an expected dividend yield of 0%, volatility rate of 81% based on historical share prices of comparable companies and an expected life of 1 year.

Concurrent with the RTO transaction, on December 22, 2021, the Company entered into an agreement with Agnico to repurchase 2,358,490 post RTO common shares in exchange for a 1% net smelter royalty on the Aura project deemed to hold a fair value of \$nil (note 7) and 748,668 warrants (the "Redemption Agreement"). Under the terms of the warrants, each warrant shall entitle the holder to purchase one common share of the Company at a price of \$2.67 up until May 15, 2023.

On closing of the Redemption Agreement, amounts totaling \$3,573,306, equal to the average cost of shares repurchased were charged to share capital, with amounts totaling \$3,300,660 in excess of the fair value of consideration paid totaling \$272,646 recognized directly as a charge to retained earnings.

The fair value of the warrants was determined to be \$272,646 on the date of issuance, estimated using the Black Scholes pricing model. As the exercise price of the warrants are denominated in a currency other than the Company's functional currency and therefore do not meet the fixed for fixed criteria, they have been classified as a derivative financial instrument held at FVTPL and included as a warrant liability on the condensed consolidated interim statement of financial position. As at September 30, 2022, the warrant liability was revalued at \$36,535 (December 31, 2021 - \$276,110) resulting in a gain on fair value of warrant liability totaling \$48,124 and \$239,275 recognized in the condensed consolidated interim statement of loss and comprehensive loss for the three and nine month periods ended September 30, 2022.

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11. Share Capital Authorized (Continued)

The inputs utilized in the Black Scholes pricing model on the date of issuance and on revaluation at December 31, 2021 and September 30, 2022 were as follows: fair value share price of \$0.82 - \$1.60, risk free interest rate of 0.95% - 3.76%, an expected dividend yield of 0%, volatility rate of 84-109% based on historical share prices of comparable companies and the Company's own historical share price and an expected life of 0.62 - 1.40 years.

Concurrent with the RTO transaction, the Company settled debt owing to various related parties totaling \$1,155,290 through the issuance of 544,646 common shares valued at \$857,416.

On January 27, 2022, the Company settled an outstanding debt of \$352,752 (CAD\$448,394) to a legal advisor by issuing 169,205 units, each comprised of one common share and one common share purchase warrant exercisable into one additional common share at a price of CAD\$3.975 for a period of 24 months from the date of issuance. On the date of settlement, the fair value of the common shares was determined to be \$339,440. The fair value of the warrants was determined to be \$127,146 on the date of settlement, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.55, risk free interest rate of 1.27%, an expected dividend yield of 0%, volatility rate of 91% based on historical share prices of comparable companies and an expected life of 2 years. In connection with the settlement, a loss on settlement of debt totaling \$nil and \$113,834 was included in the condensed consolidated interim statement of loss and comprehensive loss for the three and nine month periods ended September 30, 2022.

On June 8, 2022, a total of 62,500 RSU's were exercised into 62,500 common shares of the Company at no additional cost. Upon exercise, the fair value of RSU's amounting to \$82,237 was transferred from contributed surplus to share capital.

Share Purchase Warrants

As of September 30, 2022, the following share purchase warrants of the Company were issued and outstanding:

Total Warrants	Strike Price	Grant Date	Expiration Date
2,248,936	CAD\$3.975	2021-12-22	2023-10-13
89,957	CAD\$3.05	2021-12-22	2023-12-22
748,668	\$2.67	2021-12-22	2023-05-15
169,205	CAD\$3.975	2022-01-27	2024-01-27
3,256,766			

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 January 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.

On closing of the RTO, all incentive units granted and outstanding were cancelled.

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11. Share Capital Authorized (Continued)

Restricted Stock Units

The Company has established a Restricted Share Unit Plan (the “RSU Plan”). Under the RSU Plan, together with any other share compensation arrangement. The Board may in its own discretion, at any time, and from time to time, grant RSUs to any employee, director or consultant of the Company or its subsidiaries, other than persons conducting investor relations activities, from time to time by the Board, subject to the limitations set forth in the RSU Plan. The Board may designate one or more performance periods under the RSU Plan.

On June 8, 2022, the Company granted a total of 125,000 RSU’s, of which 62,500 RSU’s vested immediately, with the remaining 62,500 vesting equally on the first and second anniversary from the date of grant. Each RSU is exercisable into one common share of the Company at no additional cost. On the date of grant, the fair value of RSU’s granted was determined to be \$164,464 based on the fair market trading price of Company’s common shares. During the three and nine month periods ended September 30, 2022, \$19,249 and \$101,486 of stock-based compensation expense was recognized in the relation to the vesting of RSU’s.

Following is a summary of changes in RSU’s outstanding for the period ended September 30, 2022:

Balance, January 1 and December 31, 2021	-
Granted	125,000
Exercised	(62,500)
Balance, September 30, 2022	62,500

As at September 30, 2022, 62,500 RSU’s remain unvested and not exercisable.

Stock Options

The Company has established a rolling Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 5 years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options vest at the discretion of the Board of Directors.

On June 8, 2022, the Company granted a total of 1,596,025 options to directors, officers, employees and consultants of the Company. Under the terms of the options, a total of 50% of the options are to vest immediately, 25% vesting on June 8, 2023 and the remaining vesting on June 8, 2024. The fair value of the options was determined to be \$1,905,154 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$1.65, risk free interest rate of 3.18%, an expected dividend yield of 0%, and volatility rate of 157%. During the three and nine month periods ended September 30, 2022, \$179,994 and \$1,175,613 of stock-based compensation expense was recognized in the relation to the vesting of options.

Following is a summary of changes in stock options outstanding for the period ended September 30, 2022:

	Amount	Weighted Average Exercise Price
Balance, January 1 and December 31, 2021	-	-
Granted	1,596,025	C \$2.65
Balance, September 30, 2022	1,596,025	C \$2.65

As at September 30, 2022, 798,013 stock options are vested and exercisable.

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12. 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-month periods ended September 30, 2022 and 2021, the Company paid, or accrued remuneration to key management of the Company as follows:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Salaries and fees (i)	\$52,500	\$37,500	\$151,250	\$112,500
Director's fees (ii)	\$nil	\$6,250	\$nil	\$18,750
Stock-based compensation (iii)	\$128,826	\$nil	\$837,533	\$nil

- (i) As at September 30, 2022, \$nil (December 31, 2021 - \$6,251) was due to key management of the Company and the amount were included in due to related party.
- (ii) As at September 30, 2022, directors were owed \$18,750 (December 31, 2021 - \$18,750) and this amount was included in accounts payable and accrued liabilities.
- (iii) On June 8, 2022, the Company granted 1,115,000 options and 20,000 RSU's to directors and officers of the Company (note 11).

On December 22, 2021, \$859,156 of the \$1,299,251 due to a corporation controlled by Marceau Schlumberger was settled in exchange for 405,262 common shares as part of the RTO (note 11). As at September 30, 2022 amounts totaling \$440,095 (December 31, 2021 - \$440,095) were due to a corporation controlled by a director of the Company. During the period ended September 30, 2022, the repayment terms of the payable were extended to January 1, 2024, bearing no interest.

During the three and nine-month periods ended September 30, 2021, interest expense totaling \$1,181 and \$3,554 was recognized in the condensed consolidated interim statement of loss and comprehensive loss in connection with promissory notes held with related parties. As of December 31, 2021, and September 30, 2022, all promissory notes held with related parties were settled in full.

Major shareholders:

To the knowledge of the directors and senior officers of the Company, as at September 30, 2022, 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:

	Number of common Shares	Percentage of outstanding shares
Golkonda LLC	19,969,391	65.1%
Agnico Eagle (USA) Ltd	5,442,191	17.7%

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13. Exploration Expenditures

The following table reflects the exploration expenditures incurred in the periods ended September 30, 2022 and 2021:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Drilling	\$ 1,080,528	\$ -	\$ 1,086,859	\$ 161,610
Permitting	20,978	28,429	70,443	54,896
Reclamation obligation	94,643	-	94,643	-
Geological	296,588	43,112	633,704	344,824
Land	125,613	125,613	125,613	126,309
Metallurgy	85,125	-	85,125	3,150
Total	\$ 1,703,475	\$ 197,154	\$ 2,096,387	\$ 690,789

14. General and Administrative Expenses

The following table reflects general and administrative expenses incurred in the periods ended September 30, 2022 and 2021:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Director fees	\$ -	\$ 6,250	\$ -	\$ 18,750
Salary	90,682	95,264	288,540	295,684
Office and general	225,013	53,571	751,908	183,403
Audit and accounting fees	49,365	(20,000)	145,193	54,710
Regulatory fess	-	10,437	-	10,437
Stock-based compensation	199,243	-	1,277,099	-
Legal and regulatory fees	10,529	24,410	345,826	608,871
Depreciation	2,948	3,133	9,216	9,402
Total	\$ 577,780	\$ 173,065	\$ 2,817,782	\$ 1,181,257

15. Loss Per Share

The calculation of basic and diluted loss per share for the three and nine month periods ended September 30, 2022 was based on losses attributable to common shareholders of \$2,188,709 and \$4,707,831 (September 30, 2021 – income of \$348,894 and loss of \$1,882,145) and the basic weighted average number of common shares outstanding of 30,666,831 and 30,613,695 (September 30, 2021 – 29,509,469). Diluted loss per share did not include the effect of outstanding warrants, options and RSU's as they are anti-dilutive.

The basic weighted average number of common shares outstanding for the period prior to the date of closing of the RTO has been retrospectively adjusted to reflect the conversion of member's units to resulting issuer shares for comparative purposes.

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16. Restatement of financial statements

In the prior period comparative financial statements for the three and nine-months period ended September 30, 2021, the Company recognized a gain on sale of royalty for amounts totaling \$1,650,000 in connection with the sale of a retained resource discovery payment and royalty on property (Note 7). Upon further review, the Company determined that the gain on sale of royalty should not have been recognized until October 5, 2022, that being the date of closing of the sale and purchase agreement.

The analysis resulted in change to accounts receivable and other income. The Company evaluated the significance of the corrections and determined the adjustments were material to the condensed consolidated interim financial statements.

The following table summarize the effects of the restatement:

	Original Reported	Adjustments	September 30, 2021 Restated
Statement of Financial Position			
Accounts receivable	\$ 1,650,000	\$ (1,650,000)	\$ -
Current assets	\$ 1,708,297	\$ (1,650,000)	\$ 58,297
Total assets	\$ 10,317,632	\$ (1,650,000)	\$ 8,667,632
Accumulated deficit	\$ (51,641,512)	\$ (1,650,000)	\$ (53,291,512)
Shareholders' equity	\$ 7,660,207	\$ (1,650,000)	\$ 6,010,207
Total liabilities and shareholders' equity	\$ 10,317,632	\$ (1,650,000)	\$ 8,667,632
Statement of loss and comprehensive loss - three months ended			
Other income (expenses)	\$ 1,650,006	\$ (1,650,000)	\$ 6
Net income (loss)	\$ 1,301,106	\$ (1,650,000)	\$ (348,894)
Net income (loss) and comprehensive income (loss) for the period	\$ 1,301,106	\$ (1,650,000)	\$ (348,894)
Statement of loss and comprehensive loss - nine months ended			
Other income (expenses)	\$ 1,650,068	\$ (1,650,000)	\$ 68
Net income (loss)	\$ (232,145)	\$ (1,650,000)	\$ (1,882,145)
Net income (loss) and comprehensive income (loss) for the period	\$ (232,145)	\$ (1,650,000)	\$ (1,882,145)
Statement of Cash flows - nine months ended			
Net income (loss)	\$ (232,145)	\$ (1,650,000)	\$ (1,882,145)
Change in accounts receivable	\$ (1,650,000)	\$ 1,650,000	\$ -

17. Subsequent events

On October 24, 2022, the Company amended its notice of articles to change the identifying name of its outstanding class of shares from "Common Shares" to "Variable Voting Shares" to reflect that the outstanding class of listed shares of the Company are subject to a voting reduction to the shares held by residents of the United States to ensure that not more than 50% of the outstanding voting securities of the Company are held, directly, or indirectly, by residents of the United States.