

# Western Atlas Resources Inc.

Condensed Consolidated Interim Financial Statements  
For the nine months ended September 30, 2019 and 2018  
*(Expressed in Canadian dollars)*

## **Notice to Reader**

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 interim financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of the Company 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 in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# WESTERN ATLAS RESOURCES INC.

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 130,454	\$ 401,275
Short term investment (Note 4)	-	50,000
Prepaid expenses	12,653	127,646
Accounts receivable	1,820	5,539
	<b>144,927</b>	<b>584,460</b>
<b>Non-current assets</b>		
Exploration & evaluation assets (Note 5)	2,599,492	2,334,147
<b>Total assets</b>	<b>\$ 2,744,419</b>	<b>\$ 2,918,607</b>
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 57,532	\$ 141,014
	<b>57,532</b>	<b>141,014</b>
<b>Shareholders' equity</b>		
Share subscriptions received	125,500	-
Share capital (Note 7)	4,401,497	4,300,838
Equity reserves	290,000	288,000
Deficit	(2,130,110)	(1,811,245)
	<b>2,686,887</b>	<b>2,777,593</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,744,419</b>	<b>\$ 2,918,607</b>

These financial statements were approved for issue by the Board of Directors on November 28, 2019.

They are signed on the Company's behalf by:

*"Fabio Capponi"*

Director

*"Susan Rubin"*

Chief Financial Officer

The accompanying notes are an integral part of these condensed consolidated interim financial statement

# WESTERN ATLAS RESOURCES INC.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Three months ended September 30, 2019	Nine months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2018
<b>Operating activities</b>				
General and administrative expenses	\$ 40,121	\$ 144,147	\$ 40,060	\$ 145,124
Salaries and benefits (Note 9)	12,512	62,272	32,747	124,747
Accounting, audit and advisory services (Note 9)	8,200	79,811	56,225	163,875
Legal fees	-	-	-	180,496
Insurance	2,750	8,250	2,894	8,825
Property investigation costs	2,725	21,516	-	-
Share-based payments (Note 7)	-	2,000	288,000	288,000
Foreign exchange loss	33	869	397	493
<b>Net loss from continuing operations for the period</b>	<b>66,341</b>	<b>318,865</b>	<b>420,323</b>	<b>911,560</b>
<b>Other income</b>				
Break fee on termination of amalgamation agreement	-	-	-	250,000
<b>Loss and comprehensive loss for the period</b>	<b>\$ 66,341</b>	<b>\$ 318,865</b>	<b>\$ 420,323</b>	<b>\$ 1,161,560</b>
<b>Weighted average Common Shares Outstanding</b>	<b>56,438,109</b>	<b>56,520,123</b>	<b>56,203,202</b>	<b>41,622,420</b>
<b>Loss per Common share - basic and diluted</b>	<b>\$0.00</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.03</b>

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

# WESTERN ATLAS RESOURCES INC.

## Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian dollars)

	Number of Class A common shares	Share Capital Class A common shares	Number of Class B common shares	Share Capital Class B common shares	Total number of shares issued	Total share capital	Reserves	Deficit	Total Equity (deficiency)
<b>Balance December 31, 2017</b>	20,150,000	\$ 303,243	12,083,333	\$ 1,360,428	32,233,333	\$ 1,663,671	\$ -	\$ (266,071)	\$ 1,397,600
Net loss being comprehensive loss for the twelve months ended December 31, 2018					-	-	-	(1,545,174)	(1,545,174)
Private Western Atlas shares converted to Public Western Atlas shares at the conversion ratio of 1.2410	(20,150,000)	(303,243)	(12,083,333)	(1,360,428)	(32,233,333)	-	-	-	-
Pacific Topaz shares consolidated on a 2:1 basis					40,001,591	661,400	-	-	661,400
Shares issued for cash					6,097,779	-	-	-	-
Shares issued for services					10,000,000	2,000,000	-	-	2,000,000
Share issue costs					281,025	25,292	-	-	25,292
Share-based payments					-	(49,525)	-	-	(49,525)
					-	-	288,000	-	288,000
<b>Balance December 31, 2018</b>	-	-	-	-	56,380,395	\$ 4,300,838	\$ 288,000	\$ (1,811,245)	\$ 2,777,593
Net loss being comprehensive loss for the nine months ended September 30, 2019					-	-	-	(318,865)	(318,865)
Shares issued for debt					1,342,120	100,659	-	-	100,659
Share-based payments					-	-	2,000	-	2,000
<b>Balance September 30, 2019</b>	-	-	-	-	57,722,515	\$ 4,401,497	\$ 290,000	\$ (2,130,110)	\$ 2,561,387

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

# WESTERN ATLAS RESOURCES INC.

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian dollars)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>Cash flows provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (318,865)	\$ (661,560)
Adjustments for non-cash items:		
Share-based payments	2,000	288,000
Common shares issued for services	-	25,292
Changes in non-cash working capital items:		
Prepaid expenses	114,993	(132,233)
Accounts receivable	3,719	(16,986)
Accounts payable and accrued liabilities	(83,482)	478,796
<b>Net cash used by operating activities</b>	<b>(281,635)</b>	<b>(18,691)</b>
<b>Investing activities</b>		
Exploration & evaluation assets (Note 5)	(265,345)	(1,290,755)
Short term investment	50,000	-
<b>Net cash used by investing activities</b>	<b>(215,345)</b>	<b>(1,290,755)</b>
<b>Financing activities</b>		
Share subscription received	125,500	-
Shares issued for debt	100,659	-
Shares issued for cash	-	1,894,474
Shares issue costs	-	(49,525)
<b>Net cash provided by financing activities</b>	<b>226,159</b>	<b>1,844,949</b>
<b>Net increase</b>	<b>(270,821)</b>	<b>535,503</b>
<b>Cash at beginning of period</b>	<b>401,275</b>	<b>436,923</b>
<b>Cash at end of period</b>	<b>\$ 130,454</b>	<b>\$ 972,426</b>

Supplemental cash flow information (Note 8)

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

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 1. Nature of operations and going concern

Western Atlas Resources Inc. (the “Company”) is a company domiciled in Canada. The address of the Company’s registered office is Suite 1700, Park Place, 666 Burrard Street, Vancouver, BC, Canada V6C 2X8. The Company has one wholly owned subsidiary, Western Atlas (Nunavut) Holding Corp., which in turn has one wholly owned subsidiary, 5530 Nunavut Inc., both of which are domiciled in Canada.

On June 15, 2018, Pacific Topaz Resources Ltd., a public company incorporated under the British Columbia Corporations Act completed a share exchange with Western Atlas Resources, the private company (herein “Western Atlas PrivateCo.” or “PrivateCo.”). For accounting purposes this transaction has been treated as a reverse takeover (“RTO”). Upon closing of the RTO, Pacific Topaz Resources Ltd. changed its name to Western Atlas Resources Inc. These financial statements are presented as a continuation of Western Atlas Resources Inc., the private company, in which its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. Additional information relating to this transaction is in Note 11.

The consolidated financial statements of the Company for both periods presented comprises the Company and its subsidiaries (together referred to as the “Company” and individually as “Company entities”). The Company and its subsidiaries are primarily involved in the discovery, acquisition and development of mineral deposits in premier mining jurisdictions.

These financial statements have been prepared on a basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2019, the Company had not achieved profitable operations, had an accumulated deficit of \$2,130,110 (accumulated deficit at December 31, 2018 - \$1,811,245) since inception, expects to incur further losses as it develops its business and explores its mineral property interests, and will be required to raise additional financing to maintain its operations, all of which indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether they contain resources that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and upon future profitable production or proceeds from disposition of the mineral property.

The ability of the Company to carry out its planned business objectives and continue as a going concern is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow from its mineral property interests. There can be no assurances that the Company will be able to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations and exploration and development activities which may impact the Company’s ability to maintain its mineral property interest.

The financial statements do not include any adjustments relating to the recorded amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 2. Basis of preparation

### (a) Statement of compliance

The condensed interim financial statements of the Company for the nine months ended September 30, 2019, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2018. Certain comparative figures may have been reclassified in order to conform to the current period's financial statement presentation. These condensed financial statements do not include all of the information required for full annual financial statements and should therefore be read in conjunction with the Company's audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2018.

### (b) Basis of measurement

The consolidated financial statements of Western Atlas Resources Inc. have been prepared on the historical cost basis.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary, unless otherwise indicated.

### (d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

### Estimates

Significant areas requiring the use of estimates and assumptions relate to the review of asset carrying values and determination of impairment charges of non-current assets, the determination of mineral reserves, the inputs used in the determination of share-based payments, and the inputs used in the determination of the listing expense. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

### Judgments

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are the determination of functional currency, and going concern.

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

## 3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

Details of the Company's subsidiaries at September 30, 2019 are as follows:

<b>Name</b>	<b>Place of Incorporation</b>	<b>Interest</b>	<b>Principal Activity</b>
Western Atlas (Nunavut) Holding Corp.	British Columbia, Canada	100%	Mineral exploration and evaluation
5530 Nunavut Inc.	Nunavut, Canada	100%	Mineral exploration and evaluation

(ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.



# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 3. Significant accounting policies (continued)

### (c) Financial Instruments

The Company adopted IFRS 9 in its consolidated financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on January 1, 2018. A comparison between the classification of the Company's financial assets and financial liabilities under IFRS 9 and IAS 39 is as follows:

<u>Financial Instrument</u>	<u>Original classification - IAS 39</u>	<u>New classification - IFRS9</u>
Cash	Loans and receivables	Amortized cost
Short term investment	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other payables	Amortized cost

#### Financial assets

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

*Amortized cost* - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

*Fair value through other comprehensive income ("FVOCI")* - FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

*Fair value through profit or loss ("FVTPL")* - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL. The Company has classified its GIC's as FVTPL.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of comprehensive income for the year.

#### Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

*Amortized cost* - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 3. Significant accounting policies (continued)

### (c) Financial Instruments (continued)

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

#### *Impairment of financial assets*

The Company assesses all information available, including, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses during the nine months ended September 30, 2019 or the year ended December 31, 2018.

### (d) Share capital

#### *Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

#### *Share-based payments*

The Company has a stock-based compensation plan, whereby share purchase options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the assumptions used do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

### (e) Exploration expenditures

The cost of exploration expenditures is expensed as incurred, including those costs incurred before the Company has obtained the legal rights to explore an area of interest.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 3. Significant accounting policies (continued)

### (f) Exploration and evaluation assets

Exploration and evaluation expenditures include the cost of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. When shares are issued as consideration for exploration and evaluation asset costs, they are valued at the closing share price on the date of issuance. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and the balance is reclassified as a development asset in property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

### (g) Provision for closure and reclamation

The Company recognizes statutory, contractual or other obligations related to the retirement of its exploration assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. Management has determined that there was no provision for closure and reclamation as at September 30, 2019.

### (h) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 3. Significant accounting policies (continued)

### (h) Income tax (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

### (i) Flow-through shares

The Company may, from time to time, issue flow-through shares to finance exploration programs undertaken in Canada. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of the qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share using the residual method into i) share capital, ii) warrants and iii) flow-through share premium, equal to the estimated premium, if any, investors paid for the flow-through feature, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of the tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds from the issuance of flow-through shares are restricted to be used only for certain Canadian resource property exploration expenditures incurred within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

# **WESTERN ATLAS RESOURCES INC.**

Notes to the Consolidated Financial Statements  
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## **3. Significant accounting policies (continued)**

### (j) Recently adopted accounting policies

#### Financial Instruments

In July 2014, the IASB completed the final elements of IFRS 9 “Financial Instruments.” The standard supersedes earlier versions of IFRS 9 and completes the IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The standard came into effect for annual periods beginning on or after January 1, 2018, with required retrospective application and early adoption permitted. The implementation of IFRS 9 did not have a significant impact on the Company’s financial statements.

### (k) New accounting policies

Standards issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below. This listing of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

#### Leases

In January 2016, the IASB issued the complete IFRS 16 “Leases,” which replaced IAS 17 “Leases.” Under IFRS 16, a single recognition and measurement model will apply for lessees which will require recognition of assets and liabilities for most leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company plans to adopt the new standard and is in the process of assessing the impact of the standard on its consolidated financial statements.

## **4. Short term investment**

Short term investment is comprised of a guaranteed investment certificate (“GIC”) held with a major financial institution with a maturity date of April 12, 2019. The GIC is classified as fair value through profit or loss and measured at fair value with fair value gains and losses recognized in the consolidated statement of comprehensive loss for the year.

## **5. Exploration & evaluation assets**

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

At September 30, 2019 the Company holds the mineral rights to property in Nunavut, Canada, namely the Meadowbank Project.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 5. Exploration & evaluation assets (continued)

### Meadowbank Project

The Western Atlas Resources project in Meadowbank is comprised of approximately 58,000 hectares of mineral claims divided in three areas, namely Block A, Block B and Block C. Block A (10,046 hectares), is located along Agnico Eagle's mining blocks which hosts the PDF deposit (also part of the Meadowbank gold mine) and the Amaruq gold deposit; Block B (39,127 hectares), is located along trend of Agnico Eagle's Vault, Portage and Goose deposits, and north of the Aura Silver's Greyhound gold target (currently optioned to Agnico Eagle); and Block C (8,671 hectares), is located south of the Greyhound gold target.

At September 30, 2019 the following costs are capitalized as exploration and evaluation assets:

<b>Exploration Costs - Nunavut</b>	<b>Year ended December 31, 2018</b>	<b>Nine months ended September 30, 2019</b>	<b>Total September 30, 2019</b>
<b>Acquisition costs</b>			
Recording and staking fees	\$ 381,916	\$ 14,461	\$ 396,377
<b>Exploration costs</b>			
43-101 Technical Report	106,355	647	107,002
Field supplies and expenses	630,283	61,421	691,704
Geological services	393,789	181,094	574,883
GeoPhysical surveys	632,588	5,400	637,988
Laboratory analysis	52,878	1,998	54,876
Travel	136,338	324	136,662
	1,952,231	250,884	2,203,115
<b>Total Exploration Costs</b>	<b>\$ 2,334,147</b>	<b>\$ 265,345</b>	<b>\$ 2,599,492</b>

## 6. Loan payable

On April 3, 2019, the Company entered into a loan agreement (the "Loan") for \$100,000 with Fabio Capponi, a director and officer of the Company. The loan was divided into two tranches of \$50,000 with the first tranche transferred to the Company on April 3, 2019, and the second tranche transferred on June 30, 2019.

The Company agreed to repay the Loan together with interest accruing from the date of transfer at a rate of 2.75% per annum, being the USD LIBOR 12 month interest rate in April 2019, in cash unless the parties agreed otherwise.

On August 12, 2019, the Company announced that it had agreed to repay the Loan through the issuance of the Company's common shares to Mr. Capponi. On August 23, 2019, pursuant to the settlement of the Loan, the Company has issued 1,342,120 Common Shares at a deemed price of \$0.075 per Common Share to Mr. Capponi.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
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## 7. Share capital

(a) Authorized:

Unlimited number of common voting shares without par value.

(b) Issued during the nine months ended September 30, 2019:

On August 23, 2019, in settlement of the Loan the Company issued 1,342,120 Common Shares at a deemed price of \$0.075 per Common Share to Mr. Capponi. See Note 6.

On September 3, 2019 the Company announced a non-brokered private placement to raise gross proceeds ranging between \$3,000,000 and \$5,000,000 in a mix of flow-through units at a price of \$0.10 per unit, and non-flow-through units at a price of \$0.85 per unit. On October 10, the Company announced that the first tranche of the non-brokered private placement was closed. See Note 16, Subsequent Events.

Each flow-through units consisted of one flow-through common share and one-half (1/2) of one non flow-through common share purchase warrant, with each whole warrant exercisable for one additional Western Atlas Share at a price of C\$0.20 for a period of two years from the closing of the Private Placement.

Each non-flow-through Units consisted of one non-flow-through common share and one-half (1/2) of one non-flow-through common share purchase warrant, with each whole warrant exercisable for one additional Western Atlas Share at a price of C\$0.20 for a period of two years from the closing of the Private Placement.

(c) Issued during the year ended December 31, 2018:

During the year ended December 31, 2018 Pacific Topaz Resources Ltd. ("PPZ"), a public company incorporated under the British Columbia Corporations Act completed a share exchange with Western Atlas PrivateCo. For accounting purposes this transaction has been treated as a reverse takeover ("RTO"). Pursuant to the Share exchange, PPZ consolidated its shares on a 2:1 basis and completed a non-brokered private placement of 10,000,000 subscription receipts at a post-consolidation price of \$0.20 per subscription receipt ("Subscription Receipts") for aggregate gross proceeds of \$2,000,000 (the "Financing"). 5,892,500 of the Subscription Receipts were exchanged for Resulting Issuer shares issued on a flow-through basis, and 4,107,500 of the Subscription Receipts were exchanged for 4,107,500 non-flow-through units comprised of 4,107,500 post-consolidated shares and 2,053,750 post-consolidated warrants. Upon completion of the share exchange, Western Atlas PrivateCo. shareholders were issued an aggregate of 40,001,566 post-consolidated shares at a deemed value of \$0.125 per share, representing an exchange ratio of 1.2410 with a fair value of \$661,400. On completion of the reverse takeover, PPZ changed its name to Western Atlas Resources Inc. and started trading under the ticker symbol "WA".

On successful closing of the share exchange, the Company issued 281,025 common shares at \$0.09 per share as a success fee for a deemed cost of \$25,292. 31,025 of these common shares were issued to an officer of the Company.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 7. Share capital (continued)

### (d) Stock Option Plan

On March 7, 2018, Western Atlas PrivateCo. approved a Stock Option Plan, and on March 16, 2018 granted 2,700,000 stock options in accordance with the terms of the Company's Stock Option Plan to directors, officers, employees and consultants of the Company. These options were adjusted at the Amalgamation exchange ratio of 1.2410. Also, as part of the Amalgamation, the Company incorporated the options of Pacific Topaz Resources on a 2:1 basis.

On August 27, 2018, the Company announced that pursuant to the Company's Stock Option Plan, a total of 900,000 incentive stock options were granted to its Directors. Each Director (excluding the CEO) was granted 300,000 options. The stock options are exercisable at a price of C\$0.20 per share for a period of 5 years.

On January 23, 2019, the Company announced that pursuant to the Company's Stock Option Plan, a total of 200,000 incentive stock options were granted to David Laing following his appointment as Corporate Development and Technical Advisor. The stock options are exercisable at a price of C\$0.07 per share for a period of 2 years.

The continuity of share purchase options at September 30, 2019 is as follows:

Exercise Price	Expiry Date	31-Dec-18	Granted	Expired	30-Sep-19
\$0.20	15-Jun-19	42,500	-	42,500	-
\$0.32	15-Jun-19	330,000	-	330,000	-
\$0.32	1-Sep-26	232,500	-	-	232,500
\$0.12	16-Mar-20	3,350,700	-	-	3,350,700
\$0.20	27-Aug-23	900,000	-	-	900,000
\$0.07	23-Jan-21	-	200,000	-	200,000
		<u>4,855,700</u>	<u>200,000</u>	<u>372,500</u>	<u>4,683,200</u>

As at September 30, 2019 there were 4,683,200 vested options with a weighted average exercise price of \$0.14. The weighted average remaining contractual life of the vested options is 1.5 years. During the nine months ended September 30, 2019, the Company granted a total of 200,000 stock options with a total fair value of \$2,000, which was recognized as share-based payment expenses during the nine months ended September 30, 2019.

During the year ended December 31, 2018, the Company granted a total of 4,250,700 stock options with a total fair value of \$288,000, which was recognized as share-based payment expense during the year ended December 31, 2018.

The share-based payments were derived from the vesting of grants which have been estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions:



# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 7. Share capital (continued)

### (d) Stock Option Plan (continued)

	Nine months ended September 30, 2019	Year ended December 31, 2018
Expected life	2 years	4 - 5 years
Expected volatility	22.49%	60.23% - 60.95%
Expected dividend yield	Nil	Nil
Risk-free interest rate	1.89%	1.93% - 2.22%
Fair value per option	\$0.01	\$0.06 - \$0.11
Expected forfeitures	Nil	Nil

### (e) Shares and options in escrow

In conjunction with the reverse take-over, on June 18, 2018, 25,337,533 commons shares and 2,730,200 stock options were placed in escrow to be released at a rate of 10% on June 18, 2018 and 15% on each of December 18, 2018, June 18, 2019, December 18, 2019, June 18, 2020, December 18, 2020 and June 18, 2021.

As at September 30, 2019, 15,202,520 common shares and 1,638,120 stock options (December 31, 2018 - 19,003,150 common shares and 2,047,650 stock options) are held in escrow.

### (f) Warrants

In conjunction with the June 15, 2018 non-brokered private placement, the Company issued a total of 20,537,501 warrants. Each warrant entitles the holder to subscribe to one common share of the Company at a price per share of \$0.30 for a period of two years.

## 8. Supplemental cash flow information

- (a) The Company made no cash outlays in respect of interest or income taxes for the three and nine months ended September 30, 2019 and the year ended December 31, 2018.
- (b) As at September 30, 2019 the Company had \$16,160 (December 31, 2018 - \$40,776) in accounts payable and accrued liabilities which were related to the exploration of the mineral properties.
- (c) During the three and nine months ended September, 2019 no shares were issued for services rendered (year ended December 31, 2018 - 281,025 shares).

## 9. Related party transactions

At September 30, 2019 and December 31, 2018 the Company had \$20,552 payable (December 31, 2018 - nil) to the officers of the Company related to reimbursement of expenses paid on behalf of the Company. Amounts payable to related parties are non-interest bearing and without specific terms of repayment.

During the nine months ended September 30, 2019, the Company paid \$108,000 for management, general business and financial advisory services and salaries (year ended December 31, 2018 - \$234,000) to an officer of the Company and a company controlled by an officer of the Company.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## 9. Related party transactions (continued)

Share-based payments during the period were nil (year ended December 31, 2018 - \$252,167) to directors and officers of the Company.

## 10. Flow-through shares

As a result of the issuance of flow-through shares pursuant to the non-brokered private placement on June 15, 2018 the Company had a commitment to incur \$1,178,000 in qualifying CEE on or before December 31, 2019. As of September 30, 2019, this commitment has been met.

## 11. Share exchange transaction

On June 18, 2018, Pacific Topaz Resources Ltd., a public company incorporated under the British Columbia Corporations Act completed a share exchange with Western Atlas PrivateCo. Pursuant to the share exchange agreement, PPZ issued 1.2410 post consolidation shares for every 1 share to the shareholders of Western Atlas. As a result of this transaction, the shareholders of Western Atlas, for accounting purposes, have acquired control of PPZ. Accordingly, the transaction has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of the Company. As Western Atlas is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations are included in these consolidation financial statements at their historical carrying values. For accounting purposes, these consolidated financial statements reflect a continuation of the financial position, operating results, and cash flows of the Company's legal subsidiary, Western Atlas.

The fair value of the consideration for the share exchange on June 18, 2018 is as follows:

40,001,566 Shares issued by PPZ pursuant to share exchange	\$	661,400
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The identifiable net assets acquired from PPZ are as follows:

Cash	\$	132
Taxes receivable		3,866
Accounts payable		(109,525)
Net liabilities acquired	\$	(105,527)

The calculation of the listing expense is as follows:

Fair value of shares issued	\$	661,400
Net liabilities acquired		105,527
Listing Expense	\$	766,927

In conjunction with the reverse take-over, on June 18, 2018, 25,337,533 commons shares and 2,730,200 stock options were placed in escrow to be released at a rate of 10% on June 18, 2018 and 15% on each of December 18, 2018, June 18, 2019, December 18, 2019, June 18, 2020, December 18, 2020 and June 18, 2021.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
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## 12. Segmented Information

The Company operates in one reportable operating segment in one country, being the exploration of mineral resource properties in Canada.

## 13. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its cash and cash equivalents, and amounts receivable.

The carrying amounts of cash and cash equivalents, and amounts receivable represents the maximum credit exposure.

### Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company currently has adequate liquidity to fund its accounts payable and accrued liabilities.

### Market risk

Market risk consists of foreign exchange risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

### Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents, short term investments, restricted investments and loan payable and has determined that there is no material exposure related to interest rate risk.

### Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has an exposure to US dollars ("USD") that are

# **WESTERN ATLAS RESOURCES INC.**

Notes to the Consolidated Financial Statements  
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## **13. Financial risk management (continued)**

subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. The Company does not hedge its foreign exchange risk.

The Company has no financial instruments held in foreign currencies.  
Valuation of financial instruments

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short period to maturity of these instruments.

## **14. Capital management**

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholders' equity comprising of share capital, share purchase warrants, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment.

In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts and money market funds. The Company is not subject to externally imposed capital requirements.

There have been no changes made to the capital management policy during the year.

## **15. Comparative figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation for the current period.

# **WESTERN ATLAS RESOURCES INC.**

Notes to the Consolidated Financial Statements  
For the nine months ended September 30, 2019 and 2018

## **16. Subsequent events**

On October 10, 2019 the Company announced that pursuant to the press release issued on September 3, 2019, Western Atlas has signed a Share Purchase Agreement to acquire all of the outstanding shares of Medoro Resources International Ltd. from Gran Colombia Gold Corp. The Company also announced the closing of the first tranche of its previously announced non-brokered private placement for a total gross proceeds of \$1,900,000. Pursuant to the private placement, on October 9, 2019 the Company issued a total of 22,255,883 flow-through and non-flow through units representing 22,255,883 common shares and 11,127,943 warrants of Western Atlas. Each whole warrant is exercisable for one common share of Western Atlas at a price of \$0.20 per share for a period of two years from the closing of this first tranche of the private placement.