

# **Western Atlas**

# **Resources Inc.**

Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019  
*(Expressed in Canadian dollars)*

# WESTERN ATLAS RESOURCES INC.

## Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 868,555	\$ 1,283,361
Short term investment (Note 4)	-	250,000
Prepaid expenses	224,420	45,551
Accounts receivable	17,485	12,962
	<b>1,110,460</b>	<b>1,591,874</b>
<b>Non-current assets</b>		
Exploration & evaluation assets (Note 5)	2,654,525	2,393,980
<b>Total assets</b>	<b>\$ 3,764,985</b>	<b>\$ 3,985,854</b>
<b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 131,755	\$ 22,710
	<b>131,755</b>	<b>22,710</b>
<b>Shareholders' equity</b>		
Share capital (Note 6)	6,285,746	6,285,746
Equity reserves	590,558	361,750
Deficit	(3,243,074)	(2,684,352)
	<b>3,633,230</b>	<b>3,963,144</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,764,985</b>	<b>\$ 3,985,854</b>

Going concern (Note 1)

These consolidated financial statements were approved for issue by the Board of Directors on August 21, 2020.

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 consolidated financial statements.

# WESTERN ATLAS RESOURCES INC.

## Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Three months ended June 30, 2020	Six months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2019
<b>Operating activities</b>				
General and administrative expenses	\$ 18,494	\$ 71,865	\$ 32,555	\$ 109,526
Salaries and benefits (Note 8)	30,722	61,744	18,579	49,760
Accounting, audit and advisory services (Note 8)	40,000	85,566	32,112	71,612
Legal fees	91,103	91,103	-	-
Property investigation costs	18,702	20,040	13,932	18,791
Share-based payments (Note 6)	228,808	228,808	-	2,000
Foreign exchange (gain) loss	(1,528)	(404)	26	836
<b>Net loss and comprehensive loss for the period</b>	<b>426,301</b>	<b>558,722</b>	<b>97,204</b>	<b>252,525</b>
<b>Weighted average Common Shares Outstanding</b>	<b>79,978,398</b>	<b>79,978,398</b>	56,380,395	56,380,395
<b>Loss per Common share - basic and diluted</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.00</b>	<b>\$0.00</b>

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

# WESTERN ATLAS RESOURCES INC.

## Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Total number of shares issued	Total share capital	Reserves	Deficit	Total Equity (deficiency)
<b>Balance January 1, 2020</b>	79,978,398 \$	6,285,746 \$	361,750 \$	(2,684,352) \$	3,963,144
Net loss being comprehensive loss for the six months ended June 30, 2020	-	-	-	(558,722)	(558,722)
Share-based payments	-	-	228,808	-	228,808
<b>Balance June 30, 2020</b>	79,978,398 \$	6,285,746 \$	590,558 \$	(3,243,074) \$	3,633,230
<b>Balance January 1, 2019</b>	56,380,395 \$	4,300,838 \$	288,000 \$	(1,811,245) \$	2,777,593
Net loss being comprehensive loss for the six months ended June 30, 2019	-	-	-	(252,525)	(252,525)
Share-based payments	-	-	2,000	-	2,000
<b>Balance June 30, 2019</b>	56,380,395 \$	4,300,838 \$	290,000 \$	(2,063,770) \$	2,527,068

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

# WESTERN ATLAS RESOURCES INC.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>Cash flows provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (558,722)	\$ (252,525)
Adjustments for non-cash items:		
Share-based payments	228,808	2,000
Changes in non-cash working capital items:		
Prepaid expenses	(178,869)	124,983
Accounts receivable	(4,523)	(4,421)
Accounts payable and accrued liabilities	109,045	(118,599)
Loan payable	-	100,000
<b>Net cash used by operating activities</b>	<b>(404,261)</b>	<b>(148,562)</b>
<b>Investing activities</b>		
Exploration & evaluation assets (Note 5)	(260,545)	(243,613)
Short term investment	250,000	50,000
<b>Net cash used by investing activities</b>	<b>(10,545)</b>	<b>(193,613)</b>
<b>Financing activities</b>		
Issuance of share capital	-	-
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Net cash decrease for the period</b>	<b>(414,806)</b>	<b>(342,175)</b>
<b>Cash at beginning of period</b>	<b>1,283,361</b>	<b>401,275</b>
<b>Cash at end of period</b>	<b>\$ 868,555</b>	<b>\$ 59,100</b>

Supplemental cash flow information (Note 7)

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

# **WESTERN ATLAS RESOURCES INC.**

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## **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.

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 June 30, 2020, the Company had not achieved profitable operations, had an accumulated deficit of \$3,243,074 (accumulated deficit at December 31, 2019 - \$2,684,352) 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.

## **2. Basis of preparation**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance 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”).

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## 2. Basis of preparation (continued)

### (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.

#### Judgements

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.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## 3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Details of the Company's subsidiaries at June 30, 2020 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.

(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:

<b>Financial Instrument</b>	<b>Original classification - IAS 39</b>	<b>New classification - IFRS9</b>
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



# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## 3. Significant accounting policies (continued)

### (c) Financial Instruments (continued)

#### 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.

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 years ended December 31, 2019 and 2018.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## 3. Significant accounting policies (continued)

### (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.

### (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.

# WESTERN ATLAS RESOURCES INC.

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

### (f) Exploration and evaluation assets (continued)

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 June 30, 2020.

### (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.

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

# WESTERN ATLAS RESOURCES INC.

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

### (h) Income tax (continued)

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 will, 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. There were no required flow-through expenditures as at June 30, 2020 or December 31, 2019.

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 portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share proceeds.

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.

### (j) Recently adopted accounting policies

#### *Leases*

The Company recently adopted IFRS 16, Leases ("IFRS 16"), which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). This standard replaces IAS 17, Leases ("IAS 17") and related Interpretations. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduced a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value, and

# **WESTERN ATLAS RESOURCES INC.**

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

### (j) Recently adopted accounting policies (continued)

depreciation of lease assets is reported separately from interest on lease liabilities in the income statement. Under IFRS 16, lessor accounting for operating and finance leases remains substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this standard did not have an impact on the Company's 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 13, 2020. 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.

### Meadowbank Project

At June 30, 2020, the Company holds the mineral rights to property in Nunavut, Canada, namely the Meadowbank Project.

Western Atlas Resources' project in Meadowbank is comprised of approximately 58,000 hectares of mineral claims divided in three areas, namely Area A, Area B and Area C. Area 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 producing mine; Area B (39,127 hectares), is located along trend of Agnico Eagle's Vault, Portage and Goose deposits, and North of the Agnico's Greyhound gold target; and Area C (8,671 hectares), is located South of the Greyhound gold target.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
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## 5. Exploration & evaluation assets (continued)

At June 30, 2020, the following costs are capitalized as exploration and evaluation assets:

<b>Exploration Costs - Nunavut</b>	<b>Year ended December 31, 2019</b>	<b>Six months ended June 30, 2020</b>	<b>Balance June 30, 2020</b>
Acquisition costs			
Recording and staking fees	\$ 182,658	\$ -	\$ 182,658
Exploration costs			
43-101 Technical Report	62,176	-	62,176
Field supplies, logistics and expenses	695,121	144,465	839,586
Geological services	619,913	95,965	715,878
GeoPhysical surveys	637,988	-	637,988
Laboratory analysis	54,876	750	55,626
Travel	141,248	19,365	160,613
	2,211,322	260,545	2,471,867
Total Exploration Costs	\$ 2,393,980	\$ 260,545	\$ 2,654,525

## 6. Share capital

### (a) Authorized

Unlimited number of common voting shares without par value.

### (b) Issued during the six months ended June 30, 2020

No shares were issued during the six months ended June 30, 2020.

### (c) Issued during the year ended December 31, 2019

On August 23, 2019, the Company issued 1,342,120 Common Shares at a deemed price of \$0.075 per Common Share to settle a loan with a director and officer of the Company.

On October 10, 2019, the Company closed a non-brokered private placement for total gross proceeds of \$1,900,000. The Company issued a total of 22,255,883 units which consisted of 550,000 flow-through units at \$0.10 per unit and 21,705,883 non-flow through units at \$0.085 per unit.

Each flow-through unit 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 common share at a price of C\$0.20 for a period of two years from the closing of the Private Placement.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
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## 6. Share capital (continued)

(c) Issued during the year ended December 31, 2019 (continued)

Each non-flow-through Unit 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 common share at a price of C\$0.20 for a period of two years from the closing of the Private Placement.

(d) Stock Option Plan

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.

On December 13, 2019, the Company announced that pursuant to the Company's Stock Option Plan, a total of 2,900,000 incentive stock options were granted to newly appointed and existing directors, officers, employees and consultants of the Company. The stock options are exercisable at a price of C\$0.10 per share for a period of two years.

On June 15, 2020, the Company announced that pursuant to the Company's Stock Option Plan, a total of 3,765,000 incentive stock options were granted to directors, officers, employees and consultants of the Company. The stock options are exercisable at a price of C\$0.10 per share for a period of two years.

The continuity of share purchase options at June 30, 2020 is as follows:

Exercise Price	Expiry Date	December 31, 2019	Granted	Expired	June 30, 2020
\$0.32	01-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
\$0.10	13-Dec-21	2,900,000	-	-	2,900,000
\$0.10	15-Jun-22	-	3,765,000	-	3,765,000
		<u>7,583,200</u>	<u>3,765,000</u>	<u>(3,350,700)</u>	<u>7,997,500</u>

As at June 30, 2020 there were 7,997,500 vested options with a weighted average exercise price of \$0.12. The weighted average remaining contractual life of the vested options is 2.0 years.

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:

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Notes to the Consolidated Financial Statements  
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## 6. Share capital (continued)

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

	Six months ended June 30, 2020	Year ended December 31, 2019
Expected life	2 years	2 years
Expected volatility	273.86%	49.47% - 52.42%
Expected dividend yield	Nil	Nil
Risk-free interest rate	0.26%	1.66% - 1.89%
Fair value per option	\$0.06	\$0.01-\$0.02
Expected forfeitures	Nil	Nil

### (e) Share and options in escrow

In conjunction with the reverse take-over, on June 18, 2018, 25,337,533 common 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. All stock options placed in escrow expired on March 16, 2020.

As at June 30, 2020, 7,601,260 common shares and no stock options (December 31, 2019, 11,401,844 common shares and 1,228,590 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 2,053,750 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. The warrants expired June 15, 2020.

In conjunction with the October 9, 2019 non-brokered private placement, the Company issued a total of 11,191,843 warrants. Each warrant entitles the holder to subscribe to one common share of the Company at a price per share of \$0.20 for a period of two years.

Exercise Price	Expiry Date	December 31, 2019	Granted	Expired	June 30, 2020
\$0.30	15-Jun-20	2,053,750	-	(2,053,750)	-
\$0.20	09-Oct-21	11,191,843	-	-	11,191,843
		13,245,593	-	(2,053,750)	11,191,843

## 7. Supplemental cash flow information

- (a) The Company made no cash outlays in respect of interest or income taxes for the six months ended June 30, 2020 and the year ended December 31, 2019.
- (b) As at June 30, 2020 the Company had \$10,503 in accounts payable and accrued liabilities (December 31, 2019 - \$1,809), which were related to the exploration of the mineral properties.



# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## 7. Supplemental cash flow information (continued)

- (c) During the six months ended June 30, 2020 and the year ended December 31, 2019 no shares were issued for services rendered.
- (d) During the six months ended June, 2020 no shares were issued for the settlement of debt. During the year ended December 31, 2019, the Company issued 1,342,120 common shares to settle a loan of \$100,659 to a director and officer of the Company.

## 8. Related party transactions

At June 30, 2020, the Company had \$1,992 (December 31, 2019 – nil) payable 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 six months ended June 30, 2020, the Company paid \$126,000 for management, general business and financial advisory services and salaries (six months ended June 30, 2019 – \$99,000) to an officer of the Company and a company controlled by an officer of the Company.

## 9. Flow-through shares

As a result of the issuance of flow-through shares pursuant to the non-brokered private placement on October 9, 2019, the Company had a commitment to incur \$55,000 in qualifying CEE on or before December 31, 2020. As of December 31, 2019, this commitment was fully met.

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 December 31, 2019, this commitment was fully met.

## 10. Segmented Information

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

## 11. 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.

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## 11. Financial risk management (continued)

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 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.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
For the six months ended June 30, 2020 and 2019

## 11. Financial risk management (continued)

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.

## 12. 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.

## 13. Share Purchase Agreement

On October 9, 2019, the Company signed a Share Purchase Agreement to acquire from Gran Colombia Gold Corp. ("**Gran Colombia**") all of the outstanding shares of Medoro Resources International Ltd. ("**Medoro**"). Pursuant to the agreement, Western Atlas will issue up to 59,115,555 common shares in the capital of the Company (the "**Consideration Shares**") to acquire all of the issued and outstanding shares in the capital of Medoro Resources International Ltd.

The Share Purchase Agreement provides that the Company will purchase all of the outstanding Medoro Shares for a purchase price of US\$20,000,000 to be satisfied by the issuances to Gran Colombia of the Consideration Shares. The Consideration Shares will be issued at a deemed price of \$0.45 per Common Share. Upon completion of the Transaction, 100% of the Medoro Shares will be held by Western Atlas.

Completion of the Transaction is subject to approval from the TSX Venture Exchange and certain other additional conditions precedent in the Share Purchase Agreement, including the occurrence of both of the following events (the "**Closing Triggers**"):

1. current government of Venezuela being replaced by an internationally recognized and democratically elected government; and
2. completion of the lawful transfer and registration of transfer to Medoro (or to one or more of Medoro's Venezuelan subsidiaries) of the Incredible Project (as defined below) by Venezuelan authorities of competent jurisdiction.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
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## 13. Share Purchase Agreement (continued)

While Medoro holds the mining rights to the Lo Incredible 4A and Lo Incredible 4B concessions (the “**Incredible Project**”), it is unable to use the rights due to actions by the Venezuelan government which will require Medoro to complete the process of restitution, which is the second of the two Closing Triggers described above. A working committee consisting of one representative from each of Western Atlas and Gran Colombia has been formed in order to manage the process of restitution to Medoro of the mineral rights to the Incredible Project. The Share Purchase Agreement provides that, at the direction of the Committee, Gran Colombia and

Medoro will take all actions necessary for the restitution to Medoro of the Incredible Project, including, without limitation, hiring consultants, issuing of powers of attorney and, negotiating terms for the restitution of such rights.

The Closing Triggers must occur no later than the second anniversary of the date of the closing of the Private Placement (the “**Outside Date**”), being October 10, 2021. Should the Closing Triggers not occur by the Outside Date, the Share Purchase Agreement will be terminated.

## 14. Subsequent Events

On July 8, 2020 Western Atlas Resources announced a non-brokered private placement to raise gross proceeds of C\$2,000,000 in a mix of flow-through (“**FT Units**”) and non-flow-through units (“**NFT Units**”) at a price of C\$0.10 per unit with Gran Colombia Gold Corp. (“**Gran Colombia**”) (TSX: **GCM**) purchasing 14,000,000 NFT Units for proceeds of C\$1,400,000.

On July 17, 2020, the Company closed its previously announced oversubscribed non-brokered private placement (the “**Private Placement**”) issuing 35,900,000 units for aggregate gross proceeds of \$3,590,000.

The Private Placement included the sale of 14,700,000 FT Units and 21,200,000 NFT Units.

- Each FT Unit 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 common share of the Company at a price of C\$0.15 per share for a period of two years from the closing of the Private Placement.
- Each NFT Unit consisted of one non-flow-through common share and one non-flow-through common share purchase warrant, with each whole warrant exercisable for one additional common share of the Company at a price of C\$0.15 per share for a period of two years from the closing of the Private Placement.

Western Atlas may accelerate the expiry date of the warrants after one and a half years have elapsed from the closing of the Private Placement if the Company’s common shares have a closing price on the TSX Venture Exchange (or such other exchange on which they may be traded at such time) of greater than C\$0.18 per share for a period of 20 consecutive trading days, by giving notice to the warrant holders. In such event, the warrants will expire on the 30th day after the date on which such notice is given, which notice shall be deemed to have been delivered to the holders three business days after it has been sent by Western Atlas to the holders by regular mail.

# WESTERN ATLAS RESOURCES INC.

Notes to the Consolidated Financial Statements  
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## 14. Subsequent Events (continued)

The proceeds of the Private Placement will be used for the exploration of the Company's Meadowbank project in Nunavut, seeking restitution of the Incredible Project, the potential addition to the Company's exploration portfolio of one or more properties located in different jurisdictions and for general administrative expenses. The proceeds from the sale of the FT Units will be used for Canadian Exploration Expenses and will qualify as "flow-through mining expenditures", as defined in the *Income Tax Act* (Canada).

Upon closing of the Private Placement, Gran Colombia held 29,910,588 common shares and 21,955,294 share purchase warrants of the Company. Gran Colombia previously held 15,910,588 common shares of the Company. The common shares held by Gran Colombia on closing of the Private Placement represent approximately 25.8% of the outstanding common shares of Western Atlas. Assuming the exercise of the share purchase warrants it holds, Gran Colombia would hold 51,865,882 common shares representing approximately 30.9% of the outstanding common shares of the Company after giving effect to the exercise of Gran Colombia's warrants but assuming no exercise of any other outstanding warrants or options of the Company.

Gran Colombia advised that it acquired the NFT Units for investment purposes and had no present intention to acquire further securities of the Company, although it may in the future acquire or dispose of securities of the Company through the market, privately or otherwise, as circumstances or market conditions warrants or options of the Company.