



Western Gold Exploration Ltd.

**Consolidated Financial
Statements**

**For the Year Ended
December 31, 2021**

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Western Gold Exploration Ltd. were prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

The Board of Directors exercises its responsibilities through the Audit Committee of the Board which meets to satisfy itself that management's responsibilities are properly discharged and with the external auditors to review the consolidated financial statements before they are presented to the Board of Directors for approval.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

The Audit Committee has met with the Company's independent auditor to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to recommending the consolidated financial statements be approved.

The Company's independent auditor, simone & company, has conducted an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

Signed

"Ross McLellan"

"Jim O'Neill"

Ross McLellan
Chief Executive Officer and Director

Jim O'Neill
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of
Western Gold Exploration Ltd.

We have audited the consolidated financial statements of Western Gold Exploration Ltd., which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows as at and for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit at December 31, 2021 and, as of that date, the Company expects to incur further losses. Also, the Company's ability to fund working capital and exploration activities, and to generate positive cash flows, is dependent upon its ability to obtain external financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information is comprised of the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

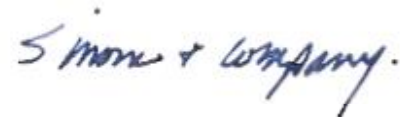
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement executive on the audit resulting in this Independent Auditor's Report is Marco F. Simone.

A handwritten signature in blue ink that reads "Simone & Company". The signature is written in a cursive, flowing style.

April 19, 2022

Western Gold Exploration Ltd.

Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)

As at December 31,	2021	2020
Assets		
Current		
Cash	\$ 1,447,733	\$ 3,087,762
Prepays	17,760	-
VAT recoverable	7,389	28,973
Research and development tax credits recoverable	275,025	67,156
	1,747,907	3,183,891
Non-current assets		
Exploration and evaluation properties (Note 5)	4,158,389	3,132,343
	4,158,389	3,132,343
Total Assets	\$ 5,906,296	\$ 6,316,234
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 60,795	\$ 60,976
	60,795	60,976
Shareholders' Equity (Note 7)		
Share capital	10,161,621	10,161,621
Contributed surplus	894,715	1,032,160
Deficit	(5,260,187)	(4,978,428)
Accumulated other comprehensive loss	49,352	39,905
	5,845,501	6,255,258
Total Liabilities and Shareholders' Equity	\$ 5,906,296	\$ 6,316,234

Approved by the Board:

"Stuart Olley"

Director

"Ross McLellan"

Director

See accompanying notes to consolidated financial statements

Western Gold Exploration Ltd.

Consolidated Statements of Net Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

<i>For the Year Ended December 31,</i>	2021	2020
Expenses		
Investor relations	\$ 62,239	\$ 22,753
Compensation	93,960	139,050
Share based compensation	-	656,453
Office and sundry	86,448	35,280
Professional fees	145,532	444,934
Foreign exchange losses	31,025	-
Loss from operations	419,204	1,298,470
Other expenses		
Financing costs <i>(Note 8)</i>	-	2,987,761
Interest expenses	-	17,174
Loss before taxation	419,204	4,303,405
Income tax credit	-	(67,443)
Net loss	419,204	4,235,962
Foreign exchange gain	(9,447)	(3,051)
Comprehensive loss	\$ 409,757	\$ 4,232,911
Basic and diluted loss per share <i>(Note 13)</i>	\$ 0.015	\$ 0.48
Weighted average number of common shares outstanding – basic and diluted	26,604,705	9,181,146

See accompanying notes to consolidated financial statements

Western Gold Exploration Ltd.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share Capital Number	Share Capital	Contributed Surplus	Deficit	Foreign Currency Translation Reserve	Total
Balance, December 31, 2019	135,817,334	\$ 230,342	\$ 3,190,344	\$ (985,226)	\$ 36,854	\$2,472,314
Exercise of options	5,500,000	9,310	(278,747)	215,405	-	(54,032)
Exercise of warrants	38,342,875	66,778	21,157	-	(6,913)	81,022
Options cancelled	-	-	(27,355)	27,355	-	-
Issue of shares	20,016,666	34,427	998,373	-	-	1,032,800
Sub-totals Pre-RTO	199,676,875	340,857	3,903,772	(742,466)	29,941	3,532,104
Issue of options - RTO	-	-	183,302	-	-	183,302
Issue of shares - RTO exchange	58,386,814	4,900,032	-	-	-	4,900,032
Cancellation of shares - RTO	(199,676,875)	3,903,772	(3,903,772)	-	-	-
Sub-totals Post-RTO	58,386,814	9,144,661	183,302	(742,466)	29,941	8,615,438
Share consolidation at 2.5 to 1	(35,032,109)	-	-	-	-	-
Issue of options	-	-	656,453	-	-	656,453
Issue of warrants	-	-	192,405	-	-	192,405
Issue of shares	3,250,000	1,016,960	-	-	-	1,016,960
Translation adjustment	-	-	-	-	9,964	9,964
Net and comprehensive loss	-	-	-	(4,235,962)	-	(4,235,962)
Balance, December 31, 2020	26,604,705	\$10,161,621	\$1,032,160	\$(4,978,428)	\$39,905	\$ 6,255,258
Options expired	-	-	(137,445)	137,445	-	-
Translation adjustment	-	-	-	-	9,447	9,447
Net and comprehensive loss	-	-	-	(419,204)	-	(419,204)
Balance, December 31, 2021	26,604,705	\$10,161,621	\$ 894,715	\$(5,260,187)	\$49,352	\$ 5,845,501

See accompanying notes to consolidated financial statements

Western Gold Exploration Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

<i>For the Year Ended December 31,</i>	2021	2020
Operations		
Net loss for the year	\$ (419,204)	\$ (4,235,962)
Adjustments for:		
Finance expenses	-	2,987,761
Share-based payments	-	656,453
Unrealized foreign exchange movements	8,103	4,207
	(411,101)	(587,541)
Net changes in non-cash working capital		
VAT recoverable	21,584	(12,083)
Accounts payable and accrued liabilities	(181)	(63,102)
Prepays	(17,760)	-
Research and development tax credit recoverable	(207,869)	23,748
Cash Flows provided by (used in) operating activities	(615,327)	(638,978)
Investing		
Cash acquired on RTO	-	713,829
Capitalized exploration and evaluation costs	(1,026,046)	(450,318)
Cash Flows from Investing Activities	(1,026,046)	263,511
Financing		
Issuance of share capital	-	3,746,380
Proceeds from loans payable	-	85,995
Repayment of loans payable	-	(369,588)
Cash Flows from Financing Activities	-	3,462,787
Net (Decrease) Increase in cash	(1,641,373)	3,087,320
Effect of foreign exchange on cash	1,344	-
Cash at the beginning of year	3,087,762	442
Cash at end of year	\$ 1,447,733	\$ 3,087,762

See accompanying notes to consolidated financial statements

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Western Gold Exploration Ltd., formerly Cassowary Capital Corporation Limited, (the "Company") is incorporated under the *Business Corporations Act* (Alberta). Effective October 22, 2020, the Company acquired all the outstanding shares of Western Gold Exploration Limited ("WGE UK") as discussed in Note 10. The transaction with WGE UK (the "Reverse Takeover" or "RTO") represented the Company's "Qualifying Transaction" in accordance with the policies of the TSX Venture Exchange ("TSXV"). Subsequent to closing the RTO, the Company filed a Certificate of Amendment changing its name from "Cassowary Capital Corporation Limited" to Western Gold Exploration Ltd. ("WGE" or the "Company") and WGE UK changed its name to Western Gold Exploration (UK) Limited.

The Company maintains its head office at The Lighthouse, St Abbs Suite, Heugh Road, North Berwick EH39 5PX and has its registered office at 1600, 421 - 7th Avenue SW Calgary, Alberta T2P 4K9.

Prior to October 29, 2020, the Company was a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of the TSXV. As a CPC, the proceeds raised by the Company from the issuance of common shares may only be used to identify and evaluate businesses and assets for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of securities issued by the Company and \$210,000 may be used to cover prescribed costs of issuing common shares or administrative and general expenditures of the Company. These restrictions applied until the completion of a Qualifying Transaction by the Company as defined under the policies of the TSXV. Upon completion of the Qualifying Transaction, the Company became a TSXV Tier 2 mining company.

WGE UK is a private company formed under the laws of England and Wales and holds minerals rights in Argyll County in western Scotland. The Company will continue the business of WGE UK and initially will be engaged in the exploration and development of prospective mineral properties located in Scotland, with a focus on gold and copper exploration and development.

The Company's continuing operations are dependent upon the successful transition to the business of mining and exploration for minerals. The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to raise financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the 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 title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company's continued existence is dependent upon the preservation of WGE UK's interest in the underlying properties, discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to raise financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern (Continued)

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements, and eventually to generate positive cash flows. The Company obtained financing in 2020 and management continues to evaluate alternatives to secure additional favorable financing so that the Company can continue to operate as a going concern. Nevertheless, there can be no assurance that these initiatives will be successful or sufficient. These circumstances cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that may be necessary were the going concern assumption inappropriate, and these adjustments could be material.

On March 11, 2020, the World Health Organization declared the COVID-19 pandemic and Governments worldwide enacted emergency measures to combat the spread of the virus. These measures caused material disruption to businesses globally resulting in an economic slowdown. Specifically, the Company experienced delays in obtaining both regulatory approvals and vendor commitments to initiate its 2021 drilling campaign, and in obtaining assay results. The ongoing impact of the COVID-19 outbreak is unknown at this time, and it is not possible to reliably estimate the impact on the exploration operations and the financial condition of the Company.

2. Basis of Preparation

a) Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on April 19, 2022.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for certain financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies.

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company's subsidiaries as at December 31, 2021, which are wholly-owned Western Gold Exploration (UK) Limited and its wholly-owned subsidiary, Lorne Resource Ltd. All inter-company balances and transactions are eliminated upon consolidation. On October 20, 2020, the Company completed the acquisition of WGE UK, which was accounted, in accordance with IFRS 3 Business Combinations, as a Reverse Takeover.

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

2. Basis of Preparation (Continued)

d) Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and notes. By their nature, these estimates, judgments, and assumptions are subject to measurement uncertainty and the effect of changes in these estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to estimates are accounted for prospectively. The more significant areas requiring the use of management estimate and judgments are as follows:

Critical accounting estimates:

Share-Based Payments:

The amounts recorded for share-based payments are based on estimates. The Black-Scholes model is used to estimate the value of options and incorporates assumptions for expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, expected forfeitures and expected life of the options. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

Exploration and Evaluation Assets

The recoverability of exploration and evaluation assets is dependent on the discovery of economic reserves, the ability of the Company to obtain financing to complete development of the properties, and future production or proceeds from disposition, and is based on assumptions about future events and circumstances.

The Company makes estimates of future site restoration costs based on current legislation, technical reports, and management's estimates. These estimates will be affected by legislation in place, exploration, or mining activity to be performed, and conditions of the relevant sites when the restoration activity is to be performed in future periods. Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that existed during the year.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of a cash-generating unit for assessing and testing impairment, which management has determined to be individual mineral properties;
- The determination of the functional currency of the Company and its subsidiaries;
- The determination of when an exploration and evaluation asset is impaired;
- Whether exploration and evaluation costs are eligible for capitalization; and
- The assessment of the Company's ability to continue as a going concern.

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

3. Significant Accounting Policies

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

a) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. Primary and secondary indicators are used to determine the functional currency. The primary indicator which applies to the Company is the currency that mainly influences expenses. Secondary indicators include the currency in which funds from financing activities are generated.

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss.

b) Exploration and Evaluation Properties

All exploration and evaluation costs incurred or acquired on the acquisition of a property are accumulated in respect of each identifiable project area. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (the "successful efforts" method). Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences the accumulated costs for the relevant area of interest will be transferred from intangible assets to tangible assets as "Mining Assets" and amortized over the life of the area according to the rate of depletion of the economically recoverable costs.

The Company's properties currently have unproven reserves, therefore capitalized costs are not amortized, but subject to impairment testing. Since no properties have been classified as proven, development activities have not commenced.

The carrying values of assets, other than those to which IAS 36 "Impairment of Assets" does not apply, are reviewed at the end of each reporting period for impairment when there are indicators the carrying amount of the assets may exceed their recoverable amounts. One or more of the following facts and circumstances indicate that the Company should test exploration and evaluation assets for impairment:

- (a) the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (Continued)

- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or
- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. To the extent this occurs, the excess is fully provided against the carrying amount, in the period in which this is determined.

Exploration and evaluation assets are assessed on an annual basis and these costs are carried forward provided at least one of the following conditions is met:

- (a) such costs are expected to be recovered through successful exploration and development and of the area of interest or by its sale; or
- (b) exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Impairment is measured by comparing the carrying values of the assets with their estimated recoverable amounts. The recoverable amount of the assets is the greater of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

d) Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date and are recognized as an expense or capitalized as exploration and evaluation assets as appropriate, with a corresponding increase in equity.

The fair value of options granted to employees or those providing similar services is measured using the Black-Scholes option pricing model. The fair value is determined at the grant date and is expensed or capitalized over the period during which the share purchase options vest and is based on the Company's estimate of the shares that will eventually vest.

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (Continued)

The fair value of options granted to non-employees is measured at the fair value of the goods or services received, on the date they are received. If the fair value of the services received cannot be estimated reliably, the fair value of the share purchase options is measured using the Black-Scholes option pricing model.

At each financial position reporting date, the amount recognized is adjusted to reflect the actual number of options that are expected to vest. For share-based payment awards with no vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and is not adjusted for differences between actual and expected outcomes.

Proceeds on the issuance of warrants are recorded in a separate component of equity as the warrants provide the right to a fixed number of the Company's common shares. Costs incurred on the issuance of warrants are recognized as a deduction from warrant proceeds.

Warrants issued with common shares are measured using the residual fair value method. The fair value is included as a component of equity and is transferred from warrants to share capital on exercise.

e) **Income Taxes**

Income taxes consists of current and deferred taxes are recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities of the same taxable entity are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (Continued)

e) Earnings (loss) per Share

Earnings (loss) per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding and in-the-money stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

f) Financial Instruments

The Company recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified at amortized cost; fair value through profit and loss ("FVTPL"); or fair value through other comprehensive income, as appropriate. The Company determines the classification of its financial assets at initial recognition. All the Company's financial assets are recognized initially at fair value and are subsequently measured at amortized cost. The Company's financial assets include cash held in non-interest bearing accounts.

Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

The Company's financial liabilities comprise other payables and loans payable, which are both recognised initially at fair value less financial costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Western Gold Exploration Ltd.
Notes to Consolidated Financial Statements
Year Ended December 31, 2021
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3. Significant Accounting Policies (Continued)

g) Provisions, contingent liabilities, and contingent assets

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

h) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The results of an operating segment are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. Capital management

The Company's objectives when managing capital are:

- a) to continue the exploration and evaluation of its mineral properties;
- b) to safeguard its ability to continue as a going concern; and
- c) to maintain a capital structure which optimizes the cost of capital at an acceptable level of risk.

The Company monitors its capital structure and adjusts according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis. Additional information regarding capital management is disclosed in Note 1.

The Company considers its capital to be (1) equity, comprising share capital, contributed surplus, warrants, accumulated other comprehensive loss and deficit which at December 31, 2021 totalled \$5,845,501(December 31, 2020 - \$6,255,258), and (2) borrowings, which at December 31, 2021 and 2020 was \$ Nil.

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4. Capital management (continued)

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on its exploration and evaluation activities. The Company's capital management objectives, policies and processes resulted in a business combination and listing on the TSXV in October 2020.

5. Exploration and evaluation properties

	2021	2020
	\$	\$
<hr/>		
Cost:		
Balance at the beginning of the year	3,132,343	2,682,026
Costs capitalized in the year		
Consulting	341,015	51,667
Drilling	903,459	230,434
Lease rentals & other	56,597	168,216
Less research and development tax credits	(275,025)	-
Total exploration costs capitalised in the year	1,026,046	450,317
Balance at the end of the year	4,158,389	3,132,343

Commitments

The Knapdale exploration licences include an exploration spending commitment of £1,500,000 to be spent by July 29, 2022 with an aggregate of £3,000,000 by July 29, 2024. The Knapdale work commitment incurred to December 31, 2021 was £1,225,000. Lagalochan includes three licenses that require aggregate annual fees of £37,000.

6. Shareholder's equity

a) Authorized

Authorized share capital of the Company consists of an unlimited number of common shares without par value. WGE UK has one class of Ordinary share with a par value of £0.001. In accordance with IFRS 3, the acquisition of WGE UK on October 22, 2020, was accounted for as a reverse takeover. Accordingly, the share capital and share premium balances shown as at December 31, 2019 are those of WGE UK.

b) Issued

Effective October 22, 2020, WGE UK completed the reverse takeover of the Company.

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6. Shareholder's equity (Continued)

- i. On May 7, 2020, WGE UK completed a private placement issuing 20,016,666 ordinary shares for gross proceeds £0.03 per ordinary share or (£600,500) \$1,032,800. The proceeds were allocated to share capital at par value of £0.001 per share or (£20,017) \$34,427 and to contributed surplus – share premium in the amount of (£580,483) \$998,373.
- ii. On July 6, 2020 share options were exercised in WGE UK resulting in the issuance of 4,000,000 ordinary shares at the exercise price of £0.001 and 1,500,000 ordinary shares at the exercise price of £0.01 for aggregate proceeds of \$32,158.
- iii. On September 3, 2020 Eurasian Consolidated Minerals Pty Ltd (ECM) exercised their warrants in WGE UK to acquire 38,342,875 ordinary shares at £0.001 for gross proceeds of \$66,778.
- iv. Effective October 27, 2020, the Company completed the RTO, which represented the Qualifying Transaction for Cassowary Capital Corporation Limited. In connection with the RTO, effective October 22, 2020, the Company issued 32,666,883 pre-consolidation common shares of the Company (“Exchanged Shares”) in exchange for all of the 199,676,875 issued and outstanding ordinary shares of WGE UK (“Cancelled Shares”). This share exchange was based on shareholders of the Company (prior to the Qualifying Transaction) and WGE UK shareholders holding 30% and 70% of the outstanding common shares of the Company upon completion of the RTO (before the Concurrent Financing (as defined below)). In addition to the Shares Exchanged, the RTO resulted in the effective issuance of 14,386,600 common shares, which had been issued prior to the RTO. The valuation of the common shares issued as a result of the RTO, including the proceeds of the Concurrent Financing (as described below) is \$4,900,032.
- v. On August 21, 2020 the Company completed a non-brokered private placement of subscription receipts (the “Subscription Receipts”) representing an aggregate of 11,333,331 Subscription Receipts for gross proceeds of \$1,700,000 (the “Concurrent Financing”) Each Subscription Receipt was issued at a price of \$0.15 with the release of funds subject to the completion of the RTO. In connection with the completion of the RTO, the escrow release conditions associated with the Subscription Receipts were satisfied resulting in the conversion into 11,333,331 common shares of the Company (on a pre-consolidation basis) and the gross proceeds of the offering of \$1,700,000, were released to the Company.
- vi. In connection with the RTO, effective October 22, 2020 a Certificate of Amendment was issued approving the consolidation of its share capital on a 2.5 for 1 basis. Following the consolidation and the transactions connected to the RTO, the Company had 23,354,705 post-consolidation common shares issued and outstanding.
- vii. On December 23, 2020 the Company completed a non-brokered private placement for aggregate gross proceeds of \$1.3 million (the “Private Placement”). In connection with the Private Placement, 3,250,000 equity units of the Company (“Units”) were issued at a price of \$0.40 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant of the Company (a “Warrant”). Each whole Warrant entitles the holder to acquire one common share of the Company for a period of eighteen months from the date of issuance of the Warrant (the “Time of Expiry”), at an exercise price of \$0.75 per share.

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6. Shareholder's equity (Continued)

The Warrants contain an acceleration right in favor of the Company that allows it to accelerate the Time of Expiry to a date that is at least twenty days following the delivery of the acceleration notice to the holders of the Warrants, if at any time following the issuance of the Warrants and provided that all statutory hold periods on the Warrants have expired, the common shares of the Company trade on the TSX Venture Exchange (the "Exchange") at a price equal to or greater than \$1.10 for a period of fourteen consecutive trading days. The securities issued in connection with the Private Placement are subject to a four-month hold period, in accordance with applicable securities laws.

Financing costs incurred related to the non-brokered private placement consist of agent fees of \$25,500.

c) Stock Options

The Company adopted an incentive stock option plan which provides that the Board of Directors, at their discretion, but subject to Exchange requirements, may grant its directors, officers, employees and consultants non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of its issued and outstanding Common Shares.

The Board of Directors determines the exercise price per common shares, the number of options granted to individual directors, officers, employees and consultants and all other terms and conditions of the options.

	Number of Stock Options	Weighted Average Exercise Price £	Weighted Average Exercise Price \$
Balance - December 31 2019	6,300,000	0.004	0.007
Exercised	(5,500,000)	0.004	0.006
Forfeited	(800,000)	0.010	0.010
Granted - October 20	560,000	n/a	0.25
Granted - December 8	1,775,000	n/a	0.50
Balance - December 31, 2020	2,335,000	n/a	0.32
Forfeited	(420,000)		0.25
Balance - December 31, 2021	1,915,000		0.48

In connection with the RTO, the Company recorded incentive options previously granted on and exercisable as of September 12, 2018, to certain officers and directors to acquire, in aggregate, 1,400,000 common shares at a price of \$0.10 per share each with an expiry date of September 12, 2028. The valuation of the incentive options is recorded in contributed surplus. Furthermore, effective October 22, 2020, the consolidation of share capital on a 2.5 for 1 basis resulted in the options being consolidated from 1,400,000 common shares to 560,000 common shares and the price increased to \$0.25 per share.

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6. Shareholder's equity (Continued)

On December 8, 2020, the Company granted incentive stock options to acquire a total of 1,775,000 common shares of the Company at an exercise price of \$0.50 per share, such options to vest as to one-half immediately and the remaining one-half on December 8, 2021. The options expire five years from the date of grant. Options to acquire 1,500,000 Common Shares were granted to directors and officers of the Company. Options to acquire 275,000 Common Shares were granted to consultants of the Company.

The following information is relevant in the determination of the fair value of options granted on the dates noted during the year ended December 31, 2020:

	Oct. 20, 2020	Dec. 8, 2020
Fair value of one option, \$	0.131	0.370
Option pricing model used	Black-Scholes	Black-Scholes
Option exercise price, \$	0.25	0.50
Weighted average share price at grant date, \$	0.15	0.50
Weighted average contractual life, years	7.9	5
Expected volatility, %	100%	100%
Expected dividend growth rate, %	0%	0%
Risk-free interest rate (5 year bond), %	0.47%	0.47%

Share-based remuneration expense related to the share options granted during the reporting period is included in the administration expenses line in the consolidated income statement in the amount of \$656,453 for the year ended December 31, 2020.

e) Warrants

On March 22, 2018 the Company issued to Eurasian Consolidated Minerals Pty Ltd (ECM), a warrant to acquire shares in the Company, in consideration for acquiring all the share capital of Lorne Resources Limited from ECM. On exercise of the warrant, ECM had the right to acquire 20% of the Company on a fully diluted basis resulting in the number of shares that could be acquired to increase proportionately with increases in the number of shares outstanding on a fully diluted basis.

The ECM warrants were exercised on September 3, 2020, resulting in the issuance of 38,342,875 shares at £0.001 per share for proceeds of £38,343 or \$66,778.

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6. Shareholder's equity (Continued)

The fair value of the warrants issued at December 23, 2020, was \$192,405 as calculated using the Black-Scholes model. The valuation of the warrants is recorded in contributed surplus. The following information was used to determine the fair value of the warrants issued:

	December 23, 2020
Number of shares that could be acquired on the exercise of the warrant (' Warrant Shares ')	1,625,000
Fair value of one Warrant Share	\$0.118
Warrant Share exercise price	\$0.75
Fair value pricing model used	Black-Scholes
Time to maturity, years	1.5
Share price	\$0.40
Expected volatility, %	100%
Expected dividend growth rate, %	0%
Risk-free interest rate (1 to 3-year bond), %	0.22%

7. RTO Valuation

The RTO valuation comprises the \$4,900,032 value of shares issued in exchange for the WGE UK shares (32,666,883 at \$0.15/ share pre-consolidation), the \$183,302 value of stock options (1,400,000 stock options), and \$149,942 in legal costs incurred, which resulted in an aggregate value of \$5,233,276. The Company, after recording the net assets acquired of \$2,245,515, including the proceeds of the Concurrent Financing, incurred financing costs of \$2,987,761.

8. Financial Instruments

The carrying amounts for cash and accounts payable and accrued liabilities approximate their estimated fair value due to the short-term nature of these financial instruments. Cash is recorded at amortized cost, which upon initial measurement is equal to its fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. Warrants and stock options are initially measured at their fair value and are carried at fair value. The Company's risk exposures and the impact on its financial investments as summarized below, have not changed significantly for the year ended December 31, 2021.

a. Credit risk

The Company's credit risk is primarily attributable to cash, VAT recoverable and research and development tax credits recoverable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the VAT recoverable and research and development tax credits recoverable are immaterial as they are due from a Federal government. The Company has a concentration of credit risk related to its cash, the majority of which is held on deposit with a major Chartered Canadian bank. The Company's subsidiaries' cash is held on deposit with an internationally recognized bank. The maximum exposure to credit risk for deposits approximates the amount recognized on the statement of financial position.

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8. Financial Instruments (continued)

b. Market risk - interest rate risk

The Company policy is to maintain a majority of the Company's borrowings in fixed rate instruments. The Company's borrowings were repaid in full during the year ended December 31, 2020. The Company's cash is held in operating bank accounts earning minimal interest. Based on these considerations, the Company believes its exposure to cash flow and fair value interest rate risk is insignificant.

c. Market risk - currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. As a result of the RTO, the Company is exposed to foreign exchange risk as it holds its exploration assets and related liabilities in Pounds Stirling. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

d. Liquidity risk

The Group currently holds cash balances to provide funding for normal trading activity. Trade and other payables are monitored as part of normal management routine, and all amounts outstanding fall due in one year or less. The Company is at an early stage in its business operations and has a supportive shareholder base that can provide both debt and equity capital at short notice. Also, a large proportion of the Company's costs are discretionary. As a result of this short-term liquidity risk is minimised.

9. Segmental analysis

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (which takes the form of the Directors) as defined in IFRS 8 "Operating Segments", in order to allocate resources to the segment and to assess its performance.

The Company has one reportable operating segment, being that of its acquisition, exploration and evaluation activities. All exploration and evaluation assets are located in Scotland.

The Company has not yet commenced production and therefore has no revenue.

10. Related party transaction

Related party transactions include consulting fees, management fees and compensation paid to key management personnel or to companies controlled by such individuals. Key management personnel are defined as officers and directors of the Company.

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10. Related party transaction (continued)

- (i) Directors do not have employment contracts with the Company, but may be entitled to director fees, while officers have consulting contracts for providing their services. Both directors and officers are also eligible for share-based payments. Expenditures recorded are summarized below:

	2021	2020
	\$	\$
Compensation - Consulting and management	240,956	139,050
Share-based payment	-	605,601
Total	240,956	744,651

- (ii) A law firm, of which one director and shareholder of the Company is a partner, is related through common management. During the year ended December 31, 2021, the Company incurred and expensed \$4,566 (2020 - \$180,269) related to legal services received.

As at December 31, 2021, the Company's net amount owing to key management personnel was \$nil (December 31, 2020 - \$3,500).

12. Taxation

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate 25% (2020 – 25%), as follows:

For the years ended December 31,	2021	2020
Loss for the year before income taxes	\$419,204	\$4,235,962
Anticipated income tax recovery	(88,961)	(1,058,990)
Change in deferred tax asset not recognized	88,961	1,058,990
	-	-

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12. Taxation (Continued)

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rates in Canada (25% - 2021 and 2020) and the UK (19% - 2021 and 2020) to the income tax expense at the effective tax rate of the Company is as follows:

	2021	2020
	\$	\$
Loss(gain) before tax	419,204	4,235,962
Effective tax at 21.2% (2020: 24.1%)	88,871	1,020,867
Effect of non-deductible expense	-	(709,455)
Research and Development tax credits	-	(67,443)
Effect of tax benefit of losses carried forward	(88,871)	(311,412)
Current tax (credit)	-	(67,443)

The tax credit of \$nil (2020: \$67,443) related to research and development tax refund in the UK. The Company's UK research and development tax credit in 2021 of \$275,025 is treated as a government grant and allocated to reduce the related exploration and evaluation expenditures.

The Company's non-capital tax losses of approximately \$4,250,827 at December 31, 2021 (2020: \$3,831,624) expire between 2039 and 2041.

13. Loss per share

The weighted average number of shares outstanding in 2020 were determined by adjusting for the RTO share exchange ratio of 6.1125 (199,676,875 WGE UK shares exchanged for 32,666,883 common shares) and the 2.5 to 1 stock consolidation ratio.