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**WALCOTT RESOURCES LTD.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**AND THE PERIOD FROM INCORPORATION ON DECEMBER 11, 2017**  
**TO SEPTEMBER 30, 2018**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Board of Directors of Walcott Resources Ltd.

**Opinion**

We have audited the financial statements of Walcott Resources Ltd. (the "Company") which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year and period then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the year and period then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**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 *Auditors' 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 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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. 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 financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the 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 partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
January 28, 2020

**WALCOTT RESOURCES LTD.**  
**STATEMENT OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Note	As at September 30, 2019 \$	As at September 30, 2018 \$
<b>ASSETS</b>			
CURRENT			
Cash		184,631	65,545
Taxes recoverable		7,340	4,403
Prepaid expenses		9,878	10,000
		201,849	79,948
Exploration and evaluation asset	5	181,524	123,484
<b>TOTAL ASSETS</b>		<b>383,373</b>	<b>203,432</b>
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities		7,576	21,065
<b>EQUITY</b>			
Share capital, net of issuance costs	6	504,701	202,800
Contributed Surplus	6	20,626	-
Deficit		(149,530)	(20,433)
		375,797	182,367
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>383,373</b>	<b>203,432</b>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)  
COMMITMENTS (Note 11)

Approved and authorized for issue on behalf of the Board on January 28, 2020:

"Marshall Farris" Director "Tracy Mabone" Director

The accompanying notes are an integral part of these financial statements

**WALCOTT RESOURCES LTD.**  
**STATEMENT OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Note	Year ended September 30, 2019	Period ended September 30, 2018
		\$	\$
<b>EXPENSES</b>			
Listing fees		76,514	-
Professional fees		24,395	20,256
Marketing and promotion		19,700	-
Management and consulting	7	6,688	-
Office and miscellaneous		1,800	177
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>129,097</b>	<b>20,433</b>
<b>LOSS PER SHARE – Basic and diluted</b>		<b>0.01</b>	<b>0.00</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		<b>8,944,384</b>	<b>6,975,904</b>

The accompanying notes are an integral part of these financial statements

**WALCOTT RESOURCES LTD.**  
**STATEMENT OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Accumulated Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount</b>			
		\$	\$	\$	\$
Incorporation, December 11, 2017	-	-	-	-	-
Shares issued for cash (Note 6)	8,020,000	197,000	-	-	197,000
Share issuance costs (Note 6)	-	(4,200)	-	-	(4,200)
Shares issued for mineral property (Note 5)	200,000	10,000	-	-	10,000
Net loss for the period	-	-	-	(20,433)	(20,433)
<b>Balance, September 30, 2018</b>	<b>8,220,000</b>	<b>202,800</b>	<b>-</b>	<b>(20,433)</b>	<b>182,367</b>
Shares issued for mineral property (Note 5)	200,000	10,000	-	-	10,000
Initial public offering (Note 6)	3,500,000	350,000	-	-	350,000
Share issuance costs (Note 6)	-	(58,099)	20,626	-	(37,473)
Net loss for the year	-	-	-	(129,097)	(129,097)
<b>Balance, September 30, 2019</b>	<b>11,920,000</b>	<b>504,701</b>	<b>20,626</b>	<b>(149,530)</b>	<b>375,797</b>

The accompanying notes are an integral part of these financial statements

**WALCOTT RESOURCES LTD.**  
**STATEMENT OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Year ended September 30, 2019	Period ended September 30, 2018
	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss	(129,097)	(20,433)
Changes in cash and non-cash working capital balances:		
Increase in taxes recoverable	(2,937)	(4,403)
Increase/(decrease) in accounts payable	(13,489)	7,625
Increase/(decrease) in prepaid expenses	122	(10,000)
Cash used in operating activities	(145,401)	(27,211)
<b>INVESTING ACTIVITIES</b>		
Mineral property acquisition payments	(40,000)	(35,000)
Exploration and evaluation asset expenditures	(8,040)	(65,044)
Cash used in investing activities	(48,040)	(100,044)
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares during initial public offering	350,000	197,000
Share issuance costs	(37,473)	(4,200)
Cash provided by financing activities	312,527	192,800
INCREASE IN CASH	119,086	65,545
CASH, BEGINNING	65,545	-
CASH, ENDING	184,631	65,545
<b>SUPPLEMENTAL CASH DISCLOSURES</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>SIGNIFICANT NON-CASH TRANSACTIONS</b>		
Issuance of common shares for mineral property (Note 5)	\$ 10,000	\$ 10,000
Agent's warrants (Note 6)	\$ 20,626	\$ -

The accompanying notes are an integral part of these financial statements

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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR AND PERIOD ENDED SEPTEMBER 30, 2019 AND 2018**  
(Expressed in Canadian dollars)

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1. NATURE OF OPERATIONS

Walcott Resources Ltd. (“the Company”) was incorporated on December 11, 2017 under the laws of British Columbia. On July 20, 2019, the Company completed its initial public offering and listed on the Canadian Securities Exchange (“CSE”) under the symbol “WAL”. The address of the Company’s corporate office and its principal place of business is 1315 Moody Avenue, North Vancouver, BC British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at September 30, 2019, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition.

The Company has not generated revenue to date and had an accumulated deficit of \$149,530 as at September 30, 2019, which has been funded by the issuance of equity. These factors form a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on January 28, 2020.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

c) Cash equivalents

Cash equivalents include short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of September 30, 2019, the Company held no cash equivalents.



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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR AND PERIOD ENDED SEPTEMBER 30, 2019 AND 2018**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares (continued)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes

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 period end date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby 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 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 statement of financial position date. Deferred tax is not recognized for temporary differences which arise on 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.

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 period end date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial instruments

The Company has adopted IFRS 9 for financial instruments as at October 1, 2018, in accordance with its transitional provisions and described below. The adoption of IFRS 9 has not resulted to adjustments in previously reported figures and no change to the opening deficit balance as at October 1, 2018.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

Under IFRS 9, on initial recognition, a financial asset or liability is classified and measured at either: amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Financial assets are subsequently measured at either:

- (i) amortized cost;
- (ii) fair value through other comprehensive income ("FVTOCI"); or
- (iii) at fair value through profit or loss ("FVTPL").

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and the new measurement under IFRS 9:

**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR AND PERIOD ENDED SEPTEMBER 30, 2019 AND 2018**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

	IAS 39 Classification	IFRS 9 Classification
<b>Financial assets</b>		
Cash and cash equivalents	FVTPL	FVTPL
Restricted cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
GTEC loan receivable	FVTPL	FVTPL
Other loans receivables	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Bank indebtedness	Amortized cost	Amortized cost
Loans	Amortized cost	Amortized cost
Liability for put-call lease agreement	FVTPL	FVTPL
Contingent consideration	FVTPL	FVTPL

IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets recognized at amortized cost.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

l) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as share issue costs.

m) Recent Accounting Pronouncements

There was no impact on the Company's financial statements from the following new standards adopted effective October 1, 2018:

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 – Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued and replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC-31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable; and

*Significant accounting judgments*

- i. the evaluation of the Company's ability to continue as a going concern; and
- ii. the measurement of deferred income tax assets and liabilities.

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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Effective for the Company beginning on October 1, 2019

IFRS 2 Share-based Payment

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The Company does not expect the adoption of these standards and interpretations to have significant impact to the financial statements.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for the Company beginning on or after October 1, 2019 or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list above.

**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR AND PERIOD ENDED SEPTEMBER 30, 2019 AND 2018**  
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Opening balance	-	-	-
Acquisition and exploration costs	45,000	78,484	123,484
Balance, September 30, 2018	45,000	78,484	123,484
Acquisition and exploration costs	50,000	8,040	58,040
Balance, September 30, 2019	95,000	86,524	181,524

**Cobalt Hill Property**

Pursuant to an option agreement (the "Agreement") dated February 5, 2018 and amended on April 25, 2019, the Company was granted an option to acquire a 100% undivided interest in certain Cobalt Hill mineral claims (the "Property") located in the Trail Creek Mining Division in British Columbia.

In accordance with the Agreement, the Company has the option to acquire a 100% undivided interest in the Property by making cash payments totaling \$355,000, and issuing a total of 1,100,000 common shares of the Company as follows:

- Upon signing the Agreement – 200,000 common shares (measured at \$10,000 using a share price of \$0.05 and issued on September 29, 2018) and \$35,000 in cash (paid);
- On or before February 5, 2019 - 200,000 common shares (measured at \$10,000 using a share price of \$0.05 and issued on February 5, 2019) and \$40,000 in cash (paid);
- On or before February 5, 2020 - 300,000 common shares;
- On or before August 5, 2020 - 80,000 in cash;
- On or before February 5, 2021 - 400,000 common shares and \$200,000 in cash.

The optionor will retain a 1.5% Net Smelter Returns royalty on the Property.

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**WALCOTT RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

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6. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

As at September 30, 2019, the Company had 4,412,970 shares held in escrow.

c) Issued and Outstanding as at September 30, 2019: 11,920,000 common shares.

During the year ended September 30, 2019, the Company had the following share capital transactions:

- (i) In February 2019, the Company issued 200,000 common shares to the optionor per agreement described in Note 5.
- (ii) On July 30, 2019, the Company completed an initial public offering by issuing 3,500,000 shares for gross proceeds of \$350,000. The Company incurred \$47,786 of share issuance costs and granted 315,000 Agent's Warrants. Each Agent's Warrants entitle the holders to acquire one common share at an exercise price of \$0.15 for two years from the grant date. The Company recorded \$20,626 in share issuance costs in connection with this grant using the Black-Scholes option pricing model applying a market price of \$0.10, an exercise price of \$0.150, a risk free rate of 1.48%, an expected volatility of 150% and an expected dividend yield of 0%. Volatility is based on the comparable companies due to non availability of the share price history.

During the year ended September 30, 2018, the Company had the following share capital transactions:

- (i) In December 2017, the Company issued 2,000,000 common shares to directors and management of the Company at a price of \$0.005 per share for gross proceeds of \$10,000.
- (ii) In January 2018, the Company issued 3,800,000 flow-through shares at a price of \$0.02 per share for gross proceeds of \$76,000, including 2,200,000 flow-through shares for gross proceeds of \$44,000 issued to directors and management of the Company. The Company paid \$4,200 in legal fees in connection with this private placement.

For the purposes of the calculating the tax effect of any premium related to the issuance of the flow-through shares, the Company reviewed recent financings and compared it to determine if there was a premium paid on the shares. As a result of the review the Company did not recognize any premium on the flow-through shares issued.

- (iii) In February 2018, the Company issued 2,220,000 common shares at a price of \$0.05 per share for gross proceeds of \$111,000, including 620,000 common shares for gross proceeds of \$31,000 issued to directors and management of the Company.
- (iv) In September 2018, the Company issued 200,000 common shares to the optionor per agreement described in Note 5.



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6. SHARE CAPITAL (continued)

d) Warrants

A summary of share purchase warrant activity for the years ended September 30, 2019 is presented below:

	Number of warrants	Weighted average exercise price
Balance at September 30, 2018	-	\$ -
Warrants issued	315,000	0.15
Balance at September 30, 2019	315,000	\$ 0.15

During the year ended September 30, 2019, 315,000 Agent's warrants were granted for the initial public offering.

Information regarding warrants outstanding as at September 30, 2019 is as follows:

Warrants	Average Exercise Price	Expiry
315,000	\$ 0.15	July 30, 2021

The warrants outstanding at September 30, 2019 have a weighted average life of 2 years.

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). During the period ended September 30, 2019, the Company had the following transactions with related parties other than investments in equity described in Note 6:

	September 30, 2019	September 30, 2018
Management fees	\$ 6,688	-
Total key management compensation	\$ 6,688	-

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8. INCOME TAXES

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended September 30, 2019	Period ended September 30, 2018
Canadian statutory income tax rate	27%	26%
	\$	\$
Income tax recovery at statutory rate	(35,000)	(5,300)
Effect of income taxes of:		
Permanent differences and other	(12,600)	(1,100)
Income tax rate change	-	(200)
Change in deferred tax assets not recognized	47,600	6,600
<b>Deferred income tax recovery</b>	<b>-</b>	<b>-</b>

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	September 30, 2019	September 30, 2018
	\$	\$
Non-capital loss carry forwards	43,000	5,700
Share issuance costs	11,000	900
<b>Deferred tax assets not recognized</b>	<b>(54,000)</b>	<b>(6,600)</b>
	-	-

The Company has losses carried forward of approximately \$160,000 available to reduce income taxes in future years which begin to expire in 2038. In addition, the Company has accumulated Canadian Exploration Expenses and Canadian Development Expenses for income tax purposes of approximately \$174,000. The expenditures pools can be carried forward indefinitely to be applied against income of future years.

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject. The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

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## 10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and accounts payable. Cash is classified as FVTPL and accounts payable are classified at amortized cost.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

### i) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

### ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to interest rate risk.

### iii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable are all current and due within 90 days of the balance sheet date.

### iv) Market risk

- a. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A change of 100 basis points in the interest rates would not be material to the financial statements.
- b. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rates. Assuming all other variables constant, an increase or a decrease of 10% of the US dollar against the Canadian dollar, the net loss of the Company and the equity for the period ended September 30, 2019 would have varied by a negligible amount.

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11. COMMITMENTS

- i) The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 5.
- ii) At September 30, 2019, the Company had 315,000 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held.