

**WALCOTT RESOURCES LTD.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED**  
**MARCH 31, 2020**  
*(Unaudited – Prepared by Management)*

**WALCOTT RESOURCES LTD.**Condensed Interim Statement of Financial Position  
(Expressed in Canadian dollars)

As at	Notes	March 31, 2020 (Unaudited)	September 30, 2019 (Audited)
<b>ASSETS</b>			
Current Assets			
Cash	9	\$ 134,313	\$ 184,361
Taxes recoverable		\$ 15,260	7,340
Prepaid expenses	10(ii)	\$2,500	9,878
<b>Total current assets</b>		<b>152,073</b>	<b>201,849</b>
Exploration and evaluation asset	5	\$ 247,390	181,524
<b>Total assets</b>		<b>\$ 399,463</b>	<b>\$ 383,373</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 14,700	7,576
<b>Total liabilities</b>		<b>14,700</b>	<b>\$ 7,576</b>
<b>Equity</b>			
Share capital, net of issuance costs	6	564,701	504,701
Contributed Surplus		20,626	20,626
Deficit		(200,564)	(149,530)
<b>Total equity</b>		<b>384,763</b>	<b>375,797</b>
<b>Total equity and liabilities</b>		<b>\$ 399,463</b>	<b>\$ 383,373</b>

Nature of Operations and Going Concern (Note 1)

Commitments (Note 10)

**Approved and authorized for issue on behalf of the Board:**"Marshall Farris" Director"Tracy Mabone" Director*The accompanying notes are an integral part of these condensed interim financial statements.*

**WALCOTT RESOURCES LTD.**

Condensed Interim Statement of Comprehensive Loss

For the six month period ended March 31, 2020 and March 31, 2019

(Expressed in Canadian dollars)

	No tes	For the Three Months Ended March 31		For the Six Months Ended March 31	
		2020	2019	2020	2019
Expenses					
Professional Fees	\$	476	979	8,408	26,044
Marketing		6,429	-	9,914	3,000
Listing & Transfer Agent Fees		3,063	16,215	8,368	16,215
Management Fees		10,500		21,000	
Rent		1,500		3,000	
Office & miscellaneous		6	47	345	741
<b>Net loss and comprehensive loss</b>	<b>\$</b>	<b>(21,974)</b>	<b>(17,241)</b>	<b>(51,035)</b>	<b>(46,000)</b>
Weighted average number of common shares outstanding		12,125,435	8,340,000	12,022,717	8,280,000
Basic and diluted net loss per share	\$	(0.00)	(0.00)	(0.00)	(0.00)

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

**WALCOTT RESOURCES LTD.**

Condensed Interim Statement of Changes in Equity

For the six month period ended March 31, 2020 and March 31, 2019

(Expressed in Canadian dollars)

	<u>Common Shares</u>		<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 ended September 30, 2018	-	-	-	(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>
Shares issued for mineral property					
Share issuance costs	-	-	-	-	-
Net loss for three months ended December 31, 2019	-	-	-	(29,061)	(29,061)
<b>Balance, December 31, 2019</b>	<b>11,920,000</b>	<b>504,701</b>	<b>20,626</b>	<b>(178,590)</b>	<b>346,736</b>
Shares issued for mineral property (Note 5)	300,000	60,000	-	-	60,000
Share issuance costs	-	-	-	-	-
Net loss for six months ended March 31, 2020	-	-	-	(21,974)	(21,974)
<b>Balance, March 31, 2020</b>	<b>12,220,000</b>	<b>564,701</b>	<b>20,626</b>	<b>(200,564)</b>	<b>384,762</b>

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

**WALCOTT RESOURCES LTD.**

Condensed Interim Interim Statement of Cash Flows

For the six month periods ended March 31, 2019 and March 31, 2018

(Expressed in Canadian dollars)

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating activities</b>		
Net loss	\$ (21,974)	\$ (46,000)
Changes in cash and non-cash working capital balances:		
Increase in taxes recoverable	3,428	144
Increase in accounts payable and accrued liabilities	(13,754)	23,478
Increase in prepaid expenses	2,500	-
<b>Net cash used in operating activities</b>	<b>(29,800)</b>	<b>(22,378)</b>
<b>Investing activities</b>		
Mineral property acquisition payments	-	(40,000)
Exploration and evaluation asset expenditures	2,190	-
<b>Net cash used in investing activities</b>	<b>2,190</b>	<b>(40,000)</b>
<b>Financing activities</b>		
Issuance of share capital	-	-
Shareholders' loan	-	21,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>21,000</b>
<b>Net change in cash</b>	<b>(27,610)</b>	<b>(62,378)</b>
<b>Cash, beginning of period</b>	<b>161,923</b>	<b>65,545</b>
<b>Cash, end of period</b>	<b>\$ 134,313</b>	<b>\$ 3,167</b>

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

## **WALCOTT RESOURCES LTD.**

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(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, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at March 31, 2020, 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 \$200,564 as at March 31, 2020 (March 31, 2019: \$70,646), 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 May 31, 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 March 31, 2020, the Company held no cash equivalents.

## WALCOTT RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

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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

## WALCOTT RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 rates 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.



## WALCOTT RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### 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.

**WALCOTT RESOURCES LTD.**

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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:

	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.

## **WALCOTT RESOURCES LTD.**

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

##### 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:

## WALCOTT RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

#### *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.

### 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 Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSET**

	<b>Acquisition Costs</b>	<b>Exploration Costs</b>	<b>Total</b>
	\$	\$	\$
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
Acquisition and exploration costs	-	3,676	3,676
Balance, December 31, 2019	95,000	90,200	185,200
Acquisition and exploration costs	60,000	2,190	-
Balance, March 31, 2020	155,000	92,390	247,390

**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 (issued January 30, 2020);
- 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.

## WALCOTT RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(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 March 31, 2020, the Company had 3,677,475 shares held in escrow.

c) Issued and Outstanding as at March 31, 2020: 12,220,000 common shares.

During the six month period ended March 31, 2020, the Company issued 300,000 to the optionor pursuant to the share issuance commitment detailed in Note 5.

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.

**WALCOTT RESOURCES LTD.**

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

**6. SHARE CAPITAL (continued)**

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.

**d) Warrants**

Information regarding warrants outstanding as at March 31, 2020 is as follows:

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

The warrants outstanding at March 31, 2020 have a weighted average life of 1.33 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 three month period ended March 31, 2020, the Company had the following transactions with related parties:

	March 31, 2020	March 31, 2019
Management fees	\$ 10,500	-
Total key management compensation	\$ 10,500	-

## WALCOTT RESOURCES LTD.

Notes to the Condensed Interim Financial Statements

For the three month period ended March 31, 2020

(Expressed in Canadian dollars)

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### 8. 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.

### 9. 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.



## **WALCOTT RESOURCES LTD.**

Notes to the Condensed Interim Financial Statements

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### 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 March 31, 2020 would have varied by a negligible amount.

## 10. COMMITMENTS

- i) The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 5.
- ii) At March 31, 2020, the Company had 315,000 share purchase warrants outstanding entitling the holders the right to purchase one common share for each warrant held.

## 11. SUBSEQUENT EVENTS

There are no subsequent events to report.