



Consolidated Financial Statements of

**WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.**

For the years ended December 31, 2021 and 2020



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of West High Yield (W.H.Y.) Resources Ltd.

### ***Opinion***

We have audited the financial statements of West High Yield (W.H.Y.) Resources (the "Company") which comprise:

- the statement of financial position as at December 31, 2021 and December 31, 2020;
- the statement of operations and comprehensive loss for the years then ended;
- the statements of shareholders' deficit for the years then ended;
- the statements of cash flows for the years then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

(hereinafter referred to as the "financial statements").

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

### ***Basis for Opinion***

We conducted our audit 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 auditors' 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 responsibilities in accordance with these requirement



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 to the financial statements which indicates that the Company is in the process of exploring and evaluating its mineral properties, has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable and will require additional capital to continue operations and exploration and evaluation activities.

As stated in Note 1 in the financial statements, these events or conditions along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on 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. Other information is comprised of the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions

Our opinion on the financial statements does not cover the other information and we do not and will 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 the auditors' 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 financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), 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 Entity 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 objectives are 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 the 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 Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report is Stephanie Pankratz.

KPMG LLP

Chartered Professional Accountants  
Calgary, Canada  
April 29, 2021

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Financial Position  
Stated in Canadian dollars

	December 31, 2021	December 31, 2020
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	133,465	18,015
Accounts receivable	23,738	7,810
Subscription receivable (Note 8(b))	2,499,951	-
Prepaid expenses	148,103	55,130
	<b>2,805,257</b>	<b>80,955</b>
Restricted deposits (Note 3)	68,568	68,568
Property and equipment (Note 4)	15,321	6,976
Exploration and evaluation – mineral property (Note 5)	1,508,364	1,480,983
<b>Total Assets</b>	<b>4,397,510</b>	<b>1,637,482</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	2,201,053	2,344,373
Flow-through premium liabilities (Note 8(b))	416,659	-
Lease liabilities (Note 10)	6,212	6,212
Liabilities due to related parties (Note 9)	3,531,438	2,758,344
	<b>6,155,362</b>	<b>5,108,929</b>
Long term debt (Note 7)	1,801,705	1,606,867
<b>Total Liabilities</b>	<b>7,957,067</b>	<b>6,715,796</b>
<b>Shareholders' Equity</b>		
Common shares (Note 8(b))	16,403,581	13,960,001
Warrants (Note 8(c))	705,938	49,458
Contributed surplus	8,502,911	7,514,393
Deficit	(29,165,631)	(26,602,166)
<b>Total shareholders' equity</b>	<b>(3,553,201)</b>	<b>(5,078,314)</b>
Non-controlling interest	(6,356)	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,397,510</b>	<b>1,637,482</b>

Going concern (Note 1)  
Commitments and contingencies (Note 16)  
Subsequent events (Note 17)

See accompanying notes to the consolidated financial statements.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Operations and Comprehensive Loss  
Stated in Canadian dollars

	Years ended	
	December 31, 2021	December 31, 2020
<b>Expenses</b>		
Head office expense	974,910	627,214
Exploration expense ( <i>Note 6</i> )	204,746	21,216
Interest and bank charges ( <i>Note 9</i> )	194,155	149,785
Interest on long term debt ( <i>Note 7</i> )	194,838	173,768
Foreign exchange (gain) or loss	1,188	409
Stock based compensation ( <i>Note 8</i> )	988,518	349,713
Depreciation and amortization ( <i>Note 4</i> )	11,466	30,425
	<b>2,569,821</b>	<b>1,352,530</b>
<b>Net loss and comprehensive loss attributable to:</b>		
W.H.Y. Resources Ltd.	(2,569,821)	(1,352,530)
Non-controlling interest	(6,356)	-
<b>Loss per common share attributable to W.H.Y. Resources Ltd.</b>		
Basic and diluted	(0.04)	(0.02)
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	69,370,630	66,972,916

See accompanying notes to the consolidated financial statements.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Shareholders' Deficit

Stated in Canadian dollars

	Years ended	
	December 31, 2021	December 31, 2020
<b>Common shares (Note 8(b))</b>		
Balance, beginning of year	13,960,001	13,833,959
Private placement	2,372,759	126,042
Warrants exercised	226,083	-
Share issue costs	(155,262)	-
<b>Balance, end of year</b>	<b>16,403,581</b>	<b>13,960,001</b>
<b>Warrants (Note 8(c))</b>		
Balance, beginning of year	49,458	76,361
Issued on private placement	705,938	49,458
Warrants exercised	(49,458)	-
Warrants expired unexercised	-	(76,361)
<b>Balance, end of year</b>	<b>705,938</b>	<b>49,458</b>
<b>Contributed surplus</b>		
Balance, beginning of year	7,514,393	7,088,319
Transfer on expiry of warrants	-	76,361
Stock based compensation	988,518	349,713
<b>Balance, end of year</b>	<b>8,502,911</b>	<b>7,514,393</b>
<b>Deficit</b>		
Balance, beginning of year	(26,602,166)	(25,249,636)
Net loss	(2,569,821)	(1,352,530)
<b>Balance, end of year</b>	<b>(29,171,987)</b>	<b>(26,602,166)</b>
<b>Non-Controlling Interest</b>	(6,356)	-
<b>Balance, end of year</b>	<b>(29,165,631)</b>	<b>(26,602,166)</b>
<hr/>		
<b>Total Shareholder's equity</b>	<b>(3,553,201)</b>	<b>(5,078,314)</b>

See accompanying notes to the consolidated financial statements.



# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Consolidated Statements of Cash Flow

	Years ended	
	December 31, 2021	December 31, 2020
<b>Cash provided by (used in)</b>		
<b>Operating</b>		
Net loss	(2,569,821)	(1,352,530)
Add (deduct) non-cash items:		
Interest accrued - related party loan (Note 9)	192,354	140,600
Interest accrued - long term loan (Note 7)	194,838	173,768
Stock based compensation (Note 8)	988,518	349,713
Depreciation and amortization (Note 4)	11,466	30,425
	<b>(1,182,645)</b>	<b>(658,024)</b>
Net change in non-cash working capital (Note 15)	(2,752,172)	465,911
<b>Cash Flow used in operating activities</b>	<b>(3,934,817)</b>	<b>(192,113)</b>
<b>Financing</b>		
Proceeds from related party loan (Note 9)	774,000	54,787
Repayment of related party loan (Note 9)	(193,260)	-
Issue of shares and warrants (Note 8)	3,671,980	175,500
Shares and warrant issue costs	(155,262)	-
Payment of lease liabilities	(9,196)	(15,516)
<b>Cash Flow from financing activities</b>	<b>4,088,262</b>	<b>214,771</b>
<b>Investing</b>		
Transfers to restricted deposits	-	(13,500)
Purchase of mineral property	(27,381)	-
Purchase of equipment and software	(10,614)	-
<b>Cash flow used in investing activities</b>	<b>(37,995)</b>	<b>(13,500)</b>
Increase in cash and cash equivalents	115,450	9,158
Cash and cash equivalents, beginning of period	18,015	8,857
<b>Cash and cash equivalents, end of period</b>	<b>\$ 133,465</b>	<b>\$ 18,015</b>
<b>Interest paid</b>	<b>\$ 1,803</b>	<b>\$ 9,185</b>

Cash and cash equivalents are comprised of cash deposits at the bank.

See accompanying notes to the consolidated financial statements.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

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West High Yield (W.H.Y.) Resources Ltd. (the “Company”) was incorporated on August 29, 2003 under the laws of the Province of Alberta and its principal business activities are the acquisition, exploration and development of mineral properties in British Columbia, Canada. The Company’s shares trade on the TSX Venture Exchange under the trading symbol WHY. The Company’s registered head office is P.O. Box 68121, Calgary, AB, T3G3N8.

## 1. Going Concern and nature of operations

These financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the consolidated statement of financial position classifications used. Such adjustments could be material.

For the year ended December 31, 2021, the Company had incurred a net loss of \$2,569,821 and used cash in operations of \$3,934,817. As at December 31, 2021, the Company had a working capital deficiency of \$3,350,105.

The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The ability of the Company to continue as a going concern is dependent on continued forbearance of the amounts due to related parties and the Company’s ability to obtain financing to continue exploration and development of the mineral property. There is no certainty that the Company will be able to obtain the financing required to continue exploration and development activities or of the ongoing forbearance of related parties and other creditors. In addition, there is no certainty that the mineral property will contain economically recoverable reserves. These conditions create a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

## 2. Significant accounting policies, judgments and estimation uncertainty

### (a) Basis of presentation and measurement

#### **Statement of compliance:**

The consolidated financial statements for the years ended December 31, 2021 and 2020 have been prepared using accounting policies in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2022.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business, results of operations and the timing of raising additional capital at this time.

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

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The preparation of consolidated financial statements requires management to make estimates and judgements that affect the amounts reported in the consolidated financial statements and accompanying notes. Financial results as determined by actual events may differ.

The identification of impairment indicators requires judgment, and if identified, the determination of the recoverable amount of the related asset requires several estimates that are inherently subject to uncertainty. The recoverability of amounts for mineral properties is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production from its mineral properties.

The measurement of stock-based compensation requires management's estimate as to the valuation methodology and several inputs, including the estimated volatility of the Company's stock and the forfeiture rate.

(b) Basis of consolidation

The financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities which the Company controls by having the power to govern the entity's financial and operating policies. The Company consolidates all of its wholly-owned subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. All intercompany balances, transactions and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The consolidated financial statements of West High Yield include MG Innovations Inc. with 40% ownership for the period ending December 31, 2021.

(c) Property and Equipment:

Property and equipment are recorded at historical cost. Depreciation is recognized on a straight-line basis over three to ten years, which represents the estimated useful lives of the assets. Depreciation rates, estimated lives and salvage values are reassessed annually.

(d) Mineral properties:

Pre-permit costs are recognized in earnings as incurred. Exploration expenditures incurred prior to the determination of the feasibility of mining operations are expensed as incurred, with the exception of costs to acquire and maintain the mineral leases. The amounts shown for exploration and evaluation assets represents costs incurred to date and are not intended to reflect present or future values. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of feasibility of mining operations, are capitalized following commencement of commercial production. Mineral exploration and development assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, mineral exploration and development assets are allocated to cash generating units ("CGU's"). Impairment indicators may include a decision to abandon, curtail activity, negative exploration results or anticipated future mineral prices, anticipated costs of developing and operating a producing mine are not economical or the general likelihood that the Company will not continue exploration on the properties. When there is little prospect of further work on a property being carried out by the Company or other indicators of impairment, the capitalized costs associated with the property are written down to their estimated recoverable amount.

To determine if an asset is technically feasible and commercially viable a review of each exploration permit is carried out, at least annually, to ascertain whether a mineral resource has been identified in sufficient quantities and certainty and can be mined economically. When an exploration and evaluation asset is

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determined to be commercially viable, the related carrying amounts are transferred to property and equipment. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized on the unit-of-production method based upon estimated reserves as determined by independent consulting engineers. If the mineral property is abandoned or it is determined that its carrying amount cannot be supported by future production or sales, the related costs will be recorded in earnings in the year of abandonment or determination of an impairment.

(e) Impairment:

(i) *Financial assets:*

The Company has elected to measure loss allowances for receivables at an amount equal to lifetime expected credit losses ("ECLs"). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Impairment losses on financial assets are recorded in earnings. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses on financial assets carried at amortized cost are recorded in earnings in subsequent periods if the amount of the loss decreases.

(ii) *Non-financial assets:*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

Exploration and evaluation assets will be allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(f) Leased assets:

When the Company is party to a lease arrangement as the lessee, it recognizes a right-of-use ("ROU asset") and a corresponding lease obligation on the balance sheet on the date that a leased asset becomes available for use. Interest associated with the lease obligation is recognized over the lease period with a corresponding

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increase to the underlying lease obligation. ROU assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Depreciation on ROU assets is recognized in depreciation and amortization. ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed leased payments, variable lease payments based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

Short-term leases and leases of low-value assets are not recognized on the consolidated statement of financial position and lease payments are instead recognized in the consolidated financial statements as incurred. For certain classes of leases, the Company does not separate lease and non-lease components, accounting for these leases as a single lease component.

(g) Foreign currency translation:

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars using the exchange rate in effect at that date. At the yearend date, monetary, non-monetary assets and liabilities are translated by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are recorded in earnings.

(h) Decommissioning obligations:

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the consolidated statement of financial position date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recognized in accordance with the Company's policy for the related asset. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

The Company's estimates of future decommissioning obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to re-measurement at each reporting period. The Company has not recognized any decommissioning liabilities as at December 31, 2021.

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(i) Income taxes:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(j) Share based payments:

The grant date fair value of options granted to employees, officers, consultants and directors is recognized as share-based compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. A Black-Scholes option pricing model was used to estimate the fair value of share-based payments.

(k) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached. Share purchase warrants issued in connection with share capital are fair valued and recorded separately from share capital. A Black-Scholes option pricing model was used to estimate the fair value of warrants.

(l) Flow-through shares:

The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the balance sheet. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation, and the difference is recognized in profit or loss. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible taxable differences will be credited to income in the period of renunciation.

(m) Loss per share:

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

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Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the period.

## (n) Financial Instruments:

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") - debt investment;
- FVTOCI - equity investment; and
- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments.

The following summarizes the Company's financial assets and financial liabilities:

- Cash and cash equivalents, accounts receivable, restricted deposits, accounts payable and accrued liabilities, due to related party, and long term debt have been measured at amortized cost using the effective interest rate method
- All financial assets and liabilities for which fair value is measured or disclosed are further categorized using a three-level hierarchy that reflects the significance of the lowest level of inputs used in determining fair value:
  - Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
  - Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
  - Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

## (o) Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. If a grant is received before it is certain whether compliance with all conditions will be achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the conditions of a grant relate to income or expense, it is recognized in

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the consolidated statements of income. When the conditions of a grant relate to an underlying asset, it is recognized as a reduction to the carrying amount of the related asset.

### 3. Restricted deposits

As at December 31, 2021, the Company has \$68,568 in deposits in restricted accounts as required by the British Columbia Ministry of Mining (as at December 31, 2020, this amount was \$68,568).

### 4. Property and equipment

<b>December 31, 2021</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Buildings	29,692	29,692	-
Office equipment	85,412	76,222	9,190
Automotive equipment	135,962	135,962	-
Field equipment	82,449	82,449	-
Right of use asset	56,955	50,824	6,131
	<b>390,470</b>	<b>375,149</b>	<b>15,321</b>

<b>December 31, 2020</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Buildings	29,692	29,692	-
Office equipment	74,799	73,953	846
Automotive equipment	135,962	135,962	-
Field equipment	82,449	82,449	-
Right of use asset	47,758	41,628	6,130
	<b>370,660</b>	<b>363,684</b>	<b>6,976</b>

### 5. Exploration and evaluation assets - mineral property

In September 2003, the Company acquired the mineral property for a total cost of \$1,258,509. The property consists of eight crown granted mineral claims, three modified grid claims and six staked claims in the Rossland Mining Camp located in the Trail Creek Mining district in southeastern British Columbia, Canada.

During 2021, the Company acquired additional mineral claims for a total cost of \$27,381.

<b>Balance as at December 31, 2019:</b>	<b>Amount</b>
	<b>1,480,983</b>
Additions:	-
<b>Balance as at December 31, 2020:</b>	<b>1,480,983</b>
Additions:	27,381
<b>Balance as at December 31, 2021</b>	<b>1,508,364</b>



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## 6. Exploration and evaluation costs

Exploration costs expensed by the Company on its mineral property are detailed in the following table:

	Years ended	
	December 31, 2021	December 31, 2020
Consulting and labour	117,244	17,547
Assay	78,990	-
Miscellaneous field office	2,004	171
Accommodation and meals	1,680	1,299
Travel and transportation	1,085	152
Freight and equipment transport	373	-
Property and mineral taxes	3,370	2,047
<b>Total</b>	<b>204,746</b>	<b>21,216</b>

During 2021, the Company continued to work on the environmental study, stakeholder engagement, and mine plan development as required by the Environmental Assessment Certification and Mine Permit application processes. The Company also engaged service firms to perform a series of hydrometallurgical tests on the Company's magnesium ore to evaluate magnesium processing and recovery alternatives.

## 7. Long term debt

On April 27, 2016, the Company received a \$1,000,000 unsecured loan with a 10-year repayment term, which bears interest at 11.61% payable at end of term. Loan repayment terms advance in the event the Company achieves cumulative net cash flow from operations of greater than \$5,000,000 subsequent to April 27, 2026.

Should an event such as an amalgamation, merger, or other consolidation occur, the Company would be responsible for principle and interest of \$2,844,058. On January 12, 2018, \$63,000 of the loan was repaid.

No further payment has been made on the outstanding debt balance in the year ended December 31, 2021.

	Years ended	
	December 31, 2021	December 31, 2020
Loan due April 27, 2026	1,000,000	1,000,000
Cumulative unpaid interest	801,705	606,867
<b>Total</b>	<b>1,801,705</b>	<b>1,606,867</b>

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Financing costs comprised of the following:

	Years ended	
	December 31, 2021	December 31, 2020
Interest on long-term debt	194,838	173,768
Interest on related party loans (Note 9)	192,352	140,600
Other interest and bank charges	1,803	9,185
<b>Total</b>	<b>388,993</b>	<b>323,553</b>

## 8. Equity instruments

(a) Share capital:

The Company's authorized share capital consists of an unlimited number of common shares without par value.

(b) Common shares issued and outstanding:

The continuity of the Company's issued common share capital is as follows:

	Number of Shares	Amount
<i>Balance as at December 31, 2019:</i>	66,892,82	13,833,959
Private placements (i,ii)	877,500	126,042
<i>Balance as at December 31, 2020:</i>	67,770,320	13,960,001
Share issue costs	-	(155,262)
Warrants exercised	588,750	226,083
Private placements (iii,iv,v,vi,vii),	5,928,237	2,372,759
<b>Balance as at December 31, 2021</b>	<b>74,287,307</b>	<b>16,403,581</b>

Notes:

(i) On November 25, 2020, the Company completed a tranche closing of its then current private placement ("**Private Placement #1**") totaling 552,500 units for gross proceeds of \$110,500. Each unit was priced at \$0.20 per unit and included one common share and one share purchase warrant, where two full share purchase warrants entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.30 per common share for a period of one year from the date of closing.

(ii) On December 2, 2020, the Company completed the final tranche closing of Private Placement #1 totaling 325,000 units for gross proceeds of \$65,000. Each unit was priced at \$0.20 per unit and included one common share and one share purchase warrant, where two full share purchase warrants entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.30 per common share for a period of one year from the date of closing.

(iii) On February 10, 2021, the Company completed an initial tranche closing of a new private placement ("**Private Placement #2**") totaling 569,732 units for gross proceeds of \$113,946. Each unit was priced at \$0.20 per unit and included one common share and one share purchase warrant, where two full share purchase warrants entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.30 per common share for a period of one year from the date of closing.

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(iv) On April 29, 2021, the Company completed the final tranche closing of Private Placement #2 totaling of 1,325,000 units for gross proceeds of \$265,000. Each unit was priced at \$0.20 per unit and included one common share and one share purchase warrant, where two full share purchase warrants entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.30 per common share for a period of one year from the date of closing.

(v) On August 4, 2021, the Company completed its sole tranche closing of a new private placement ("Private Placement #3") totaling 332,735 units for gross proceeds of \$116,457. Each unit was priced at \$0.35 per unit and included one common share and one-quarter of one share purchase warrant, where one full share purchase warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.45 per common share for a period of one year from the date of closing.

(vi) On December 15, 2021, the Company entered into a definitive agreement (the "Investment Agreement") for a drawdown equity financing facility (the "ELOC Facility") of up to CAD\$12,000,000 with Alumina Partners (Ontario) Ltd. ("Alumina"), an affiliate of New York-based private equity firm Alumina Partners LLC. The Investment Agreement provides the Company with a financing facility over a period of 24 months (the "Term") during which the Company can draw down equity private placement tranches over the Term, with each tranche being in the amount of up to CAD\$500,000. Each tranche will be composed of units issued at a price equivalent to a 15-25% discount to the market price of a common share of the Company, and each unit consists of one common share and one share purchase warrant (with the Exercise price of the warrants being a 25% premium over the market price of the shares). On December 15, 2021, the Company completed an initial tranche closing of the ELOC Facility totaling 724,637 units issued to Alumina at a price of \$0.69 per share for total gross proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant exercisable into one additional common share at a price of \$1.06 per share for 36 months from the date of closing. The agreement can be terminated with 10 days notice by either party.

(vii) On December 30, 2021, the Company closed on a brokered flow-through private placement by issuing 2,976,133 units at a price of \$0.84 per share. Each unit consists of (1) one common share issued on a: flow-through basis and (1/2) one-half of a common share purchase warrant. One (1) full warrant, together with \$1.25, entitles each holder to acquire one additional common share of the Company for a period of eighteen (18) months from the closing date. The funds were received on January 04, 2022 and therefore, a receivable of \$2,499,951 was set up at December 31, 2021.

## (c) Warrants

The number of warrants in the table below have been adjusted to reflect the number of shares that would be issued upon exercise of the warrant based on the conversion factor.

	Number of Warrants	Amount
<b>Balance at December 31, 2019</b>	<b>890,911</b>	<b>76,361</b>
Private Placement	588,750	49,458
Warrants expired (unexercised)	(890,911)	(76,361)
<b>Balance at December 31, 2020</b>	<b>588,750</b>	<b>49,458</b>
Private Placement	3,349,454	705,938
Warrants exercised	(588,750)	(49,458)
<b>Balance at December 31, 2021</b>	<b>3,349,454</b>	<b>705,938</b>

## (d) Stock Options:

The Company has a stock option plan (the "Plan") for its officers, directors, employees and consultants. The maxi number of common shares issuable under the Plan cannot exceed 10% of the Company's issued and outstanding common shares.

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The following table summarizes the status of the options issued pursuant to the plan.

	Stock Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Balance, December 31, 2020	5,425,000	\$	0.20	2.81
Options granted, April 15, 2021	500,000		0.18	4.29
Options granted, May 7, 2021	1,150,000		0.20	4.35
Options granted, Oct. 21, 2021	350,000		0.34	4.79
Options granted, Nov.18,2021	727,000		1.05	4.88
Options expired unexercised	(1,150,000)		0.25	
Options exercised	-		-	
<b>Balance, December 31 ,2021</b>	<b>7,002,000</b>	<b>\$</b>	<b>0.32</b>	<b>3.32</b>
<b>Exercisable options December 31, 2021</b>	<b>7,002,000</b>	<b>\$</b>	<b>0.32</b>	<b>3.32</b>

## Notes:

(i) The fair value of the 2,950,000 stock options granted to officers, directors and consultants on September 4, 2020 of \$0.12 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.34%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 171%.

(ii) The fair value of the 500,000 stock options granted to officers and consultants on April 15, 2021 of \$0.18 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.27%. expected life of 5 years and historical volatility was used for calculation of expected volatility of 129%.

(iii) The fair value of the 1,150,000 stock options granted to officers and consultants on May 7, 2021 of \$0.20 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.28%. expected life of 5 years and historical volatility was used for calculation of expected volatility of 117%.

(iv) The fair value of the 350,000 stock options granted to officers and consultants on October 21, 2021 of \$0.34 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.77%. expected life of 5 years and historical volatility was used for calculation of expected volatility of 112%.

(v) The fair value of the 727,000 stock options granted to officers and consultants on November 18, 2021 of \$1.05 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk-free interest rate of 0.98. expected life of 5 years and historical volatility was used for calculation of expected volatility of 123%.

## 9. Related party transactions

The Company has received loans from Big Mountain Development Corp. Ltd. (“**Big Mountain**”), a related party and significant shareholder of the Company, as detailed in the table below. The loans received from

# WEST HIGH YIELD (W.H.Y.) RESOURCES LTD.

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Big Mountain are secured by promissory notes and a general security agreement over all the assets of the Company.

The Company received a loan from one of its directors in 2018 (non-interest bearing) in the amount of \$200,000. During the year ended December 31, 2021, the Company received an additional loan from one of its directors of in the amount of \$38,000. Furthermore, during the year ended December 31, 2021, the Company made repayment on the loans from its directors in the amount of \$193,260 (as at December 31, 2020, this amount was \$44,740).

	Years ended	
	December 31, 2021	December 31, 2020
<b>Big Mountain loan:</b>		
Loan due December 31, 2022 (bears interest at 8%)	1,700,000	1,700,000
Advance on loan (8%)	65,788	65,788
Advance on loan (10%)	750,000	-
Accrued interest at end of year:	1,015,650	823,296
	<b>3,531,438</b>	<b>2,589,084</b>

## Directors' loans

Loans, non-interest bearing	193,260	169,260
Loan repayment	(193,260)	-
<b>Balance, end of period</b>	<b>3,531,438</b>	<b>2,758,344</b>

Interest and bank charges expense is comprised of the following:

	Years ended	
	December 31, 2021	December 31, 2020
Interest on related party loans	192,352	140,600
Other interest and bank charges	1,803	9,185
<b>Balance, end of period</b>	<b>194,155</b>	<b>149,785</b>

## 10. Lease liability

	Years ended	
	December 31, 2021	December 31, 2020
<b>Balance, December 31, 2020</b>	<b>6,212</b>	<b>12,532</b>
Additions	9,197	9,196
Lease interest expense	403	574
Lease payments	(9,600)	(16,090)
<b>Balance, December 31, 2021</b>	<b>6,212</b>	<b>6,212</b>

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## 11. Key management personnel

The Company has determined that the key management personnel of the Company consist of its officers and directors. The following table provides information on compensation expense related to officers and directors.

	Years ended	
	December 31, 2021	December 31, 2020
Wages, consulting fees and benefits	554,482	365,700
Stock based compensation expense	415,188	273,868
<b>Total</b>	<b>969,670</b>	<b>639,568</b>

As at December 31, 2021, \$1,091,935 of accounts payable and accrued liabilities were due to related parties (2020- \$709,782).

## 12. Income taxes

(a) The income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to net loss. The major components of these differences are explained as follows:

	2021	2020
Net Loss	(2,569,821)	(1,352,530)
Corporate income tax rate	23.0%	24.0%
Computed expected tax recovery	(591,059)	(324,607)
Increase in income taxes resulting from:		
Non-deductible expenses	227,408	83,954
Change in unrecognized deferred tax asset	325,360	198,654
Other	38,291	41,999
Deferred income tax reduction	-	-

The Alberta corporate income tax rate decreased from 10% to 8% effective July 1, 2020.

(b) The components of the Company's unrecognized tax assets is as follows:

	2021	2020
Property, equipment and mineral property	7,669,112	7,462,097
Non-capital losses	12,905,820	11,804,934
Share issue costs	170,692	63,983
	<b>20,745,624</b>	<b>19,331,014</b>

(c) The Company has non-capital losses of approximately \$13.0 million (2020 \$12.0 million), which are available to reduce taxable income in future periods. These losses expire between 2026 and 2041. The future tax benefit of the non-capital losses has not been recognized in these consolidated financial statements.

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## 13. Financial risk exposure, risk management and financial instruments

(a) Fair value:

Financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable, restricted deposits, accounts payable and accrued liabilities, due to related party and long-term debt. As at December 31, 2021 and 2020, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and their estimated fair values as the amounts are short term in nature, or bear interest at market rates.

(b) Liquidity risk:

Cash forecasts are done to match spending on general and administration costs and exploration costs to available cash resources. Spending is increased or decreased to match available funds. Alternatively, the Company seeks capital through the offering of common shares or loans from related parties to fund general and administrative costs and exploration activities. As discussed in note 1, the Company will have to raise additional capital through the issue of shares or other means to discharge its current liabilities and the amount due to the related party or seek forbearance of the related party and other creditors.

(c) Interest rate risk:

Related party loans and long-term debt are at fixed rates therefore the Company is not exposed to interest rate fluctuations thereon except if the loans are refinanced at maturity versus settled.

(d) Credit risk:

Cash and cash equivalents are held with one bank. Accounts receivable is comprised predominantly of goods and services taxes input tax credits refundable therefore the Company's credit exposure is not significant. Accounts receivable of \$23,738 are considered current.

(e) Commodity price risk:

The Company is not currently exposed to commodity price risk, as the Company is in the pre-production phase. The overall development of the Company's properties is exposed to mineral price risks as a significant decrease in relevant prices would affect the economic returns of the mineral property.

## 14. Capital disclosures

The Company's capital historically has been derived from the issuance of equity and more recently from advances from a related party. Management monitors its financial position on an ongoing basis. Equity is issued or debt from related parties is obtained to finance drilling programs and Company's operations. Significant capital will be required for full development of commercial mining production if the properties are proven to be economic.

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## 15. Supplemental cash flow information

	Years ended	
	December 31, 2021	December 31, 2020
Accounts receivable	(2,515,879)	34,290
Prepaid expenses	(92,973)	(47,150)
Accounts payable and accrued liabilities	(143,320)	478,772
<b>Net change in non-cash working capital</b>	<b>(2,752,172)</b>	<b>465,912</b>

## 16. Commitments and contingencies

The Company has a 10.5-hectare surface land lease to purchase agreement where rent is \$800 per month for one year term ending August 31, 2022. At any time during the term the Company has the option to purchase the lands for \$340,000.

## 17. Subsequent events

On January 19, 2022, the Company completed a second tranche closing of the ELOC Facility totaling 925,925 units issued to Alumina at a price of \$0.54 per unit for total gross proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant exercisable into one additional common share at a price of \$0.8375 per share for 36 months from the date of closing.

On March 11, 2022, the Company completed a third tranche closing of the ELOC Facility totaling 892,857 units issued to Alumina at a price of \$0.56 per unit for total gross proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant exercisable into one additional common share at a price of \$0.875 per share for 36 months from the date of closing.

On April 25, 2022, the Company completed a fourth tranche closing of the ELOC Facility totaling 724,637 units issued to Alumina at a price of \$0.50 per unit for total gross proceeds of \$362,318.50. Each unit consists of one common share and one share purchase warrant exercisable into one additional common share at a price of \$0.775 per share for 36 months from the date of closing.

Subsequent to year end, 187,500 common shares were issued upon exercise of warrants for \$56,250 and 200,000 common shares were issued upon exercise of options for \$24,000 in proceeds.