

WESTERN EXPLORATION, INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(EXPRESSED IN U.S. DOLLARS)

(UNAUDITED)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying interim condensed consolidated financial statements and the notes thereto have been prepared by, and are the responsibility of, the management of Western Exploration Inc. These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards using management's best judgments.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants.

May 18, 2023

"Signed"

Darcy Marud
Chief Executive Officer

"Signed"

Curtis Turner
Chief Financial Officer

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WESTERN EXPLORATION, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN US DOLLARS)

As at	March 31, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash	\$ 747,016	\$ 1,266,462
Other receivable	998	998
Prepaid expenses	119,630	124,530
	<u>867,644</u>	<u>1,391,990</u>
Non-current Assets		
Mineral properties (note 6)	7,865,000	7,865,000
Property and equipment (note 7)	98,499	101,446
Restricted cash (note 5)	610,950	610,950
Deposits	7,107	7,107
	<u>8,581,556</u>	<u>8,584,503</u>
Total Assets	<u>\$ 9,449,200</u>	<u>\$ 9,976,493</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 118,918	\$ 109,416
Warrant liability (note 10)	2,481	14,350
	<u>121,399</u>	<u>123,766</u>
Non-current Liabilities		
Due to related party (note 11)	440,095	440,095
Reclamation provision (note 9)	501,160	501,160
	<u>941,255</u>	<u>941,255</u>
Total Liabilities	<u>1,062,654</u>	<u>1,065,021</u>
Shareholders' equity		
Share capital (note 10)	46,899,792	46,899,792
Contributed surplus	17,610,940	17,419,658
Accumulated deficit	(56,067,801)	(55,349,394)
Accumulated other comprehensive income	(56,385)	(58,584)
	<u>8,386,546</u>	<u>8,911,472</u>
Total Shareholders' Equity	<u>8,386,546</u>	<u>8,911,472</u>
Total Liabilities and Shareholders' Equity	<u>\$ 9,449,200</u>	<u>\$ 9,976,493</u>
Nature of Operations and Going Concern (note 1)		
Subsequent events (note 15)		

(Signed) "Brian Kennedy", Director

(Signed) "Marceau Schlumberger", Director

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

WESTERN EXPLORATION, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 and 2022
(EXPRESSED IN US DOLLARS)

	Three Months Ended March 31 ,2023	Three Months Ended March 31 ,2022
Operating expenses		
Exploration and evaluation expenditures (note 12)	\$ 168,179	\$ 109,091
General and administrative expenses (notes 13)	<u>578,547</u>	<u>621,351</u>
	746,726	730,442
Other (income) expense		
Foreign exchange gain	(479)	(14,952)
Gain on fair value of warrant liability (note 10)	(11,869)	(217,259)
Gain on sale of property and equipment (note 7)	(6,817)	(10,000)
Loss on settlement of debt (note 10)	-	113,834
Interest income	<u>(9,154)</u>	<u>-</u>
	(28,319)	(128,377)
Net loss for the period	<u><u>\$ (718,407)</u></u>	<u><u>\$ (602,065)</u></u>
Cumulative translation adjustment	2,199	68,849
Net loss and comprehensive loss for the period	<u><u>\$ (716,208)</u></u>	<u><u>\$ (533,216)</u></u>
Basic and diluted net loss per share (note 14)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	31,481,117	30,553,570

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

WESTERN EXPLORATION, INC.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THE THREE MONTHS ENDED MARCH 31, 2023 and 2022
(EXPRESSED IN US DOLLARS)**

	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2021	\$ 45,764,078	\$ 15,782,047	\$ (49,965,659)	\$ 54,483	\$ 11,634,949
Units issued in settlement of debt	339,440	127,146	-	-	466,586
Cumulative translation adjustment	-	-	-	68,849	68,849
Net loss for the period	-	-	(602,065)	-	(602,065)
Balance at March 31, 2022	\$ 46,103,518	\$ 15,909,193	\$ (50,567,724)	\$ 123,332	\$ 11,568,319
Vesting of restricted stock units	82,237	(82,237)	-	-	-
Stock-based compensation	-	1,472,632	-	-	1,472,632
Units issued for cash	714,037	120,070	-	-	834,107
Cumulative translation adjustment	-	-	-	(181,916)	(181,916)
Net loss for the period	-	-	(4,781,670)	-	(4,781,670)
Balance at December 31, 2022	\$ 46,899,792	\$ 17,419,658	\$ (55,349,394)	\$ (58,584)	\$ 8,911,472
Cumulative translation adjustment	-	-	-	2,199	2,199
Stock-based compensation	-	191,282	-	-	191,282
Net loss for the period	-	-	(718,407)	-	(718,407)
Balance at March 31, 2023	\$ 46,899,792	\$ 17,610,940	\$ (56,067,801)	\$ (56,385)	\$ 8,386,546

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

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASHFLOWS
THREE MONTHS ENDED MARCH 31, 2023 and 2022
(EXPRESSED IN US DOLLARS)

	March 31, 2023	March 31, 2022
Operating Activities		
Net loss	\$ (718,407)	\$ (602,065)
Adjustments to reconcile net loss to net cash:		
Depreciation expense (note 7)	2,947	3,134
Foreign exchange	2,199	68,828
Gain on fair value of warrant liability (note 10)	(11,869)	(217,259)
Stock-based compensation	191,282	-
Gain on sale of property and equipment	(6,817)	(10,000)
Loss on settlement of debt for units (note 10)	-	113,834
Changes in operating assets and liabilities:		
Prepaid expenses	4,900	(259,060)
Deposits	-	(221)
Accounts payable and accrued liabilities (note 8)	9,502	(741,980)
Cash used in operating activities	(526,263)	(1,644,789)
Investing Activities		
Sale of property and equipment	6,817	10,000
Cash provided by investing activities	6,817	10,000
Net change in cash	(519,446)	(1,634,789)
Cash, beginning of period	\$ 1,877,412	\$ 6,118,906
Cash, end of period	\$ 1,357,966	\$ 4,484,117
Reconciliation of cash and restricted cash:		
Cash	\$ 747,016	\$ 3,860,820
Restricted cash in non-current assets	610,950	623,297
Total cash and restricted cash	\$ 1,357,966	\$ 4,484,117
Supplemental Cash Flow Information		
Debt settled for units (note 10)	\$ -	\$ 352,752

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

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

1. Nature of Operations and Going Concern

Western Exploration, Inc., formerly Crystal Peak Minerals Inc. (an exploration stage company referred to as the “Company” or “Western” or “WEX” was originally incorporated in the Yukon territory, Canada on June 25, 2015. The Company commenced trading on the TSX Venture Exchange (the “TSXV”) under the symbol “CPM”. Effective November 13, 2020, the listing of the Company’s common shares was transferred from the TSXV to the TSX NEX Board as a result of the corporate restructuring in connection with the reverse takeover transaction (the “RTO”) (note 5). The Company’s registered and records office is located at Suite 2500, Park Place, 666 Burrard Street, Vancouver, British Columbia. The Company has an operations and project office in the United States at Suite 140, 121 Woodland Avenue in Reno, Nevada.

On December 22, 2021, the Company changed its name from Crystal Peak Minerals Inc. to Western Exploration Inc. in conjunction with the RTO and resumed trading on the TSXV at the opening of the market under the new symbol “WEX” on January 19, 2022.

The Company is engaged in the business of exploration, acquisition, development, and mining (if warranted) of precious metal and other mineral deposits in the State of Nevada. All the Company’s projects are conducted pursuant to claims, leases, permits, and licenses granted by appropriate authorities or on fee land controlled by the Company. In the future, when deemed appropriate certain projects may be pursued on a joint venture basis to share the associated risk and to assist in the project funding.

These consolidated financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. Several adverse conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption. At March 31, 2023, the Company had working capital of \$748,726, an accumulated deficit of \$56,067,801 produced a net loss of \$718,407 and used funds in operations of \$519,446 for the three months period then ended. The Company has incurred operating losses to date and is currently unable to self-finance any future operations. The Company’s ability to continue as a going concern is dependent upon raising additional capital or evaluating strategic alternatives.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary in the consolidated statement of financial position classifications used. Such adjustments could be material.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

2. Summary of Significant Accounting Policies

(a) Statement of compliance

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

(b) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Western Exploration LLC, incorporated under the laws of the State of Nevada in the United States of America. All intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

(c) Functional and presentation currency

These condensed consolidated interim financial statements have been prepared in US dollars (“USD”), which is the Company's presentation currency. As of December 31, 2022 and March 31, 2023, the functional currency was determined to be USD for the Western Exploration LLC and Canadian dollars (“CAD”) for Western Exploration Inc.

For the purpose of presenting condensed consolidated interim financial statements, the assets and liabilities are presented in USD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the period, unless the exchange rate fluctuated significantly during the period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a cumulative translation adjustment in other comprehensive income in the condensed consolidated interim statements of loss and comprehensive loss.

The policies applied in these condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of May 18, 2023, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2022.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

2. Summary of Significant Accounting Policies (continued)

(d) Stock-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of 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 corresponding amount is recorded to contributed surplus. The Company records stock-based compensation expense for service-based stock options and restricted share units ("RSU's") on a graded method over the requisite service period. The Company records stock-based compensation expense for non-market performance-based stock options on a graded method over the requisite service period, and only if performance-based conditions are considered probable to be satisfied.

These condensed consolidated interim financial statements and the accompanying notes were prepared using the accounting policies described in note 2 to the annual consolidated financial statements except as discussed in note 2 herein.

(e) Significant accounting estimates

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the condensed consolidated interim financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the condensed consolidated interim financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the condensed consolidated interim financial statements include:

Determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for reclamation obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

2. Summary of Significant Accounting Policies (continued)

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of several significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

The recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure has been capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

Fair value of equity instruments and warrant liability

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

3. Financial Risk Management

The Company's financial instruments include cash and restricted cash which are classified as financial assets measured at amortized cost, accounts payable and accrued liabilities, and due to related parties, which are classified as financial liabilities measured at amortized cost and warrant liability which is classified as a financial liability measured at FVTPL. The carrying values of the Company's financial instruments approximate fair value due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks, including interest rate risk, liquidity risk, and credit risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company is not exposed to material interest rate risk.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure. As at March 31, 2023, all of the Company's financial liabilities with the exception of amounts due to related parties are either due immediately or have contractual maturities of less than 90 days.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is mainly exposed to credit risk with respect to managing its cash and restricted cash. The Company's risk management policies require that significant cash deposits are held with U.S. FDIC insured banks. All investments must be less than one year in duration.

4. Capital Risk Management

The Company's capital is the shareholders' equity balance. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its shareholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments, and exploration activities. As the Company is in the exploration stage, its operations have been substantially funded by the issuance of common stock and mineral property earn-in agreements. The Company is not subject to any externally imposed credit or capital requirements. However, the Company will continue to rely on such funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the three months ended March 31, 2023.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

5. Restricted Cash

The Company held restricted cash outstanding in the amounts of \$610,950 (December 31, 2022 - \$610,950) as of March 31, 2023, for the Wood Gulch and Doby George Projects as required by the U.S. Forest Service and Bureau of Land Management.

During the period ended March 31, 2023 and December 31, 2022, these amounts were held in a restricted fund to be held as collateral for surety bonds in place to cover current and future reclamation obligations.

6. Mineral Properties

Total mineral property acquisition costs as at March 31, 2023 and December 31, 2022 were \$7,865,000.

Aura Project

The Aura project consists of 709 unpatented lode mining claims, totaling 12,848 acres, and mineral leases on 2,296 acres of fee land in nine different parcels. The Aura project is an amalgamation of three projects, Doby George, IL Ranch and Wood Gulch.

The current mineral lease agreement has an expiration date of December 31, 2031.

The Aura project is subject to a 2% Net Smelter Royalty (NSR) on precious metals and a 1.4% NSR on base metals payable to IL Minerals LLC. RG Royalties holds a 2% NSR after the first 400,000 ounces of gold production at Doby George. When the RG Royalties royalty becomes effective the IL Minerals NSR decreases to 1% on the RG Royalties area. There is also additional 1% NSR and production royalties ranging from .1% to 1% payable to Tyler Shepard on claims overlying the Wood Gulch.

On December 22, 2021, the Company granted a 1% royalty on the entire Aura project to Agnico Eagle in exchange for the redemption of 2,358,490 Western shares (note 11). The royalty has a \$5,000,000 buyback option for 2 years and thereafter the buyback escalates by \$500,000 per year up to a maximum of \$9,000,000 on the tenth anniversary date, thereafter, increasing to \$10,000,000 up until the eleventh anniversary and expiring thereafter. As of the date of grant, the fair value of the royalty was deemed to be \$nil as it was undetermined at the time of grant whether the Company will achieve commercial production with its property.

Trout Creek Project

In January 2019, the Company purchased property and water rights for certain properties from Doby George, LLC for \$100,000. Subsequently, the property and water rights were sold to Marigold Mining Company for \$1,050,000. As part of the sale agreement, Western is entitled to a top up payment of up to \$4,000,000 in cash proceeds based on exploration success as well as up to a 1% NSR on the property.

On October 5, 2021, Western LLC entered into a Purchase and Sale Agreement with Marigold Mining Company ("Marigold") for the sale of a retained resource discovery payment and a royalty on property sold to Marigold on January 23, 2019. The sale resulted in Western LLC receiving cash in the amount of \$1,650,000 recognized as a gain on sale of royalty in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2021. As of both March 31 2023 and December 31, 2022, the Company held no continuing rights or involvement in the Trout Creek Property.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

7. Property and Equipment

Cost		
Balance, January 1, 2022	\$	442,895
Disposals		(16,573)
Balance, March 31, 2022, December 31, 2022	\$	426,322
Disposals		(27,500)
Balance, March 31, 2023	\$	398,822
Accumulated Depreciation		
Balance, January 1, 2022	\$	330,878
Depreciation for the period		3,134
Disposals		(16,573)
Balance, March 31, 2022	\$	317,439
Depreciation for the period		7,437
Balance, December 31, 2022	\$	324,876
Depreciation for the period		2,947
Disposals		(27,500)
Balance, March 31, 2023	\$	300,323
Carrying amount		
Balance, December 31, 2022		101,446
Balance, March 31, 2023		98,499

During the period ended March 31, 2023, the Company disposed of equipment with a carrying value of \$nil for gross proceeds of \$6,817, resulting in a gain of \$6,817 that is recognized in the consolidated statements of loss and comprehensive loss.

8. Accounts Payable and Accrued Liabilities

	March 31, 2023	December 31, 2022
Trade payables	\$ 89,152	\$ 56,487
Accrued liabilities	29,766	52,929
	\$ 118,918	\$ 109,416

9. Reclamation Provision

The provision for environmental rehabilitation consists of land rehabilitation and related costs. Although the ultimate amount of the environment rehabilitation provision is uncertain, the amount of these obligations is based on information currently available, including closure plans and the Company's interpretation of current regulatory requirements.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

9. Reclamation Provision (continued)

The provision for environmental rehabilitation relates to reclamation and closure costs of the Company's Aura Project. The undiscounted provision for environmental rehabilitation is estimated at \$503,700 as at March 31, 2023 (December 31, 2022: \$503,700), over a period of 4-5 years, inflated using rates ranging from 3.64% to 3.94% (December 31, 2022 – 3.64% to 3.94%) per annum and discounted using a risk-free rate of 3.99% (December 31, 2022: 3.99%) per annum.

Balance as of January 1, 2022 and March 31, 2022	\$	507,952
Accretion		6,400
Reduction		(13,192)
Balance as of December 31, 2022 and March 31, 2023	\$	501,160

10. Share Capital Authorized

Share Capital

The Company's authorized capital consisted solely of voting common shares without par value.

On October 24, 2022, the Company amended its notice of articles to change the identifying name of its outstanding class of shares from "Common Shares" to "Variable Voting Shares" to reflect that the outstanding class of listed shares of the Company are subject to a voting reduction to the shares held by residents of the United States to ensure that not more than 50% of the outstanding voting securities of the Company are held, directly, or indirectly, by residents of the United States.

Issued Share Capital

31,481,117 common shares issued and outstanding as at March 31, 2023.

During the period ended March 31, 2023 and December 31, 2022, the Company issued the following shares:

	Common Shares	Amount
Balance - January 1, 2022	30,435,126	\$ 45,764,078
Shares issued in settlement of debt	169,205	339,440
Balance - March 31, 2022	30,604,331	\$ 46,103,518
Units issued for cash	814,286	714,037
Exercise of restricted stock units	62,500	82,237
Balance - December 31, 2022 and March 31, 2023	31,481,117	\$ 46,899,792

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

10. Share Capital Authorized (Continued)

On December 22, 2021, the Company entered into an agreement with Agnico to repurchase 2,358,490 common shares in exchange for a 1% net smelter royalty on the Aura project deemed to hold a fair value of \$nil and 748,668 warrants (the "Redemption Agreement"). Under the terms of the warrants, each warrant shall entitle the holder to purchase one common share of the Company at a price of \$2.67 up until May 15, 2023.

On closing of the Redemption Agreement, amounts totaling \$3,573,306, equal to the average cost of shares repurchased were charged to share capital, with amounts totaling \$3,300,660 in excess of the fair value of consideration paid totaling \$272,646 recognized directly as a charge to accumulated deficit.

The fair value of the warrants was determined to be \$272,646 on the date of issuance, estimated using the Black Scholes pricing model. As the exercise price of the warrants are denominated in a currency other than the Company's functional currency and therefore do not meet the fixed for fixed criteria, they have been classified as a derivative financial instrument held at FVTPL and included as a warrant liability on the consolidated statement of financial position. As at March 31, 2023, the warrant liability was revalued at \$2,481 (December 31, 2022 - \$14,350) resulting in a gain on fair value of warrant liability totaling \$11,869 (December 31, 2022 - gain of \$261,760) recognized in the condensed consolidated interim statements of loss and comprehensive loss for the three month ended March 31, 2023.

The inputs utilized in the Black Scholes pricing model on the date of issuance and on revaluation at December 31, 2022 and March 31, 2023 were as follows: fair value share price of \$0.82 - \$1.26, risk free interest rate of 3.76% - 3.78%, an expected dividend yield of 0%, volatility rate of 98-115% based on historical share prices of comparable companies and the Company's own historical share price and an expected life of 0.12 - 0.37 years.

On January 27, 2022, the Company settled an outstanding debt of \$352,752 (CAD\$448,394) to a legal advisor by issuing 169,205 units, each comprised of one common share and one common share purchase warrant exercisable into one additional common share at a price of CAD\$3.975 for a period of 24 months from the date of issuance. On the date of settlement, the fair value of the common shares was determined to be \$339,440. The fair value of the warrants was determined to be \$127,146 on the date of settlement, estimated using the Black Scholes pricing model using a fair value share price of CAD\$2.55, risk free interest rate of 1.27%, an expected dividend yield of 0%, volatility rate of 91% based on historical share prices of comparable companies and an expected life of 2 years. In connection with the settlement, a loss on settlement of debt totaling \$113,834 was included in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022.

WESTERN EXPLORATION, INC. (Formerly, Crystal Peak Minerals Inc.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in U.S. Dollars)

10. Share Capital Authorized (Continued)

On June 8, 2022, a total of 62,500 RSU's were exercised into 62,500 common shares of the Company at no additional cost. Upon exercise, the fair value of RSU's amounting to \$82,237 was transferred from contributed surplus to share capital.

On December 21, 2022, the Company completed a non-brokered private placement financing, issuing a total of 814,286 units each at a price of CAD\$1.40 for gross proceeds of CAD\$1,140,000 (USD \$837,496). Each Unit is comprised of one variable voting share of the Company and one-half of one Variable Voting Share purchase warrant of the Company. The Company incurred legal fees of \$3,389 in relation to the financing. Under the terms of the warrants, each warrant shall entitle the holder to purchase one common share of the Company at a price of CAD\$1.96 up until December 21, 2024. Proceeds were allocated to common shares and warrants using the relative fair value method. The fair value of the warrants was determined to be \$120,070 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$1.40, risk free interest rate of 3.72%, an expected dividend yield of 0%, volatility rate of 76% based on historical share prices of comparable companies and an expected life of 2 years.

Share Purchase Warrants

As of March 31, 2023, the following share purchase warrants of the Company were issued and outstanding:

Total Warrants	Strike Price	Grant Date	Expiration Date
2,248,936	CAD\$3.975	2021-12-22	2023-10-13
748,668	\$2.67	2021-12-22	2023-05-15
169,205	CAD\$3.975	2022-01-27	2024-01-27
407,143	CAD\$1.96	2022-12-21	2024-12-21
3,573,952			

As of March 31, 2023, the weighted average remaining life of the share purchase warrants outstanding was 0.6 years.

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10. Share Capital Authorized (Continued)

Restricted Stock Units

The Company has established a Restricted Share Unit Plan (the “RSU Plan”). Under the RSU Plan, together with any other share compensation arrangement. The Board may in its own discretion, at any time, and from time to time, grant RSUs to any employee, director or consultant of the Company or its subsidiaries, other than persons conducting investor relations activities, from time to time by the Board, subject to the limitations set forth in the RSU Plan. The Board may designate one or more performance periods under the RSU Plan.

On June 8, 2022, the Company granted a total of 125,000 RSU’s, of which 62,500 RSU’s vested immediately, with the remaining 62,500 vesting equally on the first and second anniversary from the date of grant. Each RSU is exercisable into one common share of the Company at no additional cost. On the date of grant, the fair value of RSU’s granted was determined to be \$164,464 based on the fair market trading price of the Company’s common shares. During the three month ended March 31, 2023, \$15,201 of stock-based compensation expense was recognized in the relation to the vesting of RSU’s.

Following is a summary of changes in RSU’s outstanding for the three months ended March 31, 2023 and 2022:

Balance, January 1, 2022 and March 31, 2022	-
Granted	125,000
Exercised	(62,500)
Balance, December 31, 2022 and March 31, 2023	62,500

As at March 31, 2023, 62,500 RSU’s remain unvested and not exercisable.

Stock Options

The Company has established a rolling Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 5 years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options vest at the discretion of the Board of Directors.

On June 8, 2022, the Company granted a total of 1,596,025 options to directors, officers, employees and consultants of the Company. Under the terms of the options, a total of 50% of the options are to vest immediately, 25% vesting on June 8, 2023 and the remaining vesting on June 8, 2024. The fair value of the options was determined to be \$1,905,154 on the date of issuance, estimated using the Black Scholes pricing model using a fair value share price of CAD\$1.65, risk free interest rate of 3.18%, an expected dividend yield of 0%, and volatility rate of 157%. During the three month ended March 31, 2023, \$176,081 of stock-based compensation expense was recognized in the relation to the vesting of options.

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10. Share Capital Authorized (Continued)

Following is a summary of changes in stock options outstanding for the period ended March 31, 2023 and 2022:

	Amount	Weighted Average Exercise Price
Balance, January 1, 2022 and March 31, 2022	-	-
Granted	1,596,025	C \$2.65
Balance, December 31, 2022 and March 31, 2023	1,596,025	C \$2.65

As at March 31, 2023, the weighted average remaining life of stock options outstanding is 4.19 years and 798,013 stock options are vested and exercisable.

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11. Related Party Transactions

Related parties include the Board of Directors, officers and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The below noted transactions are in the normal course of business and are measured at the amount as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations. The Company considers key management to be officers and directors of the Company.

During the three month period ended March 31, 2023 and 2022, the Company paid, or accrued remuneration to key management of the Company as follows:

	Three months ended	
	March 31,	
	2023	2022
Salaries and fees	\$52,500	\$37,500
Stock-based compensation (i)	\$125,444	\$nil

- (i) On June 8, 2022, the Company granted 1,115,000 options and 20,000 RSU's to directors and officers of the Company (note 11).

As at March 31, 2023, amounts totaling \$440,095 (December 31, 2022 - \$440,095) were due to a corporation controlled by a director of the Company. During the three month period ended March 31, 2023, the repayment terms of the payable were extended to January 1, 2024, bearing no interest.

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11. Related Party Transactions (Continued)

Major shareholders:

To the knowledge of the directors and senior officers of the Company, as at March 31, 2023, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

	Number of common Shares	Percentage of outstanding shares
Golkonda LLC	19,969,391	63.4%
Agnico Eagle (USA) Ltd	5,442,191	17.3%

12. Exploration Expenditures

The following table reflects the exploration expenditures incurred in the periods ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Drilling	\$ 99	\$ (1,720)
Permitting	8,701	7,262
Geological	126,439	103,549
Metallurgy	32,940	-
Total	\$ 168,179	\$ 109,091

13. General and Administrative Expenses

The following table reflects general and administrative expenses incurred in the periods ended March 31, 2023 and 2022:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Salaries	\$ 91,541	\$ 112,455
Office and general	248,756	231,044
Audit and accounting fees	3,250	75,399
Stock-based compensation	191,282	-
Legal and regulatory fees	40,771	199,319
Depreciation	2,947	3,134
Total	\$ 578,547	\$ 621,351

14. Loss Per Share

The calculation of basic and diluted loss per share for the three month period ended March 31, 2023 was based on losses attributable to common shareholders of \$718,407 (March 31, 2022 –loss of \$602,065) and the basic weighted average number of common shares outstanding of 31,481,117 (March 31, 2022 – 30,553,570). Diluted loss per share did not include the effect of outstanding warrants, options and RSU's as they are anti-dilutive.

15. Subsequent events

On May 9, 2023, the Company announced the terms of a "best efforts" private placement offering of up to 3,646,000 units (the "Units") at a price of \$1.55 per Unit for gross proceeds of up to \$5,651,300 (the "Offering"). Each Unit will consist of one variable voting share of the Company (each, a "Share") and one-half of one variable voting share purchase warrant of the Company (each whole variable voting share purchase warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one variable voting share of the Company (each, a "Warrant Share") at a price of \$2.15 per Warrant Share at any time on or before the date which is 36 months after the closing date of the Offering (the "Closing Date"), subject to adjustment in certain events.

At the closing of the Offering, the Company shall pay to the Agents a cash commission equal to 7% of the gross proceeds of the Offering and will issue to the Agents such number of non-transferable variable voting share purchase warrants of the Company (the "Broker Warrants") as is equal to 7% of the number of Units sold under the Offering at a price of \$1.55 per Broker Warrant. Each Broker Warrant will be exercisable to acquire one unit of the Company (each, a "Broker Warrant Unit") at a price of \$1.55 per Broker Warrant Unit, for a period of 36 months following the Closing Date. Each Broker Warrant Unit will consist of one variable voting share of the Company and one-half of one variable voting share purchase warrant of the Company, each entitling the holder to purchase one variable voting share of the Company at a price of \$2.15 per share at any time on or before that date which is 36 months after the Closing Date. In addition, the Company will have the right to sell Units to certain "president's list" purchasers ("President's List Purchasers"); provided, however, that compensation payable by the Company to the Agents for the first \$3,000,000 of subscriptions from President's List Purchasers shall be reduced to a 3.5% cash commission and 3.5% Broker Warrants.

The Offering is scheduled to close on or around June 1, 2023 and remains subject to the receipt of all necessary approvals, including the approval of the TSX Venture Exchange.

On May 15, 2023, 748,668 share purchase warrants priced at \$2.67 expired.