



ARCWEST EXPLORATION INC.

ANNUAL FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ArcWest Exploration Inc.

Opinion

We have audited the financial statements of ArcWest Exploration Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty 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. The other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

April 24, 2020



MOORE

An independent firm
associated with Moore
Global Network Limited

ARCWEST EXPLORATION INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31,

	Notes	2019	2018
		\$	\$
Assets			
Current			
Cash and cash equivalents		796,499	1,421,667
Receivables and prepaids	5	175,536	447,852
Marketable securities	6	67,500	-
		1,039,535	1,869,519
Non-current			
Equipment, net		1,702	1,878
Exploration and evaluation assets	4, 7	3,820,818	3,583,438
Reclamation deposit	7	82,000	-
Total Assets		4,944,055	5,454,835
Liabilities			
Current			
Accounts payable and accrued liabilities	8	96,456	57,852
Shareholders' Equity			
Share capital	9	6,953,873	6,852,428
Share-based payment reserve	9	1,023,413	527,737
Deficit		(3,129,687)	(1,983,182)
Total shareholder's equity		4,847,599	5,396,983
Total Liabilities and Shareholders' Equity		4,944,055	5,454,835

Nature and continuance of operations (Note 1)
Subsequent event (Note 14)

Approved and authorized on behalf of the Board on April 24, 2020:

(signed) Joel Dumaresq
Joel Dumaresq, Director

(signed) Tyler Ruks
Tyler Ruks, Director

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

ARCWEST EXPLORATION INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended December 31,

	Note	2019	2018
		\$	\$
Office and administrative expenses			
Consulting fees	11	77,716	178,200
Depreciation		766	26
Filing fees and transfer agent		34,374	25,639
General exploration		30,370	2,042
Investor relations		365,592	145,107
Office and miscellaneous	11	114,421	73,970
Professional fees		72,450	40,240
Share-based payments	9	495,676	346,929
Travel		13,929	12,608
Loss before other items		(1,205,294)	(824,761)
Other items			
Interest income		21,629	14,372
Loss on marketable securities	6	(157,522)	-
Gain on disposal of property	7	170,884	-
Other income		23,798	5,000
Loss and comprehensive loss for the year		(1,146,505)	(805,389)
Loss per common share			
Basic and diluted		(0.02)	(0.03)
Weighted average number of common shares outstanding			
Basic and diluted		60,680,982	29,309,966

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

ARCWEST EXPLORATION INC.
STATEMENTS OF CASH FLOW
(Expressed in Canadian Dollars)
For the years ended December 31,

	2019	2018
	\$	\$
Cash (used in) provided by:		
Operating activities		
Loss for the year	(1,146,505)	(805,389)
Items not affecting cash		
Depreciation	766	26
Share-based payments	495,676	346,929
Gain on disposal of the Willoughby property	(170,884)	-
Loss on marketable securities	157,522	-
Changes in non-cash working capital items		
Receivables and prepaids	192,269	(379,730)
Accounts payable and accrued liabilities	38,604	9,489
	(432,552)	(828,675)
Investing activities		
Exploration and evaluation costs	(380,004)	(485,756)
Proceeds from sale of mineral property	85,000	-
Proceeds from sale of marketable securities	194,978	-
Acquisition of PP&E	(590)	(1,904)
Reclamation Deposit	(82,000)	-
Cash paid in acquisitions		
Eagle Property	(5,000)	-
Sparrowhawk	(5,000)	-
Millrock transaction costs	-	(25,932)
Seven Devil transaction costs	-	(25,932)
Millrock acquisition	-	(230,000)
	(192,616)	(769,524)
Financing activities		
Issuance of shares pursuant to private placement	-	2,800,000
Share issue costs	-	(159,105)
	-	2,640,895
(Decrease) increase in cash	(625,168)	1,042,696
Cash and cash equivalents - beginning	1,421,667	378,971
Cash and cash equivalents - ending	796,499	1,421,667
Cash and cash equivalents consist of:		
Cash	257,524	35,667
Term deposits	538,975	1,386,000
	796,499	1,421,667

Supplemental cash flow information (Note 13)

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

ARCWEST EXPLORATION INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
For the years ended December 31,

	Note	Number of common shares	Share capital \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance, December 31, 2017		14,245,378	2,265,313	120,642	(1,177,793)	1,208,162
Issued pursuant to private placement	9	28,000,000	2,800,000	-	-	2,800,000
Share issuance costs	9	-	(219,271)	60,166	-	(159,105)
Shares issued in Seven Devils property purchase agreement	4	9,623,417	1,106,693	-	-	1,106,693
Shares issued in Millrock property purchase agreement	4	7,823,417	899,693	-	-	899,693
Share-based compensation	9	-	-	346,929	-	346,929
Comprehensive loss for the year	9	-	-	-	(805,389)	(805,389)
Balance, December 31, 2018		59,692,212	6,852,428	527,737	(1,983,182)	5,396,983
Shares issued for Todd Creek	7	846,154	84,615	-	-	84,615
Shares issued in Eagle Property Agreement	4	100,000	9,000	-	-	9,000
Shares issued in Sparrowhawk Purchase Agreement	4	87,000	7,830	-	-	7,830
Share-based compensation	9	-	-	495,676	-	495,676
Comprehensive loss for the year	-	-	-	-	(1,146,505)	(1,146,505)
Balance, December 31, 2019		60,725,366	6,953,873	1,023,413	(3,129,687)	4,847,599

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

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

ArcWest Exploration Inc. (“ArcWest” or “the Company”), was incorporated under the Business Corporations Act (British Columbia) on December 23, 2010 and is a corporation listed publicly on the TSX Venture Exchange (“TSX-V”). On February 28, 2019, the Company changed its name from Sojourn Exploration Inc. to ArcWest Exploration Inc. and is now trading on the TSX-V under the new stock symbol “AWX”. The Company is engaged in mineral exploration.

The registered and records office of the Company is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8. The head office of the Company is located at 2300-1177 West Hastings Street, Vancouver, BC V6E 2K3.

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has incurred an operating loss for the year ended December 31, 2019 of \$1,146,505 and had a cumulative deficit of \$3,129,687 at December 31, 2019. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

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. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for the cash flows. All dollar amounts are presented in the Company’s functional currency, the Canadian dollar, unless otherwise specified.

2. BASIS OF PREPARATION (continued)

Consistency of presentation

The Company retains the presentation and classification of items in the financial statements from the previous period; however, some items on the statement of comprehensive loss were reclassified in order to improve the presentation of the financial statements. The table below provides a summary of how the previous period presentation was amended accordingly to be consistent with the current presentation:

	Reclassified 2018	Reported 2018
	\$	\$
Office and miscellaneous	73,970	46,512
Salaries and wages	-	27,458

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported profit or loss during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Significant estimates made by management include the following:

a) Share-based payments

The estimated fair value of all share-based payments is determined at the date of grant using the Black-Scholes Option Pricing Model, and is expensed in the statement of comprehensive loss over the vesting period of the options granted. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

b) Exploration and evaluation assets

Management is required to make judgements on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and most assets are likely to become impaired in future periods.

c) Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, of deferred income tax assets and liabilities.

d) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty, and the classification of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the following accounting policies:

Financial instruments

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments:

	Classification IFRS 9
Cash and cash equivalents	FVTPL
Receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost
Marketable securities	FVTPL

b) Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in the statement of comprehensive loss.

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

Valuation of equity units issued in private placements

The Company uses a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction."

Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is evaluated at the cash generating unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of the CGU is the greater of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based compensation

The Company recognizes a share-based compensation charge in operations for stock options granted to employees, officers and directors of the Company. The share-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes Option Pricing Model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the options granted with an off-setting amount recorded in reserves. Any expense recorded for options that are forfeited because non-market vesting conditions are not satisfied, is reversed in the period in which forfeiture occurs.

Current and deferred income taxes

Current taxes receivable or payable are estimated on taxable income for the current year at the statutory tax rates enacted or substantively enacted.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in profit or loss, as the case may be, in the period of substantive enactment.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share (continued)

Diluted loss per share is adjusted for the dilutive effect of options, warrants and similar instruments. The dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. In the periods that the Company reports a net loss, basic per share amounts are the same basis as on a dilutive basis as the result would be anti-dilutive.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

4. ACQUISITIONS OF MINERAL PROPERTIES

Sparrowhawk Property Acquisition

On February 26, 2019, the Company signed a purchase agreement (the "Sparrowhawk Purchase Agreement") to acquire 100% of the Sparrowhawk Property located 65 kilometres northeast of Smithers in north-central British Columbia. Under the terms of the Purchase Agreement, the Company acquired 100% interest in the property by issuing 87,000 common shares to the vendor and paying \$5,000 cash. For accounting purposes, the acquisition of this property has been recorded as an asset acquisition as the property is not considered to be a business when applying the guidance within IFRS 3.

Consideration paid:

	\$
Fair value of 87,000 common shares issued (note 9)	7,830
Cash paid	5,000
Total consideration paid	12,830
Net assets acquired – Mineral properties	12,830

The property will be subject to a 1% net-smelter royalty ("NSR") which can be purchased by the company for \$2,000,000.

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

4. ACQUISITIONS OF MINERAL PROPERTIES (continued)

Eagle Property Acquisition

On March 5, 2019, the Company signed a purchase agreement (the "Eagle Property Agreement") to acquire 100% of the Eagle Property located in Northwestern British Columbia. Under the terms of the Agreement, ArcWest acquired a 100% interest in the Property by making a cash payment of \$5,000 and issuing 100,000 common shares. For accounting purposes, the acquisition of this property has been recorded as an asset acquisition as the properties are not considered to be a business when applying the guidance within IFRS 3.

Consideration paid:

	\$
Fair value of 100,000 common shares issued (note 9)	9,000
Cash paid	5,000
Total consideration paid	14,000
Net assets acquired – Mineral properties	14,000

Millrock Acquisition

On September 13, 2018, the Company completed a mineral property purchase agreement with Millrock Resources Inc. ("Millrock") for the Willoughby, Oweegee, and Todd Creek properties (the "Millrock Agreement"). The aggregate purchase price was \$1,155,625, satisfied through the issuance of ArcWest common shares as well as \$230,000 in cash and transaction costs incurred by the Company. For accounting purposes, the acquisition of these properties has been recorded as an asset acquisition as the properties are not considered to be a business when applying the guidance within IFRS 3.

Consideration paid:

	\$
Fair value of 7,823,417 common shares issued (note 9)	899,693
Cash paid	230,000
Transaction costs incurred by the Company	25,932
Total consideration paid	1,155,625
Net assets acquired – Mineral properties	1,155,625

Millrock will retain a between a 1.5% and 2% NSR on each of the Millrock Properties. ArcWest may at any time purchase 1% applicable to any Millrock Property where Millrock has a 2% royalty and 0.5% where Millrock has a 1.5% royalty for payment of \$1,000,000.

The existing option agreements between Millrock and ArcWest dated June 9, 2017 with respect to Millrock's Oweegee and Willoughby properties (the "Millrock Option Agreements") have been terminated (note 7). ArcWest will not make any further payments to Millrock (in cash, shares or otherwise) pursuant to the Millrock Option Agreements. The 1,800,000 ArcWest common shares previously issued to Millrock pursuant to the Millrock Option Agreements will be retained by Millrock and did not comprise part of the Millrock Agreement.

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

4. ACQUISITIONS OF MINERAL PROPERTIES (continued)

Seven Devils Agreement

On September 13, 2018, the Company completed a mineral property purchase agreement with Seven Devils Exploration Ltd. ("Seven Devils") for the Oxide Peak, Eagle, Rip and Teeta Creek properties (the "Seven Devils Agreement"). The aggregate purchase price was \$1,132,625, satisfied through the issuance of ArcWest common shares and transaction costs incurred by the Company. For accounting purposes, the acquisition of these properties has been recorded as an asset acquisition as the properties are not considered to be a business when applying the guidance within IFRS 3.

Consideration paid:

	\$
Fair value of 9,623,417 common shares issued (note 9)	1,106,693
Transaction costs incurred by the Company	25,932
Total consideration paid	1,132,625
Net assets acquired – Mineral properties	1,132,625

5. RECEIVABLES AND PREPAIDS

	December 31, 2019	December 31, 2018
	\$	\$
Interest receivable	4,710	10,366
GST receivable	17,235	32,297
Prepaid expenditures	70,187	396,818
Other receivables	83,404	-
Advances	-	8,371
	175,536	447,852

Other receivables include a BC mining exploration tax credit in the amount of \$80,047 as well as a receivable related to the subleasing of the Company's office on a month-to-month basis.

6. MARKETABLE SECURITIES

	December 31, 2019	December 31, 2018
	\$	\$
Beginning balance	-	-
Addition	420,000	-
Disposals	(194,978)	-
Realized loss on marketable securities	(15,022)	-
Unrealized loss on marketable securities	(142,500)	-
	67,500	-

ARCWEST EXPLORATION INC.**NOTES TO THE FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

For the year ended December 31, 2019

6. MARKETABLE SECURITIES (continued)

On April 17, 2019, the Company completed the sale of the Willoughby property to Strikepoint Gold Inc. and was issued 3,000,000 common shares (Note 7). These shares are held at FVTPL and all unrealized gains and losses are recorded in the Statement of Comprehensive Loss. At December 31, 2019, these shares were fair-valued and this resulted in an unrealized loss of \$142,500 (2018 – \$nil). The Company sold 1,500,000 shares during the year ended December 31, 2019 which resulted in a realized loss of \$15,022 (2018 – \$nil).

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

7. EXPLORATION AND EVALUATION ASSETS

As at December 31, 2019 and 2018, the Company has capitalized the following acquisition and exploration costs:

	Oweegee	Willoughby	Todd Creek	Oxide Peak	Eagle	Rip	Teeta Creek	Sparrowhawk	Northern Vancouver Island	Huckleberry	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$
Balance, December 31, 2017	525,450	283,982	-	-	-	-	-	-	-	-	809,432
Acquisition costs – shares (Note 4)	412,575	13,627	473,491	402,095	243,206	276,400	184,992	-	-	-	2,006,386
Acquisition costs – cash (Note 4)	-	-	230,000	-	-	-	-	-	-	-	230,000
Acquisition costs – expenses (Note 4)	11,894	392	13,647	9,422	5,699	6,476	4,334	-	-	-	51,864
Consulting fees	291	692	-	-	-	-	-	-	-	-	983
Field support	4,037	284	3,331	-	-	-	-	-	-	-	7,652
Geochemistry and geology	64,923	8,338	58,370	3,430	-	980	140	-	-	-	136,181
Option payments	-	-	72,500	-	-	-	-	-	-	-	72,500
Travel and accommodation fees	57,633	3,972	82,000	10,708	-	670	-	-	-	-	154,983
Wages and salaries (Note 11)	32,776	8,936	53,588	5,000	3,750	5,657	3,750	-	-	-	113,457
Balance, December 31, 2018	1,109,579	320,223	986,927	430,655	252,655	290,183	193,216	-	-	-	3,583,438
Acquisition costs – shares (Note 4)	-	-	-	-	9,000	-	-	7,830	-	-	16,830
Acquisition costs – cash (Note 4)	-	-	-	-	5,000	-	-	5,000	-	-	10,000
Consulting fees	4,950	998	-	-	-	-	-	-	-	-	5,948
Field support	594	1,061	4,006	404	848	188	814	1,390	2,217	36	11,558
Geochemistry and geology	14,212	9,334	6,200	5,560	3,297	1,120	2,294	9,052	3,539	877	55,485
Option payments	-	-	147,115	-	-	-	-	-	-	-	147,115
Staking	-	-	-	10,886	775	4,420	1,623	12,553	11,963	-	42,220
Travel and accommodation fees	21,566	-	36,044	2,197	3,199	689	7,883	6,122	1,689	4,456	83,845
Wages and salaries (Note 11)	72,260	2,500	126,012	15,937	35,844	7,938	67,812	71,469	10,969	9,563	420,304
	1,223,161	334,116	1,306,304	465,639	310,618	304,538	273,642	113,416	30,377	14,932	4,376,743
BC Mining Exploration Tax Credit refund	(93,902)	-	(55,851)	(3,962)	(776)	(1,513)	(805)	-	-	-	(156,809)
Option payments received	-	-	-	(15,000)	-	-	(25,000)	-	(25,000)	-	(65,000)
Disposition of mineral properties	-	(334,116)	-	-	-	-	-	-	-	-	(334,116)
Balance, December 31, 2019	1,129,259	-	1,250,453	446,677	309,842	303,025	247,837	113,416	5,377	14,932	3,820,818

7. EXPLORATION AND EVALUATION ASSETS (continued)

Willoughby, Oweegee, and Todd Creek Properties

On September 13, 2018, the Company completed the Millrock Acquisition with Millrock for the Willoughby, Oweegee, and Todd Creek properties. The existing option agreements between Millrock and ArcWest with respect to Millrock's Oweegee and Willoughby properties were terminated. ArcWest will not make any further payments to Millrock (in cash, shares or otherwise) pursuant to the Millrock Option Agreements. For details of the Millrock Acquisition refer to Note 4.

On January 2, 2019, the Company issued 846,154 common shares as a property payment for Todd Creek at a value of \$84,615 (Note 9).

Seabridge Agreement

On October 29, 2018, the Company signed a binding agreement with Seabridge Gold Inc. ("Seabridge") to sell a 100% interest in two of its mineral claims situated in northwest British Columbia in exchange for Seabridge transferring \$500,000 in Portable Assessment Credits (the "PAC Credits"). These mining claims did not represent a significant value of the Todd Creek property as a whole and therefore did not affect the value of the capitalized costs of the mineral property.

Sale of Willoughby Property

On April 17, 2019, the Company completed the previously announced Strikepoint Agreement (the "Strikepoint Agreement") with Strikepoint Gold Inc. ("Strikepoint") with respect to the acquisition by Strikepoint of 100% of the Willoughby Property. The terms of the Strikepoint Agreement include:

- A cash payment \$85,000 and 3,000,000 common shares (paid and issued by Strikepoint);
- The Company retains a 1.5% net smelter return royalty, which can be reduced by Strikepoint to 0.5% for an additional cash payment of \$1,000,000.

During the year ended December 31, 2019, a gain of \$170,884 on sale of the Willoughby Property was recorded.

Northern Vancouver Island Property

During the year ended December 31, 2019, the Company staked certain claims in the Miocene porphyry copper-gold belt on northern Vancouver Island.

Huckleberry Property

During the year ended December 31, 2019, the Company staked approximately 2,525 hectares located 85 km southwest of Houston BC.

Reclamation bond

As at December 31, 2019, \$82,000 was held in reclamation bonds broken down as follows: \$56,500 on the Todd Creek Property and \$25,500 on the Oweegee property.

Teeta Creek Earn-In Agreement

On October 15, 2019, the Company entered into an agreement with Teck Resources Inc. ("Teck") to explore the Teeta Creek property in northern Vancouver Island, British Columbia. Teck can earn an initial 60% interest in the Property by funding over a three-year period cumulative exploration expenditures of \$3,000,000 and staged cash payments of \$250,000, respectively, including a minimum of 1,000 meters of drilling. Teck can also acquire an additional 20% interest by incurring an additional \$8,000,000 in expenses. A minimum exploration expenditure of \$500,000 is required before December 31st, 2020. During the year ended December 31, 2019, \$25,000 was received as an option payment.

NVI Earn-In Agreement

On December 20, 2019, the Company entered into an agreement with Teck Resources Inc. ("Teck") to explore the Northern Vancouver Island. Teck can earn an initial 60% interest in the Property by funding over a four-year period cumulative exploration expenditures of \$2,000,000 and staged cash payments of \$150,000 due in annual payments of \$25,000 with the last payment due on January 15, 2024. Teck can also acquire an additional 20% interest by incurring an additional \$6,000,000 in expenses. A minimum exploration expenditure of \$500,000 is required before December 31st, 2020. During the year ended December 31, 2019, \$25,000 was received as an option payment.

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

7. EXPLORATION AND EVALUATION ASSETS (continued)

Oxide Peak Earn-In Agreement

On December 23, 2019, the Company entered into an agreement with Locrian Resources Inc. (“Locrian”) to explore the Oxide Peak property in northern British Columbia. Locrian can earn an initial 60% interest in the Property by funding over a three-year period cumulative exploration expenditures of \$2,400,000 and staged cash payments of \$55,000, respectively, including a minimum of 1,000 meters of drilling. In addition, Locrian will issue 5% of the number of Locrian shares outstanding on December 31, 2020 to the Company. A minimum exploration expenditure of \$500,000 is required before December 31st, 2020. During the year ended December 31, 2019, \$15,000 was received as an option payment.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2019	December 31 2018
	\$	\$
Accounts payable	78,221	45,852
Accrued liabilities	18,235	12,000
	96,456	57,852

Included in accounts payable is \$37,372 (December 31, 2018 - \$10,963) due to related parties (see Note 11).

9. SHARE CAPITAL AND RESERVES

Authorized: Unlimited common shares without par value.

Shares issued: Common shares: 60,725,366 (December 31, 2018 – 59,692,212).

During the year ended December 31, 2019, the Company:

- issued 846,154 common shares valued at \$84,615 related to the Todd Creek Property (see Note 7);
- issued 100,000 common shares valued at \$9,000 pursuant to the Eagle Property Agreement (see Note 4); and
- issued 87,000 common shares valued at \$7,830 pursuant to the Sparrowhawk Purchase Agreement (see Note 4).

During year ended December 31, 2018, the Company:

- issued 9,623,417 common shares valued at \$1,106,693 pursuant to the Seven Devils Agreement (see Note 4);
- issued 7,823,417 common shares valued at \$899,693 pursuant to the Millrock Agreement (see Note 4);
- completed a non-brokered private placement by issuing 28,000,000 units (“Units”) at a price of \$0.10 per Unit for gross proceeds of \$2,800,000. Each Unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share at a price of \$0.15 per common share for a period of three years from closing. The Company paid share issuance costs of \$219,271, including the issuance of 1,003,100 finders’ warrants valued at \$60,166 and cash paid of \$159,105. Using the residual method, no value was attributed to the warrants included in the Units. The fair value of the agent warrants was estimated using the Black Scholes Option-Pricing Model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.33%; expected life – 3 years; expected volatility 91.27%; expected forfeitures – 0%; and expected dividends 0%. Expected price volatility was calculated based on the Company’s historical share prices.

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

9. SHARE CAPITAL AND RESERVES (continued)

Stock options

The Company adopted an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2017	250,000	0.30
Cancelled – March 1, 2018	(50,000)	0.30
Forfeited – December 14, 2018	(100,000)	0.30
Granted - October 22, 2018	5,550,000	0.15
Cancelled – October 22, 2018	(100,000)	0.30
Balance, December 31, 2018	5,550,000	0.15
Granted – April 2, 2019	480,000	0.10
Balance, December 31, 2019	6,030,000	0.15

As at December 31, 2019, the Company had outstanding stock options as follows:

Expiry date	Exercise price	Remaining life (years)	Options outstanding	Options exercisable
	\$			
October 22, 2023	0.15	3.81	5,550,000	4,625,000
April 2, 2024	0.10	4.26	480,000	240,000

The weighted average price of options outstanding was \$0.15 and the weighted average life was 3.85 years.

On October 22, 2018, the Company granted 5,500,000 stock options to its officers, directors and consultants. The options vest over the course of one and half years and are exercisable at \$0.15 per share for a period of five years. The fair value of the options granted was \$825,293. The options vest 1/6 immediately and 1/6 every three months. During the year ended December 31, 2019, the share-based payment expense of \$469,194 (2018: \$346,929) was recognized related to option vested. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield - 0%, risk-free rate – 1.60%, volatility – 101.57%, forfeiture rate – 0% and expected life – 5 years.

On April 2, 2019, the Company granted 480,000 stock options to its employees and consultants. The options vest over the course of one and half years and are exercisable at \$0.10 per share for a period of five years. The fair value of the options granted was \$31,223. The options vest 1/6 immediately and 1/6 every three months. During the year ended December 31, 2019, the share-based payment expense of \$26,482 (2018: \$nil) was recognized related to option vested. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield - 0%, risk-free rate – 2.20%, volatility – 97.01%, forfeiture rate – 0% and expected life – 5 years.

During the year ended December 31, 2019, \$495,676 was recorded in share-based payments (2018- \$346,929).

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

9. SHARE CAPITAL AND RESERVES (continued)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2017	7,870,945	0.25
Granted as part of private placement units– August 23, 2018	23,035,000	0.15
Granted to agents – August 23, 2018	849,100	0.15
Granted as part of private placement units– September 13, 2018	4,965,000	0.15
Granted to agents – September 13, 2018	154,000	0.15
Balance, December 31, 2018	36,874,045	0.17
Forfeited	(7,870,945)	0.25
Balance, December 31, 2019	29,003,100	0.15

As at December 31, 2019, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants outstanding
	\$		
August 23, 2021	0.15	1.65	23,884,100
September 13, 2021	0.15	1.70	5,119,000

The weighted average price of warrants outstanding was \$0.15 and the weighted average life was 1.66 years.

Share-based payment reserve

Share-based payment reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

As at December 31, 2019, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables and accounts payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company's receivables primarily consist of goods and services tax receivable due from the Government of Canada which are all current. Credit risk is assessed as low.

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and cash equivalents balance of \$796,499 to settle current liabilities of \$96,456. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. Due to the current COVID – 19 pandemic, liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of December 31, 2019, the Company has an interest-bearing financial asset in the form of a GIC with a principal amount of \$538,975 for a term of one year which bears interest at an average rate of 1.77% per annum. The GIC funds can be liquidated without an early redemption penalty. Interest rate risk is assessed as low.

(b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2019, the Company's shareholders' equity was \$4,847,599 and it had \$96,456 in current liabilities. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company is not subject to any externally imposed capital requirements. There is no change to the Company's Capital management during the year ended December 31, 2019.

11. RELATED PARTY TRANSACTIONS

During years ended December 31, 2019 and 2018, the Company entered into the following transactions with related parties:

- The Company paid consulting fees of \$72,000 (2018 - \$72,000) to Tanun Holdings Ltd., a company controlled by the spouse of John Meekison, the Chief Financial Officer and director of the Company.
- The Company paid or accrued consulting fees of \$nil (2018 - \$66,000) to Mammoth Geological Ltd., a company controlled by R. Tim Henneberry, a former President and director of the Company, and \$nil (2018 - \$12,000) to Evster Holdings Ltd., a company controlled by Donald Lay, a former director of the Company.

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

11. RELATED PARTY TRANSACTIONS (continued)

- The Company paid salaries and wages of \$375,000 (2018 - \$125,000) to the Chief Executive Officer, the Chief Operating Officer and the Vice President of Exploration of the Company. Of this amount, \$352,906 (2018 - \$97,542) was capitalized to the mineral properties and \$22,094 (2018 - \$27,458) is included in office and administrative expenses for the year ended December 31, 2019.
- Included in share-based payment is \$274,753 (2018 - \$203,156) relating to directors and officers of the Company.

As at December 31, 2019, \$37,372 (December 31, 2018 - \$10,963) is owed to related parties and included in accounts payable (Note 8). As at December 31, 2019, \$3,357 is due from a related party and included in accounts receivable (Note 5).

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
	\$	\$
Loss for the year	(1,146,505)	(805,389)
Expected income recovery	(310,000)	(217,000)
Other	132,000	65,000
Change in unrecognized deductible temporary differences	178,000	152,000
Total income tax recovery	-	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2019	2018
	\$	\$
Unrecognized deferred tax assets:		
Exploration and evaluation assets	16,000	44,000
Share issue costs	39,000	54,000
Cumulative eligible capital	13,000	12,000
Unrealized loss on marketable securities	19,000	-
Non-capital losses	602,000	402,000
Total unrecognized deferred tax assets	689,000	511,000

ARCWEST EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the year ended December 31, 2019

12. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2019	Expiry Date Range	2018	Expiry Date Range
	\$		\$	
Exploration and evaluation assets	3,880,000	No expiry date	3,744,000	No expiry date
Share issue costs	143,000	2020 to 2022	199,000	2019 to 2022
Cumulative eligible capital	48,000	No expiry date	45,000	No expiry date
Marketable securities	210,000	No expiry date	-	No expiry date
Non-capital losses	2,228,000	2032 to 2039	1,486,000	2032 to 2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on the current cash flows are excluded from the cash flow statements.

During the year ended December 31, 2019, the following transaction was excluded from the Statement of cash flows:

- the issuance of 846,154 common shares valued at \$84,615 related to the Todd Creek Property (see Note 7);
- the issuance of 100,000 common shares valued at \$9,000 pursuant to the Eagle Property Agreement (see Note 4); and
- the issuance of 87,000 common shares valued at \$7,830 pursuant to the Sparrowhawk Purchase Agreement (see Note 4).

During the year ended December 31, 2018, the following transaction was excluded from the Statement of cash flows:

- the issuance of 7,823,417 common shares valued at \$899,693 pursuant to the Millrock Agreement; and
- the issuance of 9,623,417 common shares valued at \$1,106,693 pursuant to the Seven Devils Agreement.

14. SUBSEQUENT EVENT

On January 10, 2020, the Company paid \$62,500 and issued 1,960,784 common shares to 802213 Alberta Ltd. ("802") pursuant to the Todd Creek option agreement.

ARCWEST EXPLORATION INC.
Management Discussion and Analysis
For the year ended December 31, 2019

This management discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at April 24, 2020 and should be read in conjunction with the audited financial statements and related notes thereto of ArcWest Exploration Inc. (the “Company” or “ArcWest”) for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

In this discussion, unless the context requires otherwise, references to “we” or “our” are references to ArcWest Exploration Inc.

Forward Looking Statements

This Management’s Discussion and Analysis (“MD&A”) contains certain statements, other than statements of historical fact that are forward-looking statements which reflect the current view of the Company with respect to future events including corporate developments, financial performance and general economic conditions which may affect the Company. The forward-looking statements in this MD&A include, but are not limited, to: the exploration status of our Oweegee, Todd Creek, Oxide Peak, Eagle, Rip, Teeta Creek, NVI, Huckleberry and Sparrowhawk properties; related commitments and timelines for development of these properties; and future funding requirements for the Company. Forward-looking statements are included, but are not limited to, those statements set out in this MD&A under Description of Business and Overall Performance, Future Plans and Outlook, Future Changes in Accounting Policies and Risks and Uncertainties.

We have based these forward-looking statements largely on our current expectations, projections and assumptions made based on our experience, perception of historical trends, the current business and financial environment. Key assumptions upon which the forward-looking statements are based include the following:

- a) If required, the Company will be able to secure additional financial resources;
- b) Key personnel will continue their positions with the Company;
- c) We will be able to enter into partnerships and/or complete exploration programs on our properties.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Risks that could cause actual results to differ from current expectations include: our inability to complete the Proposed Transaction; general economic and financial market conditions; inability to raise capital; and; retaining key directors.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information relating to our Company is available by accessing the SEDAR website at www.sedar.com.

Description of Business

ArcWest Exploration Inc. (formerly Sojourn Exploration Inc.) (“ArcWest” or “the Company”), was incorporated under the Business Corporations Act (British Columbia) on December 23, 2010 and is a corporation listed publicly on the TSX Venture Exchange (“TSX-V”). On February 28, 2019, the Company changed its name to ArcWest Exploration Inc. and is now trading on the TSX Venture Exchange under the new stock symbol “AWX”.

The registered and records office of the Company is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8. The head office of the Company is located at 2300-1177 West Hastings Street, Vancouver, BC V6E 2K3.

ArcWest is engaged in mineral exploration and is moving to a “prospect generator” business model initially focused on securing exploration properties of exceptional merit in the highly-prospective Golden Triangle region of British Columbia. ArcWest plans to provide geological expertise and funding to efficiently build value in these properties and use joint ventures to build resources through the more expensive drilling stages.

Todd Creek Property

Most historical drilling has been shallow and focused on the South and Fall Creek zones, near the periphery of the copper-gold core. Highlights include:

Fall Creek Zone

- DDH88-22 – 12.65 metres grading 7.61 g/t Au and 1.58% Cu

Ice Creek Zone

- DDH88-47 – 13.00 metres grading 2.73 g/t Au and 0.59% Cu

South Zone

- DDH88-19 – 29.75 metres grading 3.61 g/t Au and 0.27% Cu

A historical, non-compliant resource has been published for the South Zone by Hemlo Gold Mines in a 1988 annual report and totals 207,000 tonnes averaging 5.48 grams per tonne gold with some copper credits. This resource was generated prior to the establishment of the National Instrument 43-101 and has not been verified by ArcWest.

Willoughby Property

The Willoughby Property lies 25 kilometres east-northeast of Stewart and consists of three mineral tenures totaling approximately 1,032 hectares. The property is underlain by Lower Jurassic Hazelton Group volcanics and intruded by interpreted Lower to Middle Jurassic monzodiorites to granodiorites.

The property has a long exploration history including two phases of diamond drilling centred on four distinct zones. Eighty-nine surface holes totaling 9,917.9 metres and 30 underground holes totaling 2,383.2 metres include the following highlights:

North Zone

- NZ89-06 – 20.5 metres grading 24.99 g/t Au and 184.22 g/t Ag
- NZ89-08 – 7.8 metres grading 1.58 g/t Au and 78.59 g/t Ag
- NZ94-15 – 11.7 metres grading 40.11 g/t Au and 109.71 g/t Ag
- NZ94-27 – 12.2 metres grading 10.94 g/t Au and 27.42 g/t Ag
- NZ95-36 – 2.9 metres grading 383 g/t Au and 213.6 g/t Ag
- NZ96-U2 – 3.5 metres grading 132.0 g/t Au and 2,671.2 g/t Ag
- NZ96-U8 – 1.7 metres grading 2.26 g/t Au and 211.5 g/t Ag

Main Zone

- MZ89-04 – 10.5 metres grading 7.56 g/t Au and 45.9 g/t Ag
- MZ89-02 – 13.5 metres grading 1.76 g/t Au and 3.74 g/t Ag
- MZ95-51 – 5.9 metres grading 16.32 g/t Au and 53.83 g/t Ag
- MZ95-53 – 13.0 metres grading 13.37 g/t Au and 63.43 g/t Ag

Willoughby Zone

- WZ89-11 – 25.5 metres grading 2.46 g/t Au and 10.39 g/t Ag

Edge Zone

- EZ89-13 – 7.5 metres grading 1.47 g/t Au and 1.12 g/t Ag

Fourteen surface holes totaling 1727.0 metres were drilled by Bond Gold Canada Inc. in 1989. Selected 1989 results were reported in the Millrock Resources Inc. 10-June-2016 News Release, while all 1989 results can be found in British Columbia Ministry of Energy and Mines Assessment Report 19474. The 1994 through 1996 drilling campaigns were completed by Camnor Resources Ltd.: 17 surface holes totaling 1743.9 metres in 1994; 27 surface holes totaling 2985.4 metres in 1995; and 31 surface holes totaling 3461.7 metres and 30 underground holes totaling 2383.2 metres in 1996. Selected 1994 and 1995 results were reported in the same Millrock Resources Inc. 10-June-2016 News Release. The complete 1994 results can be found in British Columbia Ministry of Energy and Mines Assessment Report 23674. The complete 1995 results can be found in British Columbia Ministry of Energy and Mines Assessment Report 24169. The 1996 results came from an unpublished annual report for Camnor Resources Ltd.

Mineralization consists of pods, lenses and branching bodies of semi-massive to massive pyrite, pyrrhotite, sphalerite, arsenopyrite, chalcopyrite and galena. Gold mineralization is associated with the pyrite, pyrrhotite, galena, bismuth-telluride and silver-telluride. Intense alteration halos consisting of sericite, chlorite, silica, pyrite and carbonate envelope mineralization.

Subsequent airborne EM surveys highlighted known mineralization and located similar anomalies under glacial cover that is now receding. Ice cover has dramatically receded since the last major exploration efforts of the 1990's and, as with other properties in the Golden Triangle, there is the potential for the discovery of new and significant targets as a result of this trend.

On March 14, 2019, the Company entered into a definitive agreement to sell the Willoughby Property to Strikepoint Gold Inc. The transaction closed on April 17, 2019.

Oweegee Property

The Oweegee Property lies 80 kilometres northeast of Stewart and covers 31,077 hectares. The property is hosted in the Stikine terrane and is underlain by the lower Jurassic Hazelton Group, the late Triassic Stuhini Group and the Devonian-Mississippian Stikine Assemblage which are exposed in a north-trending anticline; the 'Oweegee Dome'. The anticline exists in an inlier of older stratigraphy surrounded by middle Jurassic aged Bowser Lake group sediments. Mapping by the British Columbia Geological Survey has identified the unconformable contact between the Triassic Stuhini Group and the Jurassic Hazelton Group as one key targeting feature for porphyry and related deposits within the Golden Triangle. The Oweegee Property contains this contact zone.

The property has a long exploration history including airborne geophysics, ground sampling and diamond drilling, with the ground surveys and shallow drilling focused on the two-kilometre long A Zone Deltaic Grid porphyry target. Drilling highlights from the 8 surface holes totaling 2,220.5 metres include:

- DDHDC07-03 – 138.67 metres grading 0.189 g/t Au and 0.074% Cu, including
 - 17.14 metres grading 0.468 g/t Au and 0.11% Cu and
 - 17.08 metres grading 0.140 g/t Au and 0.17% Cu
- DDHDC96-02– 80.1 metres grading 0.248 g/t Au and 941 ppm Cu and
 - 24.4 metres grading 0.262 g/t Au and 0.16% Cu

Five surface holes totaling 1195.7 metres were completed by Viceroy Resource Corporation in 1996. The complete 1996 results can be found in British Columbia Ministry of Energy and Mines Assessment Report 24867. Three surface holes totaling 1024.8 metres were completed in 2007 by Weekes Investment Group, a private corporation. The complete 2007 results can be found in British Columbia Ministry of Energy and Mines Assessment Report 30126.

Magnetic surveys indicate mineralization correlates with a large aeromagnetic low, a typical porphyry deposit setting. Several additional airborne geophysical anomalies have been located throughout the large property and remain largely untested.

On October 29, 2018, the Company signed a binding agreement with Seabridge Gold Inc. (“Seabridge”) to sell a 100% interest in two of its mineral claims situated in northwest British Columbia in exchange for Seabridge transferring \$500,000 in Portable Assessment Credits (the “PAC Credits”). These mining claims did not represent a significant value of the Oweegee property as a whole and therefore did not affect the value of the capitalized costs of the mineral property.

Oxide Peak Property

The Oxide Peak Property covers 8,437 hectares and is located in the northern Toodoggone District, where B.C.’s largest concentration of high level porphyry lithocap environments exists. Freeport-McMoRan is exploring the neighbouring JD Property and Hudbay Minerals is exploring the nearby the Pine/Mex projects. Centerra Gold has recently acquired the resource stage Kemess Project. Oxide Peak covers two extensive exposed porphyry systems that have not received geophysics or drilling despite widespread high grade Cu-Au quartz veins (up to 43 g/t Au, >2% Cu) in volcanic and high level intrusive rocks.

Eagle Property

The Eagle Property (2530 ha) lies midway between the Mt. Milligan mine (Centerra Gold) and the Kwanika Cu-Au deposit (Serengetti Resources Inc.), and surrounds Altius Minerals’ Gibson Project, and may contain on-strike extensions of Au-Ag bearing structures hosted within it. The Eagle Property straddles the margin of the Hogen Batholith adjacent to a prominent arc-normal structural feature and is underlain by one of the most prominent magnetic highs in the region. Porphyry style Cu-Au-Ag mineralization is hosted in dioritic intrusive rocks and breccias and is associated with variable potassic, calc-potassic and propylitic alteration. Historical geological mapping and sampling at Eagle has outlined a 0.8 by 3 km corridor of Cu-Au mineralization and widespread anomalous copper in soils. Historical drilling of the two targets intersected significant intervals of high grade Cu-Au mineralization, including 27.28 m of 0.87% Cu, 0.32 g/t Au and 3.85 g/t Ag in drill hole EA91-06.

Rip Property

The Rip Property (2308 ha) is a porphyry Cu-Mo±Au prospect located in the Skeena Arch approximately 60 km south of Houston. The project is hosted by interpreted Late Cretaceous porphyries intruding interpreted Hazelton Group volcanics and sedimentary rocks. The property is in a productive part of the arch, containing past producers (Huckleberry, Silver Queen, Equity) and significant resources (Berg, Poplar, Seel/Ox). Previous work by Kennco (1975-81) outlined a 2.2 by 0.6 to 1.2 km untested target, with coincident high chargeability, anomalous Cu and Mo, and strong quartz-sericite-pyrite alteration and quartz stockwork.

Teeta Creek Property

The Teeta Creek Property (2472 ha) is located 5 km west of Port Alice on Vancouver Island and covers a Cu-Mo porphyry system with historical drill intercepts (0.35% Cu over 67 m, drill hole S75-1). Freeport McMoRan has optioned the nearby Pemberton Hills Porphyry Cu-Au Project. At Teeta Creek, porphyry-style mineralization in new exposures on recent logging roads has been located over 750 meters from the intersection in drill hole S75-1, and has not been closed off. In addition, significant alteration and copper mineralization has been mapped about 450 meters in the opposite direction from S75-1.

Sparrowhawk Property

The road accessible Sparrowhawk Property covers 9,913 hectares and is strategically located in the Babine Porphyry Copper District adjacent to Glencore Canada's past producing Bell and Granisle open pit mines and Pacific Booker’s advanced stage Morrison Property. The Bell Mine was operated by Noranda between 1972 and 1992 and produced 77.2 Mt (million tonnes) of ore averaging 0.39% Cu (copper) and 0.16 g/t Au (gold). The Granisle Mine, located 8 kilometers south of the Sparrowhawk property, operated between 1966 and 1982 and produced 57.2 Mt of ore averaging 0.41% Cu and 0.13 g/t Au. The Sparrowhawk Property is 11 kilometers southeast of the Morrison copper deposit, with a proven and probable reserve of 224.25 Mt with an average grade of 0.33% Cu, 0.163 g/t Au and 0.004% Mo (molybdenum).

The Sparrowhawk Property is underlain primarily by Early Jurassic Hazelton Group volcanic rocks and intrusive suites of Early Jurassic, Late Cretaceous and Eocene ages. Faults connected to the regional Skeena Arch structural

trend transect the area and are known controls at neighbouring deposits. Porphyry copper-gold deposits of the Babine District are associated with small plugs and dykes of Eocene Biotite-Feldspar (BFP) and Quartz-Feldspar (QFP) porphyry which are emplaced primarily along two major north-northwest trending structural breaks (i.e., the Newman and Morrison faults). Both of these significant mineralized structures cross the Sparrowhawk property.

Huckleberry Property

Arcwest staked 2,525 hectares on the northern boundary of Imperial Metals past producing Huckleberry copper-gold-molybdenum mine located 85 km southwest of Houston BC. The staked mineral claim boundary is approximately 1.5 km from the Huckleberry East Zone open pit and contains two known porphyry-style copper-molybdenum-gold showings named the Suss (MINFILE 093E 086) and the Wee (MINFILE 093E 087). Exploration completed by previous explorers as early as 1973 targeted coincident anomalous copper-gold-molybdenum-silver-lead-zinc values with several shallow percussion drill holes. Only one drill hole intercepted bedrock which returned weak copper values and strong alteration.

The Huckleberry property is underlain by Early Jurassic Telkwa Formation volcanic rocks of the Hazelton Group and discrete stocks of Late Cretaceous Bulkley Intrusions. Telkwa Formation rocks typically consist of maroon, green and purple subaerial andesitic to dacitic feldspar phyric flows, pyroclastic and epiclastic rocks, augite phyric to aphyric basalt, breccia, welded tuff of calc-alkaline composition. The Bulkley Intrusive suite typically consist of equigranular, crystalline, biotite-hornblende quartz-diorite and diorite.

The neighbouring past producing Huckleberry mine opened in 1997 and ceased operations in August 2016 and remains on care and maintenance.

Northern Vancouver Island (NVI) Property

Recent exploration by AWX within a recently identified Miocene porphyry copper-gold belt on northern Vancouver Island has resulted in the discovery of a significant new porphyry copper occurrence. The recently staked NVI property covers an undated, multiphase, porphyritic intrusive complex of predominantly dioritic composition, which cross cuts Middle to Upper Triassic mafic volcanic rocks of the Karmutsen Formation. The discovery showing comprises roadside exposures of fine grained, sugary textured diorite porphyry, which contain early, anastomosing magnetite-chalcopryite veins cross cut by wavy, quartz-magnetite-chalcopryite+/-bornite veins. Disseminated magnetite-chalcopryite is present within the matrix, largely as a replacement of mafic phenocrysts. Miarolitic cavities locally comprise up to 20% of the rock, and in places, contain the same hydrothermal mineral assemblage as the stockwork veins, including quartz, magnetite, chalcopryite and trace bornite. Copper bearing stockwork has been mapped and sampled over a 115 meter distance before outcrop disappears under cover. The zone reappears in roadbed subcrop approximately 200 meters to the north, where additional mineralized phases are readily apparent, including strongly quartz-sericite-pyrite altered feldspar-biotite porphyry with relict potassic alteration in the form of chalcopryite aftermafic phenocrysts. Kirwin (2006) and others suggest that the presence of strongly copper mineralized miarolitic cavities is significant in porphyry copper exploration. They indicate that metals including copper have been retained and deposited in the nearby cupola or near-cupola environment. Further mapping and geochemical sampling to evaluate the prospectivity of the NVI property for hosting significant porphyry copper-gold mineralization is planned for the coming months. Assay results for grab samples collected during the previous program are pending.

Investors are cautioned that ArcWest has not verified the historic data from the any of the Todd Creek, Willoughby, Oweegee, Oxide Peak, Eagle, Huckleberry, NVI, Rip, Sparrowhawk or Teeta Creek properties. The true widths of any of the properties' drill intersections are unknown at this time.

Historical assays have not been verified by ArcWest but have been cited from sources believed to be reliable. ArcWest's disclosure of a technical or scientific nature has been reviewed and approved by Jeff Kyba, PGeo, Vice President Exploration, who serves as a Qualified Person under the definition of National Instrument 43-101.

Activities for the year ended December 31, 2019 (including subsequent events to April 24, 2020):

Staking of Huckleberry Claims

During the year ended December 31, 2019, ArcWest staked 2,525 hectares of mineral claims immediately north of the Imperial Metals past producing Huckleberry copper mine located 85 kilometres southwest of Houston BC. The claims cover known porphyry-style copper -molybdenum-gold mineral showings including the Suss (MINFILE 093E 086) and the Wee (MINFILE 093E 087).

Purchase of Sparrowhawk Property

On February 26, 2019, the Company signed a purchase agreement (the “Purchase Agreement”) to acquire 100% of the Sparrowhawk Property located 65 kilometres northeast of Smithers in north-central British Columbia. Under the terms of the Purchase Agreement, the Company acquired 100% interest in the property by issuing 87,000 common shares to the vendor and paying \$5,000 cash (issued and paid). The property will be subject to a 1% NSR which can be purchased by the company for \$2,000,000.

Purchase of Eagle Property Claims

On March 5, 2019, the Company signed a purchase agreement (the “Eagle Property Agreement”) to acquire three additional claims to consolidate 100% of the Eagle Property located in northwestern British Columbia. Under the terms of the Agreement, ArcWest acquired a 100% interest in the Property by making a cash payment of \$5,000 and issuing 100,000 common shares (paid and issued).

Staking of additional Teeta Creek claims

On April 16th 2019, ArcWest staked additional 926 hectares of mineral claims immediately adjoining their 100% owned Teeta Creek property located 5 kilometres west of Port Alice on northern Vancouver Island.

Sale of Willoughby Property to Strikepoint

On April 17, 2019, the Company completed the previously announced Strikepoint Agreement (the “Strikepoint Agreement”) with Strikepoint Gold Inc. (“Strikepoint”) with respect to the acquisition by Strikepoint of 100% of the Willoughby Property. The terms of the Strikepoint Agreement include:

- A cash payment \$85,000 and 3,000,000 common shares (paid and issued by Strikepoint);
- The Company retains a 1.5% net smelter return royalty, which can be reduced by Strikepoint to 0.5% for an additional cash payment of \$1,000,000.

Staking of additional Oxide Peak claims

On July 26th, 2019, ArcWest announced the expansion of its Oxide Peak Copper-Gold Porphyry Project in the Toodoggone gold copper district, northern British Columbia. Recently completed staking has resulted in a significant expansion of the project area from 3,359 to 8,437 hectares. The new claims extend the property from north of the Toodoggone River to Talisker Resources’ Baker Shasta gold mine property to the south, a distance of 11.6 kilometers. Highlights of the new acquisition include:

- 100% ownership of the southern extension of the prospective Oxide Peak - JD – McClair alteration system, currently being explored for porphyry copper-gold on neighbouring, third party owned mineral claims to the north by mining giant Freeport-McMoRan.
- Silicification and gossanous alteration along Saunders Creek south of the Toodoggone River is associated with significant gold anomalies with up to >10 grams per tonne (g/t) gold (Au) in stream sediments and 2.8 g/t Au in soils.
- Widespread copper (Cu) mineralization has been delineated over a 2.1 kilometer long zone crossing three ridges, with grab sample assays up to 9.5%, 2.12% and 1.23% Cu. Mineralization is hosted by epidote-chlorite, K-feldspar and quartz sericite-pyrite altered volcanics locally cut by quartz stockworks. Note that

grab samples are selective by nature and may not be representative of actual grades or styles of mineralization across the property.

Staking of Northern Vancouver Island claims

During the year ended December 31, 2019, the Company staked certain claims in the Miocene porphyry copper-gold belt on northern Vancouver Island.

Teeta Creek Earn-In Agreement

On October 15, 2019, the Company entered into an agreement with Teck Resources Inc. ("Teck") to explore the Teeta Creek property in northern Vancouver Island, British Columbia. Teck can earn an initial 60% interest in the Property by funding over a three-year period cumulative exploration expenditures of \$3,000,000 and staged cash payments of \$250,000, respectively, including a minimum of 1,000 meters of drilling. Teck can also acquire an additional 20% interest by incurring an additional \$8,000,000 in expenses. A minimum exploration expenditure of \$500,000 is required before December 31st, 2020. During the year ended December 31, 2019, \$25,000 was received as an option payment.

NVI Earn-In Agreement

On December 20, 2019, the Company entered into an agreement with Teck Resources Inc. ("Teck") to explore the Northern Vancouver Island. Teck can earn an initial 60% interest in the Property by funding over a four-year period cumulative exploration expenditures of \$2,000,000 and staged cash payments of \$150,000 due in annual payments of \$25,000 with the last payment due on January 15, 2024. Teck can also acquire an additional 20% interest by incurring an additional \$6,000,000 in expenses. A minimum exploration expenditure of \$150,000 is required before January 15th, 2021. During the year ended December 31, 2019, \$25,000 was received as an option payment.

Oxide Peak Earn-In Agreement

On December 23, 2019, the Company entered into an agreement with Locrian Resources Inc. ("Locrian") to explore the Oxide Peak property in northern British Columbia. Locrian can earn an initial 60% interest in the Property by funding over a three-year period cumulative exploration expenditures of \$2,400,000 and staged cash payments of \$55,000, respectively, including a minimum of 1,000 meters of drilling. In addition, Locrian will issue 5% of the number of Locrian shares outstanding on December 31, 2020 to the Company. A minimum exploration expenditure of \$400,000 is required before December 31st, 2020. During the year ended December 31, 2019, \$15,000 was received as an option payment.

COVID-19

The outbreak of the coronavirus ("COVID-19") pandemic is likely to impact the Company's plans and activities. The Company may face disruption to operations, supply chain delays, travel and trade restrictions and impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce industry and could be a health-care challenge for the Company. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately that the Company would see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. Additional cybersecurity risks exist due to personnel working remotely. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, can all have an impact on the Company's operations and access to capital. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets, may reduce share prices and financial liquidity and thereby that may severely limit the financing capital available.

Exploration Programs Conducted in 2019 (including subsequent events to April 24, 2020)

Eagle and Sparrowhawk

On August 23rd, 2019, ArcWest announced results of reconnaissance geological mapping and rock geochemical surveys on its Eagle and Sparrowhawk porphyry copper-gold (Cu-Au) projects, central British Columbia, as well as

the acquisition of a newly discovered porphyry Cu prospect on northern Vancouver Island east of its Teeta Creek Cu-Au Project. Rock geochemical samples were select grabs from outcrops across the property. Highlights include:

- High grade Cu-Au lenses typical of alkalic porphyry systems were sampled over a mineralized strike length of 2.7 kilometers at the Eagle Project.
- Two important Cu mineralized trends (DCA and Sparrowhawk) were delineated at the recently acquired Sparrowhawk Project in the Babine Porphyry Belt, indicating significant potential for buried porphyry systems in downdropped fault blocks on the west side of the property.

Oweegee

On July 20th 2019, ArcWest geologists completed a three-day reconnaissance exploration program at the 31,077 hectare Oweegee project. Teams followed up prioritized areas of interest based on historic geochemistry and geophysics. Results of the short program have added valuable geological insights and demonstrated the need for a larger work program in order to cover the large property.

Todd Creek

On July 24th 2019, ArcWest geologists began a one-week exploration program at their 34,700 hectare Todd Creek property. Activities included prospecting, mapping, and relogging select historical drill core.

Prospecting and mapping in the Yellow Bowl area revealed additional zones of copper-gold mineralization which support management's concept that copper-gold mineralization is at least semi-continuous for at least six kilometers on the western side of the Todd Creek valley. Drill core from hole FC-06-01A and AM-07-01 was re-logged and was noted to contain porphyry-style veins which indicate the property hosts a porphyry copper-gold system that has not been recognized by previous explorers.

Prospecting and mapping completed at the VMS zone resulted in the discovery of the VMS West Zone. The new discovery contains several lenses of massive sulfide located about 500 metres southwest of the original VMS zone discovered in 2008. Geochemical results indicate the discovery hosts copper-gold enriched massive sulfide lenses versus the base metal enriched lenses at the original showing.

Note that grab samples are selective by nature and may not be representative of actual grades or styles of mineralization across the property.

Historical assays have not been verified by ArcWest but have been cited from sources believed to be reliable. ArcWest's disclosure of a technical or scientific nature has been reviewed and approved by Jeff Kyba, PGeo, Vice President Exploration who serves as Qualified Person under the definition of National Instrument 43-101.

Future Plans and Outlook

ArcWest's plan is to become a pre-eminent North American project generator, with an initial focus on British Columbia and its highly prospective Golden Triangle properties but also in other highly prospective porphyry copper belts in BC such as Stikinia and Quesnellia. ArcWest believes its properties represent some of the most prospective exploration targets available in BC. ArcWest will provide geological expertise and funding to efficiently build value in its properties and execute partnerships to complete medium and large scale exploration programs. Exploration activities planned for 2020 include programs at Todd Creek, Oweegee Dome, Huckleberry and Rip. All programs will be subject to adjustments and best practices with regard to the COVID 19 global pandemic.

Results of Operations

For the year ended December 31, 2019, the Company incurred a comprehensive loss of \$1,146,505 or a loss of \$0.02 per share. The loss for the year ended December 31, 2018 was \$805,389 or a loss of \$0.03 per share.

Selected Annual Financial Information

The following table represents selected financial information for the Company's years ended December 31, 2019, 2018 and 2017:

Selected Statement of Operations Data

	2019	2018	2017
Comprehensive Loss for the Year	\$1,146,505	\$805,389	\$390,421
Weighted average number of shares outstanding ¹	60,680,982	29,309,966	8,287,032
Loss per share, basic and diluted	\$(0.02)	\$(0.03)	\$(0.05)

(1) Shares outstanding have been adjusted for the Company's share consolidation announced on August 24, 2017.

The Company incurred a loss of \$1,146,505 (\$0.02 per share) for the year ended December 31, 2019 compared to a loss of \$805,389 (\$0.03 per share) for the year ended December 31, 2018. The \$341,116 increase in comprehensive loss for the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily a result of the following expenses:

Investor relations - \$365,592 (2018 - \$145,107) – The investor relations costs have increased during the year ended December 31, 2019 as the Company increased its marketing and investor relations activities as Company activities increase.

Office and miscellaneous - \$114,421 (2018 - \$73,970) – The office and miscellaneous costs have increased during the year ended December 31, 2019 as Company activities increase.

Share-based payments - \$495,676 (2018 - \$346,929) – The increase in share-based payments is the result of options being granted during the 2018 year that were vested over 2019.

Loss on marketable securities - \$157,522 (2018 - \$nil) – On April 17, 2019, the Company completed the sale of Willoughby property to Strikepoint Gold Inc and was issued 3,000,000 common shares. These shares are held as FVTPL securities and all gains and losses are recorded in the Statement of Comprehensive Loss. During the year ended December 31, 2019, 1,500,000 of the common shares were sold.

The increases in the expenses above was offset by a decrease in consulting fees of \$100,484 due to the cancellation of several consulting agreements during 2018, and a gain from sale of Willoughby property of \$170,884.

Selected Statement of Financial Position Data

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	\$796,499	\$1,421,667	\$378,971
Net working capital	\$943,079	\$1,811,667	\$398,730
Total assets ¹	\$4,944,055	\$5,454,835	\$1,256,525
Long term liabilities	-	-	-

(1) Note 1: Total assets increased in 2018 due to the continued property expenditures and the Millrock Agreement and Seven Devils Agreement that were entered into during the year. Total assets decreased in 2019 due to the sale of the Willoughby property.

Quarterly Information

The following table presents the Company's quarterly results for the periods ending March 31, 2018 to December 31, 2019 inclusive:

(unaudited)	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Total Assets	\$4,944,055	\$5,132,235	\$5,332,792	\$5,425,264
Working capital	\$943,079	\$1,076,849	\$1,534,618	\$1,499,450
Loss for the period	\$225,239	\$319,190	\$205,516	\$396,560
Loss per share	(\$0.02)	(\$0.01)	(\$0.00)	(\$0.01)
(unaudited)	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Total Assets	\$5,454,835	\$6,126,853	\$1,089,799	\$1,178,183
Working Capital	\$1,811,667	\$2,129,906	\$192,423	\$282,645
Loss for the period	\$506,834	\$103,057	\$90,222	\$105,276
Loss per share	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.01)

Liquidity and Capital Resources

As at December 31, 2019, the Company had a cash balance of \$796,499 and a working capital position of \$943,079 as compared to a cash balance of \$1,421,667 and a working capital position of \$1,811,667 as at December 31, 2018. The decrease in cash and cash equivalents at December 31, 2019 compared to December 31, 2018 was primarily due to the following:

Operating activities – Cash used in operating activities for the year ended December 31, 2019 was \$432,552 (2018 - \$828,675). This decrease of cash used of \$396,123 was mostly due to an increase in non-cash working capital items and non-cash items such as share-based payments and the unrealized loss on marketable securities, offset by the increase in net loss.

Investing activities – Cash used in investing activities for the year ended December 31, 2019 was \$192,616 (2018 - \$769,524). This decrease was due to cash spent on the Millrock acquisition (2018 - \$230,000) in prior year as well as the Company's decreased activity on the properties.

Capital expenditures – During the year ended December 31, 2019 cash deferred exploration and evaluation costs of \$380,004 were spent on the properties (2018 - \$485,756). In addition, \$10,000 in cash was paid in accordance with the Eagle Property and Sparrowhawk acquisitions.

Related party transactions

During years ended December 31, 2019 and 2018, the Company entered into the following transactions with related parties:

- The Company paid consulting fees of \$72,000 (2018 - \$72,000) to Tanun Holdings Ltd., a company controlled by the spouse of John Meekison, the Chief Financial Officer and director of the Company.
- The Company paid or accrued consulting fees of \$nil (2018 - \$66,000) to Mammoth Geological Ltd., a company controlled by R. Tim Henneberry, a former President and director of the Company, and \$nil (2018 - \$12,000) to Evster Holdings Ltd., a company controlled by Donald Lay, a former director of the Company.
- The Company paid salaries and wages of \$375,000 (2018 - \$125,000) to the Chief Executive Officer, the Chief Operating Officer and the Vice President of Exploration of the Company. Of this amount, \$352,904 (2018 - \$97,542) was capitalized to the mineral properties and \$22,094 (2018 - \$27,458) is included in office and administrative expenses for the year ended December 31, 2019.
- Included in share-based payment is \$274,753 (2018 - \$203,156) relating to directors and officers of the Company.

As at December 31, 2019, \$37,372 (December 31, 2018 - \$10,963) is owed to related parties and included in accounts payable. As at December 31, 2019, \$3,357 is due from a related party and included in accounts receivable.

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

Financial Instruments and Capital Risk Management

As at December 31, 2019, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables and accounts payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company's receivables primarily consist of goods and services tax receivable due from the Government of Canada which are all current. Credit risk is assessed as low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and cash equivalents balance of \$796,499 to settle current liabilities of \$96,456. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. Due to the current COVID-19 pandemic, liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of December 31, 2019, the Company has an interest-bearing financial asset in the form of a GIC with a principal amount of \$538,975 for a term of one year which bears interest at an average rate of 1.77% per annum. The GIC funds can be liquidated without an early redemption penalty. Interest rate risk is assessed as low.

(b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2019, the Company's shareholders' equity was \$4,847,599 and it had \$96,456 in current liabilities. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company is not subject to any externally imposed capital requirements. There is no change to the Company's capital management during the year ended December 31, 2019.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Investor Relations

The Company has no investor relations agreements.

Changes in accounting policies

The condensed interim financial statements for the year ended December 31, 2019 were prepared on a basis consistent with the significant accounting policies disclosed in the annual financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16 for the 2019 fiscal year that became effective January 1, 2019. The adoption of this IFRS and its impact on these Financial Statements is discussed below.

Changes in accounting policies – IFRS 16

The Company adopted all of the requirements of IFRS 16 Leases as of January 1, 2019. IFRS 16 replaces IAS 17 Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. No such contracts were identified, and as a result, the adoption of IFRS 16 resulted in no impact to the opening retained earnings on January 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the

measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

Outstanding Share Data

Shares Outstanding:

As at April 24, 2020 the Company had the following shares outstanding:

- Class	Common Shares
- Authorized	Unlimited, without par value
- Issued and outstanding:	62,686,150

Warrants Outstanding:

As at April 24, 2020 the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Share Purchase Warrants:	28,000,000
Finder's Warrants:	<u>1,003,100</u>
Total Warrants:	29,003,100

Share Purchase Warrant and Finder's Warrants entitle the holder to acquire an additional shares as follows:

- (1) 23,884,100 at a price of \$0.15 of per share for a period of three years expiring August 23, 2021,
- (2) 5,119,000 at a price of \$0.15 of per share for a period of three years expiring September 13, 2021

Options Outstanding:

As at April 24, 2020 the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
5,550,000	\$0.15	October 22, 2023
<u>480,000</u>	\$0.10	April 2, 2024
6,030,000		

Risks and Uncertainties

For a comprehensive list and discussion of the risks and uncertainties which may have an impact on the Company, readers are referred to the Company's filing statement which was filed on SEDAR on July 25, 2013 and is available for review at: www.sedar.com. Additionally, the outbreak of the coronavirus ("COVID-19") pandemic is likely to impact the Company's plans and activities. Additional disclosure on this risk is noted under **Covid-19** above.

Management's Responsibility for Financial Statements

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The MD&A have been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information, we must interpret the requirements described above, make determinations as to the relevancy of information included, and make estimates and assumptions that affect reported information.

The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as anticipated.

Additional Disclosure for Venture Issuers Without Significant Revenue – Mineral Property Expenditures

As at December 31, 2019 and December 31, 2018, the Company has capitalized the following acquisition and exploration costs:

	Oweegee	Willoughby	Todd Creek	Oxide Peak	Eagle	Rip	Teeta Creek	Sparrowhawk	Northern Vancouver Island	Huckleberry	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	525,450	283,982	-	-	-	-	-	-	-	-	809,432
Acquisition costs – shares	412,575	13,627	473,491	402,095	243,206	276,400	184,992	-	-	-	2,006,386
Acquisition costs – cash	-	-	230,000	-	-	-	-	-	-	-	230,000
Acquisition costs – expenses	11,894	392	13,647	9,422	5,699	6,476	4,334	-	-	-	51,864
Consulting fees	291	692	-	-	-	-	-	-	-	-	983
Field support	4,037	284	3,331	-	-	-	-	-	-	-	7,652
Geochemistry and geology	64,923	8,338	58,370	3,430	-	980	140	-	-	-	136,181
Option payments	-	-	72,500	-	-	-	-	-	-	-	72,500
Travel and accommodation fees	57,633	3,972	82,000	10,708	-	670	-	-	-	-	154,983
Wages and salaries	32,776	8,936	53,588	5,000	3,750	5,657	3,750	-	-	-	113,457
Balance, December 31, 2018	1,109,579	320,223	986,927	430,655	252,655	290,183	193,216	-	-	-	3,583,438
Acquisition costs – shares	-	-	-	-	9,000	-	-	7,830	-	-	16,830
Acquisition costs – cash	-	-	-	-	5,000	-	-	5,000	-	-	10,000
Consulting fees	4,950	998	-	-	-	-	-	-	-	-	5,948
Field support	594	1,061	4,006	404	848	188	814	1,390	2,217	36	11,558
Geochemistry and geology	14,212	9,334	6,200	5,560	3,297	1,120	2,294	9,052	3,539	877	55,485
Option payments	-	-	147,115	-	-	-	-	-	-	-	147,115
Staking	-	-	-	10,886	775	4,420	1,623	12,553	11,963	-	42,220
Travel and accommodation fees	21,566	-	36,044	2,197	3,199	689	7,883	6,122	1,689	4,456	83,845
Wages and salaries	72,260	2,500	126,012	15,937	35,844	7,938	67,812	71,469	10,969	9,563	420,304
	1,223,161	334,116	1,306,304	465,639	310,618	304,538	273,642	113,416	30,377	14,932	4,291,743
BC Mining Exploration Tax Credit refund	(93,902)	-	(55,851)	(3,962)	(776)	(1,513)	(805)	-	-	-	(156,809)
Option payments received	-	-	-	(15,000)	-	-	(25,000)	-	(25,000)	-	(65,000)
Disposition of mineral properties	-	(334,116)	-	-	-	-	-	-	-	-	(334,116)
Balance, December 31, 2019	1,129,259	-	1,250,453	446,677	309,842	303,025	247,837	113,416	5,377	14,932	3,820,818

