



ARCWEST EXPLORATION INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and reviewed by the Audit Committee and Board of Directors of the Company.

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

ARCWEST EXPLORATION INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - expressed in Canadian Dollars)

	Notes	June 30, 2021 \$	December 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		2,474,195	2,518,147
Receivables and prepaids	4	20,692	25,757
Marketable securities	5	543,762	587,899
		3,038,649	3,131,803
Non-current			
Equipment, net		1,741	1,710
Exploration and evaluation assets	6	3,553,016	3,502,873
Reclamation deposit	6	82,000	82,000
Total Assets		6,675,406	6,718,386
Liabilities			
Current			
Accounts payable and accrued liabilities	7	57,574	54,135
Non-current			
Loan payable	8	30,000	30,000
Total Liabilities		87,574	84,135
Shareholders' Equity			
Share capital	9	8,901,487	8,901,487
Share-based payment reserve	9	1,218,900	1,108,207
Deficit		(3,532,555)	(3,375,443)
Total Shareholder's Equity		6,587,832	6,634,251
Total Liabilities and Shareholders' Equity		6,675,406	6,718,386

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

Approved and authorized on behalf of the Board on August 30, 2021:

(signed) Michael Smyth
Michael Smyth, Director

(signed) Tyler Ruks
Tyler Ruks, Director

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

ARCWEST EXPLORATION INC.**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021 and 2020

		Three months ended June 30		Six months ended June 30	
	Note	2021	2020	2021	2020
		\$	\$	\$	\$
Office and administrative expenses					
Consulting fees	11	2,500	2,485	2,640	11,826
Depreciation		331	208	609	416
Filing fees and transfer agent		6,424	5,993	16,094	14,684
General exploration		70	-	3,200	11,868
Investor relations		3,433	-	8,683	60,658
Office and miscellaneous	11	44,830	70,566	116,307	115,982
Professional fees		17,661	27,954	30,315	38,791
Share-based payments	9	33,197	1,474	110,693	13,564
Travel		191	496	854	4,600
Loss before other items		(108,637)	(109,176)	(289,395)	(272,389)
Other items					
Interest income		1,618	1,972	3,273	7,204
Other income		14,717	-	14,717	-
Gain on marketable securities	5	108,273	110,015	114,293	80,015
Income (loss) and comprehensive income (loss) for the period		15,971	2,811	(157,112)	(185,170)
Earnings (loss) per common share					
Basic and diluted		0.00	0.00	(0.00)	(0.00)
Weighted average number of common shares outstanding					
Basic and diluted		82,526,150	62,686,150	82,526,150	62,578,415

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

ARCWEST EXPLORATION INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOW
(Unaudited - expressed in Canadian Dollars)
For the six months ended June 30, 2021 and 2020

	Six months ended June 30	
	2021	2020
	\$	\$
Cash (used in) provided by:		
Operating activities		
Loss for the period	(157,112)	(185,170)
Items not affecting cash		
Depreciation	609	416
Share-based payments	110,693	13,564
Gain on marketable securities	(114,293)	(80,015)
Changes in non-cash working capital items		
Receivables and prepaids	5,065	146,203
Accounts payable and accrued liabilities	3,439	6,494
	(151,599)	(98,508)
Investing activities		
Exploration and evaluation costs	(162,643)	(160,005)
Proceeds from sale of marketable securities	270,930	32,515
Acquisition of equipment	(640)	-
	107,647	(127,490)
Increase (decrease) in cash	(43,952)	(225,998)
Cash and cash equivalents - beginning	2,518,147	796,499
Cash and cash equivalents - ending	2,474,195	570,501
Cash and cash equivalents consist of:		
Cash	674,195	266,501
Term deposits	1,800,000	304,000
	2,474,195	570,501

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

ARCWEST EXPLORATION INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - expressed in Canadian Dollars)

	Note	Number of common shares	Share capital \$	Share-based payment reserve \$	Deficit \$	Total \$
Balance, December 31, 2019		60,725,366	6,953,873	1,023,413	(3,129,687)	4,847,599
Shares issued for Todd Creek	6	1,960,784	137,255	-	-	137,255
Share-based compensation	9	-	-	13,564	-	13,564
Comprehensive loss for the period		-	-	-	(185,170)	(185,170)
Balance, June 30, 2020		62,686,150	7,091,128	1,036,977	(3,314,857)	4,813,248
Issued pursuant to private placement	9	19,350,000	1,935,000	-	-	1,935,000
Share issuance costs	9	490,000	(124,641)	70,883	-	(53,758)
Share-based compensation	9	-	-	347	-	347
Comprehensive loss for the period		-	-	-	(60,586)	(60,586)
Balance, December 31, 2020		82,526,150	8,901,487	1,108,207	(3,375,443)	6,634,251
Share-based compensation	9	-	-	110,693	-	110,693
Comprehensive loss for the period		-	-	-	(157,112)	(157,112)
Balance, June 30, 2021		82,526,150	8,901,487	1,218,900	(3,532,555)	6,587,832

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

ARCWEST EXPLORATION INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

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 trading on the TSX-V under the 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 1000-355 Burrard Street, Vancouver, BC V6C 2G8.

These unaudited condensed interim 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 period ended June 30, 2021 of \$157,112 and had a cumulative deficit of \$3,532,555 at June 30, 2021. 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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting", 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.

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:

2. BASIS OF PREPARATION (continued)

Use of estimates and judgments (continued)

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 condensed interim financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in the annual financial statements for the year ended December 31, 2020. Accordingly, they should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

4. RECEIVABLES AND PREPAIDS

	June 30, 2021	December 31, 2020
	\$	\$
Interest receivable	4,532	2,481
GST receivable	5,330	7,884
Prepaid expenditures	2,224	10,701
Other receivables	8,606	4,691
	20,692	25,757

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

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

5. MARKETABLE SECURITIES

	June 30, 2021	December 31, 2020
	\$	\$
Beginning balance	587,899	67,500
Addition	112,500	483,642
Disposals	(270,930)	(190,097)
Realized gain (loss) on marketable securities	50,580	(19,903)
Unrealized gain on marketable securities	63,713	246,757
	543,762	587,899

On May 21, 2021, 250,000 common shares were received by the Company pursuant to the Eagle Property Earn-In Agreement between the Company and Wedgemount Resources Corp. ("WMR") (Note 6). These shares are held at fair value through profit or loss ("FVTPL") and all unrealized gains and losses are recorded in the statement of comprehensive loss. At June 30, 2021, the shares held by the Company were fair-valued and this resulted in an unrealized gain of \$42,500.

On September 23, 2020, 150,000 common shares were received by the Company pursuant to the Eagle Property Earn-In Agreement between the Company and Wedgemount Resources Corp. ("WMR") (Note 6). These shares are held at FVTPL and all unrealized gains and losses are recorded in the statement of comprehensive loss. At June 30, 2021, the shares held by the Company were fair-valued and this resulted in an unrealized gain of \$90,000 (December 31, 2020 – \$nil).

On September 11, 2020, 1,202,141 common shares were received by the Company pursuant to in settlement of the Option Consideration Shares as defined in the Oxide Peak Earn-In Agreement between the Company and TDG Gold Corp. ("TDG", formerly Locrian Resources Inc.) (Note 6). These shares are held at FVTPL and all unrealized gains and losses are recorded in the statement of comprehensive loss. During the six months ended June 30, 2021, 734,500 shares were sold for a realized gain of \$50,580. At June 30, 2021, the remaining TDG shares held by the Company were fair-valued and this resulted in an unrealized loss of \$78,787 (December 31, 2020 – gain of \$144,257).

On August 7, 2020, 200,000 common shares were received by the Company pursuant to the Todd Creek Earn-In Agreement between the Company and P2 Gold Inc. ("P2 Gold", formerly Central Timmins Exploration Corp.) (Note 6). These shares are held at FVTPL and all unrealized gains and losses are recorded in the statement of comprehensive loss. At June 30, 2021, the shares held by the Company were fair-valued and this resulted in an unrealized gain of \$10,000 (December 31, 2020 – loss of \$40,000).

On April 17, 2019, the Company completed the sale of the Willoughby property to Strikepoint Gold Inc. ("Strikepoint") and received 3,000,000 common shares of Strikepoint. These shares are held at FVTPL and all unrealized gains and losses are recorded in the statement of comprehensive loss. The Company sold 1,500,000 shares during the year ended December 31, 2019 and 1,500,000 shares during the year ended December 31, 2020. At December 31, 2020 and June 30, 2021, there were no remaining shares held by the Company.

ARCWEST EXPLORATION INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

6. EXPLORATION AND EVALUATION ASSETS

As at June 30, 2021 and December 31, 2020, the Company has capitalized the following acquisition and exploration costs:

	Oweegee	Todd Creek	Oxide Peak	Eagle	Rip	Teeta Creek	Sparrowhawk	Northern Vancouver Island	Huckleberry	Total
	\$	\$	\$	\$	\$	\$	\$	\$		\$
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
Environmental and permitting	2,000	2,000	-	-	-	-	-	-	-	4,000
Field support	-	820	-	-	-	-	-	-	-	820
Geochemistry and geology	1,681	3,023	(80)	14,285	1,820	-	4,290	-	-	25,019
Option payments (Note 9)	-	137,255	-	-	-	-	-	-	-	137,255
Staking	-	-	-	-	9,629	-	-	-	-	9,629
Travel and accommodation fees	-	920	-	521	-	-	920	-	-	2,361
Wages and salaries (Note 11)	67,156	87,625	10,625	27,656	9,219	5,594	24,469	3,281	5,990	241,615
	1,200,096	1,482,096	457,222	352,304	323,693	253,431	143,095	8,658	20,922	4,241,517
Option payments received	-	(220,000)	(375,644)	(18,000)	-	(125,000)	-	-	-	(738,644)
Balance, December 31, 2020	1,200,096	1,262,096	81,578	334,304	323,693	128,431	143,095	8,658	20,922	3,502,873
Geochemistry and geology	1,050	2,625	5,380	-	4,358	1,820	3,945	-	1,190	20,368
Travel and accommodation fees	5,071	1,045	-	-	1,110	-	-	-	-	7,226
Wages and salaries (Note 11)	36,812	18,000	22,438	21,562	24,469	10,000	15,844	1,625	4,562	155,312
	1,243,029	1,283,766	109,396	355,866	353,630	140,251	162,884	10,283	26,674	3,685,779
Option payments received	(12,500)	-	-	(109,980)	-	-	-	(10,283)	-	(132,763)
Balance, June 30, 2021	1,230,529	1,283,766	109,396	245,886	353,630	140,251	162,884	-	26,674	3,553,016

ARCWEST EXPLORATION INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

6. EXPLORATION AND EVALUATION ASSETS (continued)

Todd Creek, Oweegee, and Willoughby Properties

On September 13, 2018, the Company completed the Millrock Acquisition with Millrock Resources Inc. ("Millrock") for the Todd Creek, Oweegee, and Willoughby properties.

On January 2, 2019, the Company issued 846,154 common shares as a property payment for Todd Creek at a value of \$84,615 and paid cash of \$62,500. On January 10, 2020 the Company issued 1,960,784 common shares as the final property payment for Todd Creek at a value of \$137,255 (Note 9).

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.

Rip Property

The Rip Property is a Copper-Molybdenum porphyry "(Cu-Mo±Au)" prospect located in the Skeena Arch approximately 60 km south of Houston, BC. On August 4, 2020, ArcWest staked additional mineral claims adjoining the Rip Property to cover two known porphyry copper occurrences. The property now extends over 7811 hectares.

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 exploration expenditures. The minimum exploration expenditure of \$500,000 (\$743,726 were incurred as at March 15, 2021) has been satisfied as at June 30, 2021. During the year ended December 31, 2020, \$125,000 was received as an option payment.

Northern Vancouver Island Earn-In Agreement

On December 20, 2019, the Company entered into an agreement with Teck to explore certain mineral claims in 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 of \$50,000 due on January 15, 2024. Teck can also acquire an additional 20% interest by incurring an additional \$6,000,000 in exploration expenditures. A minimum exploration expenditure of \$150,000 was required and satisfied as at January 15, 2021. During the year ended December 31, 2019, \$25,000 was received as an option payment and \$25,000 was received as an option payment during the six months ended June 30, 2021. As the option payment received in 2021 was more than what had been previously capitalized to the property, \$10,283 was credited to the property and \$14,717 was included in other income on the Statement of Comprehensive Loss.

Eagle Property Earn-In Agreement

On September 23, 2020, the Company entered into an agreement with WMR whereby WMR can explore the Eagle property situated north of Fort St. James in British Columbia. WMR can earn an initial 60% interest in the property by funding a total of \$2,050,000 in exploration expenditures over a three-year period in addition to staged payments totalling \$110,000 and issuance of 1,350,000 common shares. WMR can also acquire an additional 20% interest by delivering a feasibility study report on the property. A minimum exploration expenditure of \$50,000 was required before December 31, 2020 (\$82,000 incurred as at December 31, 2020). During the six months ended June 30, 2021, \$122,500 was received as an option payment (\$10,000 cash and issuance of 250,000 common shares with a fair value of \$112,500) and a finder's fee of \$12,520 was paid in cash. During the year ended December 31, 2020, \$18,000 was received as an option payment (\$15,000 cash and issuance of 150,000 common shares with a fair value of \$3,000).

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

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

6. EXPLORATION AND EVALUATION ASSETS (continued)**Oxide Peak Earn-In Agreement with TDG**

On December 22, 2019, the Company entered into an agreement with TDG Gold Corp. ("TDG") to explore the Oxide Peak property in northern British Columbia. TDG 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. TDG can also acquire an additional 20% interest by preparing and delivering a preliminary economic assessment for the property to the Company. A minimum exploration expenditure of \$400,000 (incurred - \$433,684) is required and was satisfied during the year ended December 31, 2020. On September 11, 2020, TDG issued 1,202,141 common shares in settlement of the Option Consideration Shares (5% of the number of TDG common shares outstanding prior to going public) to the Company for a total value of \$360,644. During the year ended December 31, 2020, an option payment of \$15,000 in cash was also received.

Todd Creek Earn-In Agreement

On July 8, 2020, the Company entered into an agreement with P2 Gold to explore the Todd Creek property in northern British Columbia. P2 Gold can earn an initial 51% interest in the property by funding over a five-year period cumulative exploration expenditure of \$15,000,000 and staged payments of \$1,150,000. P2 Gold can also acquire an additional 19% interest by completing and delivering to the Company a feasibility study report. A minimum exploration expenditure of \$500,000 (incurred - \$1,069,168) is required and were fulfilled during the year ended December 31, 2020, which includes a mandatory minimum of 1,000 meters of diamond drilling. During the year ended December 31, 2020, \$100,000 was received in cash and 200,000 shares valued at \$120,000 were issued as an option payment.

Sanatana Earn-In and JV Agreement

On April 19, 2021, the Company entered into a non-binding letter agreement (the "Agreement") with Sanatana Resources Inc. ("Sanatana") to negotiate an earn in and joint venture agreement on its Oweegee Dome porphyry project, located in BC's Golden Triangle. The Agreement provided Sanatana with the exclusive right to negotiate an earn-in and joint venture agreement until May 24, 2021. As consideration for the exclusivity, Sanatana paid the Company a non-refundable deposit of \$12,500. Sanatana could earn an initial 60% interest ("First Option") in the Oweegee Dome project by funding, over a four-year period, cumulative exploration expenditures of \$6,000,000 and by making staged cash and share payments totaling \$500,000 and 2,000,000 shares, respectively. An additional, minimum exploration expenditure including \$600,000 of assessment work is required before December 31st, 2021. On May 24th, 2021 the exclusivity period with Sanatana expired and subsequent to period end, on July 21, 2021, the Company signed an earn-in agreement with Sanatana (Note 12).

Reclamation bonds

As at June 30, 2021, \$82,000 (December 31, 2020 - \$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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2021	December 31 2020
	\$	\$
Accounts payable	35,734	31,135
Accrued liabilities	21,840	23,000
	57,574	54,135

Included in accounts payable is \$7,400 (December 31, 2020 - \$5,058) due to related parties (see Note 11).

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

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

8. LOAN PAYABLE

The Company applied for and received on November 10, 2020, \$40,000 from the Canada Emergency Business Account (“CEBA”) which is an interest-free loan to cover operating costs which was offered in the context of the COVID-19 pandemic outbreak by the Government of Canada. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000. On December 31, 2022, the Company has the option to extend the loan for 3 years and it will bear a 5% interest rate. There is reasonable assurance that the Company will be able to repay the loan on or before December 31, 2022 and therefore receive the loan forgiveness of \$10,000. Therefore, the income from the loan forgiveness of \$10,000 was accrued during the year ended December 31, 2020.

9. SHARE CAPITAL AND RESERVES

Authorized: Unlimited common shares without par value.

Shares issued: Common shares: 82,526,150 (December 31, 2020 – 82,526,150).

During the six months ended June 30, 2021 no shares were issued.

During the year ended December 31, 2020, the Company:

- issued 1,960,784 common shares valued at \$137,255 related to the Todd Creek Property (Note 6).
- completed a non-brokered private placement by issuing 19,350,000 units (“Units”) at a price of \$0.10 per Unit for gross proceeds of \$1,935,000. Each Unit consists of one common share and one-half 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 \$173,641, including the issuance of 490,000 common shares at the offering price, 903,000 finders’ warrants valued at \$70,883 and cash paid of \$53,758. 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 – 0.26%; expected life – 1 year; expected volatility 159.51%; expected forfeitures – 0%; and expected dividends 0%. Expected price volatility was calculated based on the Company’s historical share prices.

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, 2019 and 2020	6,030,000	0.15
Granted – January 13, 2021	1,940,000	0.105
Expired	(1,225,000)	0.15
Balance, June 30, 2021	6,745,000	0.14

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

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

9. SHARE CAPITAL AND RESERVES (continued)

As at June 30, 2021, the Company had outstanding stock options as follows:

Expiry date	Exercise price	Remaining life (years)	Options outstanding	Options exercisable
	\$			
October 22, 2023	0.15	2.31	4,400,000	4,400,000
April 2, 2024	0.10	2.76	480,000	480,000
January 13, 2026	0.105	4.54	1,865,000	621,667

The weighted average price of options outstanding was \$0.13 and the weighted average life was 2.96 years.

On January 13, 2021, the Company granted 1,940,000 stock options to its employees and consultants. The options vest in six equal tranches, over the course of fifteen months and are exercisable at \$0.105 per share for a period of five years. The fair value of the options granted was \$157,983. The options vest 1/6 immediately and 1/6 every three months. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield - 0%, risk-free rate - 0.36%, volatility - 108.15%, forfeiture rate - 0% and expected life - 5 years.

During the three and six months ended June 30, 2021, \$33,197 and \$110,693 was recorded in share-based payments (2020 - \$1,474 and \$13,564).

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2019	29,003,100	0.15
Granted as part of private placement units - August 28, 2020	9,675,000	0.15
Granted to agents - August 28, 2020	903,000	0.15
Balance, December 31, 2020 and June 30, 2021	39,581,100	0.15

As at June 30, 2021, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants outstanding
	\$		
August 23, 2021	0.15	0.15	23,884,100
August 28, 2021	0.15	0.16	903,000
September 13, 2021	0.15	0.21	5,119,000
August 28, 2023	0.15	2.16	9,675,000

The weighted average price of warrants outstanding was \$0.15 and the weighted average life was 0.65 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.

ARCWEST EXPLORATION INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

10. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

As at June 30, 2021, the Company's financial instruments are comprised of cash and cash equivalents, marketable securities, receivables, accounts payable, and loan payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

There have been no changes in any risk management policies since December 31, 2020.

Capital management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at June 30, 2021, the Company's shareholders' equity was \$6,587,832 and it had \$57,574 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.

11. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2021 and 2020, the Company entered into the following transactions with related parties:

- The Company paid consulting fees of \$nil and \$nil (2020 - \$nil and \$6,000) to Tanun Holdings Ltd., a company controlled by the spouse of John Meekison, the Chief Financial Officer and director of the Company.
- For accounting purposes, executive compensation is split between exploration project activities (which is capitalized to mineral properties) and administrative activities which is allocated to office and administrative expense. Accordingly, the Company paid salaries and wages of \$111,250 and \$222,500 (2020 - \$111,250 and \$216,667) to the Chief Financial Officer, Chief Executive Officer, the Chief Operating Officer and the Vice President of Exploration of the Company. Of this amount, \$155,312 (2020 - \$146,927) was capitalized to the mineral properties and \$67,188 (2020 - \$69,740) is included in office and administrative expenses for the six months ended June 30, 2021.
- Included in share-based payment is \$20,377 and \$62,321 (2020 - \$nil and \$5,783) relating to directors and officers of the Company.

As at June 30, 2021, \$7,400 (December 31, 2020 - \$5,058) is owed to related parties and included in accounts payable (Note 7).

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. SUBSEQUENT EVENTS

Sanatana Earn-In and JV Agreement

On July 21, 2021, the Company signed an earn-in agreement with Sanatana Resources Inc. ("Sanatana") to explore the Company's Oweegee Dome porphyry project, located in BC's Golden Triangle. Sanatana can earn an initial 60% interest ("First Option") in the Oweegee Dome project by funding, over a four-year period, cumulative exploration expenditures of \$6,600,000 and by making staged cash and share payments totaling \$500,000 and 2,000,000 shares, respectively.

ARCWEST EXPLORATION INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - expressed in Canadian Dollars)

For the three and six months ended June 30, 2021

12. SUBSEQUENT EVENTS (continued)

Sanatana may achieve the First Option by fulfilling the following:

1. paying to the Company \$500,000 and 2,000,000 common shares as follows:

- \$12,500 on signing of the letter agreement and an additional \$12,500 on signing of the definitive agreement;
- \$25,000 and 300,000 common shares on or before December 31, 2021;
- \$50,000 and 400,000 common shares on or before December 31, 2022;
- \$100,000 and 600,000 common shares on or before December 31, 2023; and
- \$300,000 and 700,000 common shares on or before December 31, 2024;

2. incurring \$6,600,000 in exploration expenditures on the property as follows:

- not less than \$600,000 on or before November 30, 2021;
- cumulative exploration expenditures of not less than \$1,600,000 on or before December 31, 2022, including a minimum of 1,000 meters of drilling
- cumulative exploration expenditures of not less than \$3,600,000 on or before December 31, 2023, including a minimum of 2,000 meters of drilling
- cumulative exploration expenditures of not less than \$6,600,000 on or before December 31, 2024, including a minimum of 3,000 meters of drilling

Upon completion of the First Option and receipt of the Initial Interest Notice from Sanatana, Sanatana will have a 60 day period to elect to earn an additional 20% interest, for an aggregate 80% interest ("Second Option"), or form a Joint Venture ("JV"). The Second Option can be attained by completing and delivering to ArcWest a Feasibility Study on or before December 31st, 2027. In order to keep the Second Option in good standing, Sanatana will be obligated to pay to ArcWest \$150,000 on each anniversary of the delivery of the Initial Interest Notice until such time that the Feasibility Study has been completed and delivered to ArcWest. Following the exercise or lapse of the Second Option, the parties will form a JV to hold and operate the properties, and each party will proportionately fund or dilute. In the event a production decision is made by the Joint Venture to place the property into production, Sanatana shall arrange project financing for the Joint Venture, the repayment of which shall be made out of cash flows from the property. Should Sanatana or ArcWest's interest be diluted to less than 10%, then that interest will convert to a 2% Net Smelter Return Royalty, one percent of which may be purchased by the other party for \$5,000,000 at any time.

Sale of Huckleberry Property

On July 29, 2021, the Company sold its Huckleberry property to Huckleberry Mines Ltd. ("Huckleberry"), a wholly owned subsidiary of Imperial Metals Corporation. The Huckleberry property is located 1.8 km from Imperial Metals' past producing Huckleberry East zone open pit mine, which is currently on care and maintenance status.

Under the terms of transaction set out in the agreement:

- Huckleberry will acquire 100% of the Property;
- Huckleberry will make a cash payment of \$50,000; and
- ArcWest will retain a 1.0% net smelter return royalty ("NSR") with no buydown provisions.