# GOWEST GOLD LTD.

## Financial Statements

## Years Ended October 31, 2019 and 2018

## Expressed in Canadian Dollars

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Gowest Gold Ltd.

**Opinion**

We have audited the financial statements of Gowest Gold Ltd. (the "Company"), which comprise the statements of financial position as at October 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows 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 October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

**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. 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 in the financial statements, which indicates that the Company incurred a net loss during the year ended October 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 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 and, in doing so, consider whether the other information is materially inconsistent with

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the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 IFRS, 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 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 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 judgement 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 risks 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,

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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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**

McGovern Hurley LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

Toronto, Ontario
February 27, 2020

**GOWEST GOLD LTD.**
**Statements of Financial Position**
*In Canadian dollars*

| ASSETS | | **October 31, 2019** | | October 31, 2018 |
|---|---|---|---|---|
| Current assets | | | | |
| Cash and cash equivalents | **$** | **284,567** | $ | 153,174 |
| Amounts receivable and other assets (Note 6) | | **178,743** | | 118,533 |
| Total current assets | | **463,310** | | 271,707 |
| Deferred financing costs (Note 11) | | **-** | | 465,052 |
| Long term investment (Note 8) | | **3,000** | | 6,750 |
| Equipment (Note 7) | | **1,847,765** | | 2,109,445 |
| Long term deposits (Note 9) | | **854,298** | | 854,298 |
| Exploration and evaluation properties (Note 9) | | **54,078,018** | | 49,785,749 |
| Total assets | **$** | **57,246,391** | $ | 53,493,001 |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities (Notes 9,11 & 14) | **$** | **9,284,807** | $ | 9,738,923 |
| Amounts due to related party (Note 14) | | **261,945** | | - |
| Current portion of long term debt (Notes 11 & 16) | | **-** | | 4,696,815 |
| Total current liabilities | | **9,546,752** | | 14,435,738 |
| Reclamation and closure cost obligation (Note 10) | | **898,669** | | 851,720 |
| Long term debt (Notes 11 & 16) | | **13,160,000** | | 7,862,935 |
| Deferred income taxes (Note 16 (b)) | | **1,083,000** | | 2,901,000 |
| Total liabilities | | **24,688,421** | | 26,051,393 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 12) | | **49,155,621** | | 38,778,878 |
| Shares to be issued (Note 17) | | **-** | | 500,000 |
| Reserves (Notes 11 & 12 (c)(d)(e)) | | **1,667,972** | | 2,904,982 |
| Accumulated deficit | | **(18,266,748)** | | (14,744,877) |
| Accumulated other comprehensive income (Note 8) | | **1,125** | | 2,625 |
| Total shareholders' equity | | **32,557,970** | | 27,441,608 |
| Total liabilities and shareholders' equity | **$** | **57,246,391** | $ | 53,493,001 |

**Nature of operations and going concern (Note 1)**
**Commitments and contingencies (Notes 9, 10, 11 and 15)**
**Subsequent events (Note 17)**

APPROVED ON BEHALF OF THE BOARD

"Peter Quintiliani" Director

"C. Fraser Elliott" Director

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

**GOWEST GOLD LTD.**
**Statements of Loss and Comprehensive Loss**
*In Canadian dollars*

| | | Year Ended October 31, 2019 | | Year Ended October 31, 2018 |
|---|---|---|---|---|
| **Operating Expenses** | | | | |
| General and administrative (Note 13) | **$** | **2,705,599** | $ | 2,162,293 |
| Accretion (Notes 10 & 11) | | **1,640,168** | | 1,527,089 |
| Loss before other items | | **(4,345,767)** | | (3,689,382) |
| Foreign exchange gain / (loss) | | **41,188** | | (443,640) |
| Interest and other (expense) | | **(79,462)** | | (25,836) |
| Impairment of equipment (Note 7) | | **(288,080)** | | - |
| Loss on settlement of long-term debt (Note 11) | | **(2,156,059)** | | - |
| **Loss before tax** | | **(6,828,180)** | | (4,158,858) |
| Deferred tax recovery / (expense) (Note 16 (a)) | | **1,915,000** | | (1,665,000) |
| Flow through premium recovery | | **-** | | 1,041,142 |
| **Net loss for the year** | | **(4,913,180)** | | (4,782,716) |
| Unrealized loss on marketable securities | | **(1,500)** | | (1,500) |
| **Net comprehensive loss for the year** | | **(4,914,680)** | | (4,784,216) |
| **Basic and diluted (loss) per share *** | **$** | **(0.103)** | $ | (0.134) |
| **Weighted average number of common shares outstanding *** | | **47,517,000** | | 35,663,340 |

* On June 17, 2019, the Company consolidated its outstanding common shares on a ten-for-one basis. All share and per share figures in these financial statements have been presented on a retroactive basis showing the effect of the share-consolidation.

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

**GOWEST GOLD LTD.**
**Statements of Changes in Equity**
*In Canadian dollars*

**Equity attributable to shareholders**

| | | Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Warrants | Stock options | Shares to be issued | Convertible Feature of long-term debt | Accumulated other comprehensive income / loss | Accumulated deficit | Total equity |
| **Balance at October 31, 2018** | **$ 38,778,878** | **$ 1,002,592** | **$ 1,120,390** | **$ 500,000** | **$ 782,000** | **$ 2,625** | **$ (14,744,877)** | **$ 27,441,608** |
| **Issued on private placement** | **10,839,500** | **154,299** | **-** | **(500,000)** | **-** | **-** | **-** | **10,493,799** |
| **Share issue costs** | **(462,757)** | **-** | **-** | **-** | **-** | **-** | **-** | **(462,757)** |
| **Value of warrants expired** | | **(423,709)** | **-** | **-** | **-** | **-** | **423,709** | **-** |
| **Value of stock options expired** | **-** | **-** | **(185,600)** | **-** | **-** | **-** | **185,600** | **-** |
| **Expiry of convertible feature of long-term debt** | **-** | **-** | **-** | **-** | **(782,000)** | **-** | **782,000** | **-** |
| **Net loss and comprehensive loss for the year** | **-** | **-** | **-** | **-** | **-** | **(1,500)** | **(4,913,180)** | **(4,914,680)** |
| **Balance at October 31, 2019** | **$ 49,155,621** | **$ 733,182** | **$ 934,790** | **$ -** | **$ -** | **$ 1,125** | **$ (18,266,748)** | **$ 32,557,970** |
| Balance at October 31, 2017 | $ 35,000,298 | $ 498,510 | $ 1,302,680 | $ - | $ 782,000 | $ 4,125 | $ (10,146,705) | $ 27,440,908 |
| Issued on private placement | 4,016,301 | 532,001 | - | 500,000 | - | - | - | 5,048,302 |
| Issued on exercise of options | 272,056 | - | - | - | - | - | - | 272,056 |
| Share issue costs | (227,470) | 46,883 | - | - | - | - | - | (180,587) |
| Flow-through premium on private placement | (354,855) | - | - | - | - | - | - | (354,855) |
| Value of warrants expired | - | (2,254) | - | - | - | - | 2,254 | - |
| Value of options exercised | 72,548 | (72,548) | - | - | - | - | - | - |
| Value of stock options expired | - | - | (182,290) | - | - | - | 182,290 | - |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (1,500) | (4,782,716) | (4,784,216) |
| Balance as at October 31, 2018 | $ 38,778,878 | $ 1,002,592 | $ 1,120,390 | $ 500,000 | $ 782,000 | $ 2,625 | $ (14,744,877) | $ 27,441,608 |

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

**GOWEST GOLD LTD.**
**Statements of Cash Flows**
*In Canadian dollars*

| | Years Ended October 31, 2019 | October 31, 2018 |
|---|---|---|
| **Operating activities** | | |
| Net (loss) for the year | **$ (4,913,180)** | $ (4,782,716) |
| Items not affecting cash: | | |
| Amortization | **138,183** | 135,949 |
| Impairment of equipment | **288,080** | - |
| Loss on settlement of long term debt | **2,156,059** | - |
| Flow through premium recovery | **-** | (1,041,142) |
| Unrealized foreign exchange (gain) / loss | **(43,481)** | 452,954 |
| Accretion | **1,640,168** | 1,527,089 |
| Deferred tax (recovery) / expense | **(1,915,000)** | 1,665,000 |
| | **(2,649,171)** | (2,042,866) |
| Changes in non-cash working capital items: | | |
| Amounts receivable and other assets | **(60,210)** | 1,254,619 |
| Accounts payable and accrued liabilities | **389,781** | 191,367 |
| Cash flows used in operating activities | **(2,319,600)** | (596,880) |
| **Investing activities** | | |
| Exploration and evaluation expenditures | **(5,089,366)** | (10,675,792) |
| Purchase of equipment | **(164,583)** | (4,380) |
| Cash flows used in investing activities | **(5,253,949)** | (10,680,172) |
| **Financing activities** | | |
| Proceeds from issue of capital stock and exercise of options and warrants | **10,493,799** | 4,820,360 |
| Transaction costs on private placements | **(365,757)** | (245,587) |
| Proceeds from long term debt | **9,212,000** | 3,764,700 |
| Proceeds from short term loan | **300,000** | - |
| Repayment of short term loan | **(50,000)** | - |
| Repayment of long term debt | **(11,885,100)** | - |
| Proceeds related to shares to be issued | - | 500,000 |
| Cash flows from financing activities | **7,704,942** | 8,839,473 |
| Increase / (decrease) in cash and cash equivalents during the year | **131,393** | (2,437,579) |
| Cash and cash equivalents, beginning of year | **153,174** | 2,590,753 |
| Cash and cash equivalents, end of year | **$ 284,567** | $ 153,174 |
| **CASH AND CASH EQUIVALENTS ARE COMPOSED OF:** | | |
| Cash | **$ 259,512** | $ 138,174 |
| Cash equivalents | **25,055** | 15,000 |
| | **$ 284,567** | $ 153,174 |
| **SUPPLEMENTAL INFORMATION** | | |
| Change in non-cash working capital related to exploration and evaluation expenditures | **$ 831,952** | $ 2 095,464 |
| Common shares issued for broker warrants | - | 46,883 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Gowest Gold Ltd. ("Gowest" or the "Company") is in the business of exploring and evaluating properties that it believes contain mineralization that is, or will, in the future, be economically recoverable. To date, the Company has not earned significant revenues from its activities. The address and registered office of the Company is 80 Richmond Street West, Suite 1400, Toronto, Ontario, Canada, M5H 2A4.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in profitable mining operations. The recoverability of the amounts capitalized for exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from dispositions of such properties. Changes in future conditions could require material write-downs of the carrying amounts of exploration and evaluation properties.

Although the Company has taken steps to verify title to its property interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social discretionary requirements, unregistered prior agreements, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The accompanying financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Due to continuing operating losses and working capital deficiency, the Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of property. The Company incurred a loss of $4,913,180 for the year ended October 31, 2019 (October 31, 2018 – $4,782,216) and as of October 31, 2019, the Company had a working capital deficiency of $9,083,442 (October 31, 2018 – $14,164,031), and had a cumulative deficit of $18,266,748 (October 31, 2018 - $14,744,877). These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Accordingly, readers are cautioned that these financial statements do not reflect adjustments that would be necessary if the "going concern" basis were not appropriate. Changes in future conditions could require material write downs of the carrying value of certain assets.

These financial statements of the Company were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 27, 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(a) Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Committee (IFRIC).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(b) Foreign currency translation*

The functional currency of Gowest is the Canadian dollar. For the purpose of the financial statements, the results and financial position are expressed in Canadian dollars.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognised in the statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

*(c) Financial instruments*

**Accounting policy under IFRS 9 applicable from November 1, 2018**

**Financial assets**

**Initial recognition and measurement**
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other amounts receivable held for collection of contractual cash flows are measured at amortized cost.

**Subsequent measurement – financial assets at amortized cost**
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss.

**Subsequent measurement – financial assets at FVPL**
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company’s does not measure any financial assets at FVPL.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(c) Financial instruments (continued)*

**Subsequent measurement – financial assets at FVOCI**
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company's investments in publicly traded equity securities are classified as financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of earnings (loss) when the right to receive payments is established.

**Derecognition**
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

**Impairment of financial assets**
The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

**Financial liabilities**

**Initial recognition and measurement**
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and long-term debt, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

**Subsequent measurement – financial liabilities at amortized cost**
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in accretion expense in the consolidated statements of loss.

**Derecognition**
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(c) Financial instruments (continued)*

**Accounting policy under IAS 39 applicable prior to November 1, 2018**

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was similar to the accounting policy adopted in 2018:

The Company's financial instruments consist of the following:

| **Financial assets:** | **Classification:** |
|---|---|
| Cash and financial instruments included in | |
| Long-term deposits | Loans and receivables |
| Cash equivalents | Fair value through profit or loss ("FVTPL") |
| Long-term investments | Available for sale |

| **Financial liabilities:** | **Classification:** |
|---|---|
| Accounts payable and accrued liabilities | Other financial liabilities |
| Long-term debt | Other financial liabilities |

Compound financial instruments

Compound financial instruments comprise convertible debentures that can be converted into common shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at an amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

FVTPL

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Available for sale

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classed in any other categories. Available-for-sale investments are carried at fair value at initial recognition. Changes to the fair value of available-for-sale investments are recognized in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income are included in the statement of comprehensive loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(c) Financial instruments (continued)*

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of October 31, 2019 and October 31, 2018, cash equivalents and the long-term investment are recorded at fair value on the statement of financial position. See Note 4.

*(d) Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets are impaired. Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(e) Exploration and evaluation expenditures*

The Company is in the exploration and evaluation stage with respect to its investment in exploration and evaluation properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and evaluation of its interest in these properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned exploration and evaluation properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for interest in exploration and evaluation properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in profit and loss, costs recovered on exploration and evaluation properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation expenditures are not expected to be recovered, it is charged to profit and loss. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned. Any cash consideration received directly from a farmee is credited against costs expensed in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

*(f) Cash and cash equivalents*

Cash and cash equivalents in the statements of financial position comprise cash at banks, and guaranteed investment certificates with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company’s cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates that are available on demand by the Company for its programs. The Company does not invest in any asset-backed deposits/investments.

*(g) Equipment*

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

| **Detail** | **Percentage** | **Method** |
|---|---|---|
| Vehicles | 30% | Declining balance |
| Furniture | 20% | Straight line |
| Computer equipment | 30% | Declining balance |
| Software | 30% | Declining balance |
| Equipment | 10% - 20% | Straight line |

An asset's residual value, useful life, and amortization method are reviewed and adjusted, if appropriate, on an annual basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(h) Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

*(i) Share based payment transactions*

The fair value of share based payments to employees and non-employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of employee share based payments is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest based on an estimate of the forfeiture rate.

Share-based payments granted to non-employees are measured at the fair value of goods received unless that cannot be reasonably estimated in which case the fair value of the share-based payments are used. The measurement date is generally the date the goods or services are received.

*(j) Income taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless such differences arise from goodwill or the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(k) Restoration, rehabilitation and environmental obligations*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration and evaluation of a property interest. Such costs are discounted to their net present value using a risk-free rate and are provided for and expensed as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation.

See Note 10 for details of the reclamation and closure cost as at October 31, 2019 and 2018.

*(l) Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options, warrants, and convertible debt as they are anti-dilutive.

*(m) Significant accounting judgments and estimates*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Capitalization of exploration and evaluation expenditures

Management has determined that exploration and evaluation expenditures incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(m) Significant accounting judgments and estimates (continued)*

Impairment of exploration and evaluation properties and equipment

While assessing whether any indications of impairment exist for exploration and evaluation properties and equipment, consideration is given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties and equipment. Internal sources of information include the manner in which exploration and evaluation properties and equipment are being used or are expected to be used and indications of expected economic performance of the assets. Estimates may include but are not limited to estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration and evaluation properties and equipment, costs to sell the properties and equipment and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties and equipment.

Estimation of reclamation and closure cost obligation

The reclamation and closure cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Reclamation costs, including decommissioning, restoration and similar liabilities, are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of reclamation, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 10.

Long term debt

The classification of the Company's long term debt required management to analyze the terms and conditions of the long term debt and use judgment to assess whether the instrument is a liability, equity or a combination of the two. Factors considered include, but are not limited to, whether the Company has a future obligation to settle the instrument in cash or exchange other assets or liabilities, and if the settlement is already known to be equity, the amount will not vary based on the Company's future share price, future foreign exchange rates or some other factor that results in a variable number of equity instruments being issued.

The Company was required to make certain estimates when determining the value of the liability and equity components of the long term debt. The discount rate used to measure the liability component on initial recognition is subject to management estimation and has a significant impact on the allocation of the debt and equity components of the facility.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(m) Significant account judgments and estimates (continued)*

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies – Refer to Note 15
Going concern – Refer to Note 1

*(n) Flow-through shares*

The Company periodically finances a portion of its exploration and evaluation activities through the issue of flow through shares, which transfers the tax deductibility of exploration expenditures to the investor (referred to as renunciation). Proceeds received on the issuance of such shares up to the value of similar non-flow through shares are credited to share capital and any difference between that amount and the issue price is recognized as a flow through share premium and recognized as a liability in the statement of financial position. Upon renunciation to the investor of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the liability previously recorded is reversed with any difference being recorded as a deferred tax recovery (expense). To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a recovery on the statement of loss. The related exploration costs are charged to exploration and evaluation properties.

*(o) Accounting changes*

Effective November 1, 2018, the Company adopted IFRS 9, *Financial Instruments,* which resulted in the changes in accounting policy as described below. In accordance with the transitional provisions in the standard, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at November 1, 2018. There were no material effects on opening balances at November 1, 2018 with respect to the adoption of these policies.

**IFRS 9, *Financial Instruments***

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

*In Canadian Dollars*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(o) Accounting changes (continued)*

Equity investments previously classified as available-for-sale financial assets satisfied the conditions for classification as financial assets at FVOCI and the Company elected to irrevocably designate them at FVOCI. Gains and losses in respect of these investments are recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss, are not transferred to profit or loss upon disposition and are not subject to impairment assessments.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

| | **Financial instrument classification** | |
|---|---|---|
| | **Under IAS 39** | **Under IFRS 9** |
| **Financial assets** | | |
| Cash | Loans and receivables | Amortized cost |
| Cash equivalents | FVPL | FVPL |
| Amounts receivable | Loans and receivables | Amortized cost |
| Long term investment | Available for sale | FVOCI |
| Long term deposits | Loans and receivables | Loans and receivables |
| | | |
| **Financial liabilities** | | |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Long term debt | Other financial liabilities | Amortized cost |

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended October 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

*New accounting standards and interpretations effective in future period*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after November 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

(i) IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

(ii) IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

## 3. CAPITAL MANAGEMENT

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and evaluation of its properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be shareholders' equity, which comprises share capital, shares to be issued, reserves, accumulated deficit and accumulated other comprehensive income, which at October 31, 2019, totalled $32,557,970 (October 31, 2018 - $27,441,608).

The properties in which the Company currently has an interest are in the exploration and evaluation stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) reducing or eliminating exploration expenditures that are of limited strategic value; and
(iii) exploring alternative sources of liquidity.

In light of the above, the Company will attempt to explore and evaluate its properties, assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the years ended October 31, 2019 and October 31, 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than by the TSX Venture Exchange (“TSXV”) who requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of October 31, 2019 and October 31, 2018, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the direction of the TSXV.

## 4. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). Financial risk management is carried out by the Company's management team with guidance from the Board of Directors.

(i) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and long-term deposits. Cash and cash equivalents consist of cash, high interest savings accounts and certificates of deposit at select Canadian financial institutions, from which management believes the risk of loss to be remote. The long-term deposits are held by the Ontario Ministry of Energy, Northern Development and Mines. Management believes that the credit risk concentration with respect to these financial instruments is remote.

**4. FINANCIAL RISK FACTORS (CONTINUED)**

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at October 31, 2019, the Company had cash, cash equivalents, amounts receivable and other current assets of $463,310 (October 31, 2018 - $271,707) to settle current liabilities of $9,546,752 (October 31, 2018 - $14,435,738). All of the Company's accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. As at October 31, 2019, included in accrued liabilities are liabilities of approximately $561,000 (October 31, 2018 - $2,380,845) for contractor internal equipment rentals that are subject to extended payment terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in Note 1, the Company's ability to continually meet its obligations and carry out its planned exploration and evaluation activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing**.**

In addition to the commitments disclosed in Note 15, the Company is obligated to the following contractual maturities as at October 31, 2019:

| | Carrying amount | Contractual cash flows | Year 1 | Year 2-3 | Year 4-5 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 9,546,752 | 9,546,752 | 9,468,191 | 78,561 | - |
| Long-term debt | 13,160,000 | 13,160,000 | - | 6,661,432 | 6,498,568 |

(iii) 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 and cash equivalents. The Company's current policy is to invest excess cash in high interest savings accounts and investment-grade certificates of deposit issued by its Canadian financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its Canadian financial institutions. The Company's long-term debt effectively bears interest at a fixed rate. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company's foreign currency risk arises primarily with respect to the U.S. Dollar as its long-term debt is denominated in U.S. Dollars. Fluctuations in the exchange rates between the U.S. Dollar and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not currently engage in any hedging activity to mitigate this 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, as they relate to gold, individual equity movements, and the stock market to determine the

## 4. FINANCIAL RISK FACTORS (CONTINUED)

(iii) Market risk (continued)

(c) Price risk (continued)

appropriate course of action to be taken by the Company. As the Company's mineral properties are in the exploration stage, the Company does not hedge against commodity price risk. The Company's long-term investment in Crown Mining Corp. ("Crown") is subject to fair value fluctuations arising from changes in the equity and commodity markets.

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) Cash equivalents are subject to floating interest rates. As at October 31, 2019, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended October 31, 2019 would have not had been significantly impacted.

(ii) The Company's investment in the common shares of Crown is subject to fair value fluctuations. As at October 31, 2019, if the bid price of the common shares of Crown had changed by 10% with all other variables held constant, the other comprehensive income for the year ended October 31, 2019, before tax, would not have been significantly impacted.

(iii) The Company's long-term debt is denominated in U.S. Dollars. As at October 31, 2019, if the exchange rate had decreased/increased by 10% with all other variables held constant, the loss for the year ended October 31, 2019 would increase/decrease by approximately $1,300,000.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at October 31, 2019 and October 31, 2018:

| **October 31, 2019** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Cash equivalents** | **$ -** | **$25,055** | **$ -** | **$ 25,055** |
| **Long-term investments:** | | | | |
| **- Investment in a public company** | **3,000** | **-** | **-** | **3,000** |
| | **$ 3,000** | **$25,055** | **$ -** | **$ 28,055** |

| October 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash equivalents | $ - | $ 15,000 | $ - | $ 15,000 |
| Long-term investments: | | | | |
| - Investment in a public company | 6,750 | - | - | 6,750 |
| | $ 6,750 | $ 15,000 | $ - | $ 21,750 |

*In Canadian Dollars*

## 5. CATEGORIES OF FINANCIAL INSTRUMENTS

| | **October 31, 2019** | October 31, 2018 |
|---|---|---|
| **Financial assets:** | | |
| FVTPL | | |
| Cash equivalents | **$ 25,055** | $ 15,000 |
| Amortized cost | | |
| Cash | **259,512** | 138,174 |
| Total cash and cash equivalents | **284,567** | 153,174 |
| Long term deposit | **854,298** | 854,298 |
| FVOCI | | |
| Long term investment | **3,000** | 6,750 |
| **Financial liabilities:** | | |
| Amortized cost | | |
| Accounts payable and accrued liabilities | **$ 9,546,752** | $ 9,738,923 |
| Amounts due to related party | **$ 261,945** | $ - |
| Current portion long-term debt | **$ -** | $ 4,696,815 |
| Long-term debt | **$ 13,160,000** | $ 7,862,935 |

As at October 31, 2019 and October 31, 2018, the fair value of the Company's loans and receivables, accounts payable and accrued liabilities and current portion of long-term debt approximate their estimated carrying values, due to their short-term nature. The fair value of the long-term debt approximates its carrying value. This estimate is based on discounted future principal and interest payments using estimated interest rates which are Level 3 inputs.

## 6. AMOUNTS RECEIVABLE AND OTHER ASSETS

| | **As at October 31, 2019** | As at October 31, 2018 |
|---|---|---|
| HST receivable | **$ 91,890** | $ 81,506 |
| Prepaid expense | **86,853** | 37,027 |
| | **$ 178,743** | $ 118,533 |

## 7. EQUIPMENT

| Cost | Computer Equipment $ | Furniture $ | Vehicles $ | Software $ | Equipment $ | Total $ |
|---|---|---|---|---|---|---|
| Balance, October 31, 2017 | 12,307 | 49,241 | 125,490 | 63,174 | 2,173,472 | 2,423,684 |
| Additions | 1,051 | - | - | 3,329 | - | 4,380 |
| Balance, October 31, 2018 | 13,358 | 49,241 | 125,490 | 66,503 | 2,173,472 | 2,428,064 |
| **Additions** | **-** | **-** | **-** | **-** | **164,583** | **164,583** |
| **Disposal** | **-** | **-** | **(72,313)** | **-** | **(360,098)** | **(432,411)** |
| **Balance, October 31, 2019** | **13,358** | **49,241** | **53,177** | **66,503** | **1,977,957** | **2,160,236** |
| **Accumulated amortization** | | | | | | |
| Balance, October 31, 2017 | 7,454 | 28,078 | 90,199 | 56,938 | - | 182,669 |
| Additions | 1,582 | 4,563 | 9,454 | 1,671 | 118,681 | 135,950 |
| Balance, October 31, 2018 | 9,035 | 32,641 | 99,653 | 58,609 | 118,681 | 318,619 |
| **Additions** | **1,366** | **4,559** | **11,459** | **2,115** | **118,684** | **138,183** |
| **Disposal** | **-** | **-** | **(72,313)** | **-** | **(72,018)** | **(144,331)** |
| **Balance, October 31, 2019** | **10,402** | **37,200** | **38,800** | **60,724** | **165,346** | **312,471** |
| **Carrying value** | | | | | | |
| Balance, October 31, 2017 | 4,853 | 21,163 | 35,291 | 6,236 | 2,173,472 | 2,241,015 |
| Balance, October 31, 2018 | 4,323 | 16,600 | 25,837 | 7,894 | 2,054,791 | 2,109,445 |
| **Balance, October 31, 2019** | **2,957** | **12,041** | **14,378** | **5,779** | **1,812,611** | **1,847,765** |

*In Canadian Dollars*

## 8. LONG-TERM INVESTMENT

| Long term Investment | **Cost** | **Impairment** | **Accumulated other comprehensive income adjustment** | **October 31, 2019 estimated fair value** | October 31, 2018 estimated fair value |
|---|---|---|---|---|---|
| Crown Mining Corp - common shares | $ 115,500 | $ (111,375) | $ 1,500 | **$ 3,000** | $ 6,750 |

## 9. EXPLORATION AND EVALUATION PROPERTIES

| **October 31, 2019** | **Acquisition Cost** | **Exploration and Evaluation** | **Option Payments Received** | **Net Book Value** |
|---|---|---|---|---|
| **Frankfield Property (i)** | **$ 1,263,575** | **$ 49,851,828** | **$ -** | **$ 51,115,403** |
| **Pipestone Property(ii)** | **201,500** | **1,734,215** | **-** | **1,935,715** |
| **Tully Property (iii)** | **69,458** | **842,967** | **-** | **912,425** |
| **Whitney Property (iv)** | **126,059** | **65,984** | **(77,568)** | **114,475** |
| | **$ 1,660,592** | **$ 52,494,994** | **$ (77,568)** | **$ 54,078,018** |

| October 31, 2018 | | | | |
|---|---|---|---|---|
| Frankfield Property (i) | $ 1,263,575 | $ 45,576,881 | $ - | $ 46,840,456 |
| Pipestone Property(ii) | 201,500 | 1,722,943 | - | 1,924,443 |
| Tully Property (iii) | 69,458 | 836,917 | - | 906,375 |
| Whitney Property (iv) | 126,059 | 65,984 | (77,568) | 114,475 |
| | $ 1,660,592 | $ 48,202,725 | $ (77,568) | $ 49,785,749 |

(i) Frankfield Property

The Bradshaw Project is located in the Frankfield Property.

In March 2009, Gowest acquired a 100% interest in the Frankfield project in Ontario. In consideration for New Texmont Exploration Ltd's ("New Texmont") 50% interest in the Frankfield project, the Company issued 15,000,000 common shares to New Texmont and also granted New Texmont a sliding scale net smelter royalty (the "NSR").

In February, 2010, the Company completed an agreement with Goldcorp Canada Ltd. and Goldcorp Inc. (collectively "Goldcorp"), for the purchase of Goldcorp's properties in Tully Township adjacent to the Company's 100% owned Frankfield Project. Consideration for this acquisition included a 2% NSR derived from future production specifically from the Goldcorp leased claims, a 1% NSR derived from future production specifically from the Goldcorp unpatented claims and $100,000 in cash (paid). The Company will maintain an NSR buyout option for both the Goldcorp leased claims and Goldcorp unpatented claims valued at $500,000 for each 0.5% of the desired NSR. Goldcorp may elect not to sell the final 0.5% portion of its NSR.

In December, 2010, the Company completed its acquisition of a 100% interest of the Dowe property in Tully Township, Ontario adjacent to the Company's 100% owned Frankfield Gold Property. In consideration for this acquisition, the Company paid $16,000 in cash, issued 70,000 common shares (estimated grant date fair value of $18,200 based on the quoted market price of the Company's shares) of the Company and agreed to a 0.5% NSR at gold prices of less than US$950 per ounce or 0.75% NSR at gold prices equal to or greater than US$950 per ounce. The Company maintains an NSR buyout option valued at $125,000 for each 0.25% of the NSR.

*In Canadian Dollars*

## 9. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

(i) Frankfield Property (continued)

In December 2015, the Company purchased the NSR from New Texmont with a one-time payment of the issuance of 10,000,000 common shares (estimated grant date fair value of $800,000 based on the quoted market price of the Company's shares) at a deemed price of $0.10.

The Company entered into an advanced exploration bulk sample program on the Bradshaw project during the year ended October 31, 2017. During the year ended October 31, 2017, the Company increased its previously placed financial assurance bond by $773,877 for a total of $854,298 with the Ministry of Northern Development and Mines for the Bradshaw project advanced exploration closure plan, which is refundable once certain conditions are met. The bond is included in long term deposits as at October 31, 2019 and 2018. In April 2018, the Company announced that due to the cancellation of the agreement with Northern Sun Mining Corp. ("Northern Sun") for toll milling the Company suspended current exploration operations. On October 31, 2018, the Company announced that it had entered into a definitive Custom Milling Agreement with QMX Gold Corporation ("QMX") to process material from the Bradshaw project. On October 30, 2019 the Company announced that it had terminated the agreement with QMX and has signed a binding term sheet with Northern Sun to process the Bradshaw ore.

The following costs have been capitalized during the years ended October 31, 2019 and 2018 to exploration and evaluation expenditures in respect of the Frankfield Property:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Opening Balance | **$** | **46,840,456** | $ | 34,427,226 |
| Additions during the year: | | | | |
| Engineering, permitting and overhead | | **3,920,921** | | 1,705,055 |
| Site access and development | | **-** | | 3,618,657 |
| Bulk sample development | | **-** | | 6,870,508 |
| Exploration, geophysics, drilling and assays | | **354,026** | | 219,010 |
| **Total additions** | **$** | **4,274,947** | $ | 12,413,230 |
| **Closing Balance** | **$** | **51,115,403** | $ | 46,840,456 |

(ii) Pipestone Property

On April 26, 2011, the Company entered into an option and joint venture agreement (the "Option Agreement") with Transition Metals Corp. ("TMC") to explore and earn an interest in certain claims in the Porcupine mining district in Ontario (the "Pipestone Property"). The Company completed its earn in option for a 60% interest in the properties on April 26, 2016. Upon earning the 60% interest, as applicable, a joint venture automatically formed between Gowest and TMC, pursuant to which the companies will continue to explore and develop the Pipestone Property as warranted. Should either party's joint venture interest be diluted below 10%, its interest will be converted to a 2% NSR. As of April, 2018, the Company's interest had increased to 67.7% by spending $400,000 on the property.

(iii) Tully Property

The Company owns 100% of certain claim blocks in Tully Township.

(iv) Whitney Property

The Company has a 100% interest in certain claims in Whitney Township, Ontario.

*In Canadian Dollars*

## 10. RECLAMATION AND CLOSURE COST OBLIGATIONS

Pursuant to the Bradshaw Project Closure Plan, the Company is obligated to rehabilitate the Bradshaw site. Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligations at each of its mining properties and development properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the obligation. The fair values of the obligations are measured by discounting the expected cash flows using a discount factor that reflects the risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an obligation is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; obligations realized through additional ore bodies mined; changes in the quantities of material in reserves and a corresponding change in the life of mine; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. The present value of the future estimated obligation is recorded when it is incurred. Assumptions including an inflation rate of 1.15% (2018 -2.4%) and a discount rate of 1.42% (2018 – 2.71%) and an expected time to completion of 9 years (2018 – 10 years) have been made which management believes are a reasonable basis upon which to estimate the future liability.

During the year ended October 31, 2019, accretion expense was recorded of $12,094 (October 31, 2018 - $15,220) and a change in estimate of $34,855. The present value of the future rehabilitation liability was estimated at $898,669 as at October 31, 2019 (October 31, 2018 - $851,720).

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Balance, as at beginning of year | 851,720 | 836,500 |
| Additions | - | - |
| Accretion | 12,094 | 15,220 |
| Change in estimate | 34,855 | - |
| Reclamation and closure cost balance, as at end of year | 898,669 | 851,720 |

## 11. LONG TERM DEBT

(i) Pre-Paid Forward Gold Purchase Agreement

On December 16, 2016, the Company entered into a definitive Pre-Paid Forward Gold Purchase Agreement (the “PPF Agreement”) with PGB Timmins Holdings LP (“PGB”), an investment vehicle controlled by Pandion Mine Finance, LP (the "Agreement") finance the development of its Bradshaw project.

Pursuant to the Agreement, the Company may be advanced up to an aggregate of US$17,600,000 (the "Gold Prepayment Amount"), in four tranches over a period of approximately 12 months, as partial consideration for the purchase of up to an aggregate of 65,805 ounces of gold to be produced from Bradshaw. The full funding of the Gold Prepayment Amount was subject to the satisfaction of certain conditions precedent applicable in respect of each tranche, as specified in the Agreement.

Over a period of 60 months following the date of each tranche of the Gold Prepayment Amount, Gowest was obligated to deliver a specified number of ounces of gold in respect of each such tranche; provided, however, no gold shall be deliverable by the Company during the first 27 months following the initial tranche payment date. The Company, on each delivery of gold, would have received an amount per ounce of gold equal to the market price at the time, less a

**11. LONG TERM DEBT (CONTINUED)**

(i) Pre-Paid Forward Gold Purchase Agreement (Continued)

specified discount. During the term of the Agreement, the lender would also participate in the upside of any increase in the price of gold.

The obligations of the Company under the Agreement will be secured by a first lien (subject to permitted liens) over all of the Company's properties and assets, other than certain excluded properties or assets specified in the Agreement.

On February 1, 2017, the Company received payment of only the initial tranche in the amount of US$5,600,000 less the costs of issuance of the debt. The Company has recognized $771,440 as deferred financing cost and allocated $259,388 of these costs against the initial tranche and $47,000 of costs allocated to the conversion feature as at October 31, 2018 and 2017.

On August 9, 2019, the Company received from PGB a Notice of Events of Default and Termination (the “Default Notice“) and a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA Notice“).

Pursuant to the Default Notice, PGB alleges certain defaults by Gowest of its obligations under the PPF Agreement and demanded an early termination fee under the PPF Agreement in the amount of US$25,542,789

As at August 16, 2019, the Company had recorded debt of $10,089,223.

On August 19, 2019, the Company announced that it has entered into minutes of settlement (the “Settlement Agreement”) with PGB with respect to certain alleged defaults by Gowest of its obligations under the PPF Agreement,

Gowest was obligated to pay to PGB an aggregate of US$9 million in cash as follows (i) US$1,500,000, as a non-refundable deposit, on or prior to August 20, 2019 *(paid)*, and (ii) US$7.5 million on or before October 16, 2019 *(paid)* *(*collectively, the “Cash Settlement Amount”); Gowest shall be further obligated to pay an aggregate of 3,500 ounces of gold produced from Bradshaw, at a rate of 15% of gold as produced. The parties are now fully and finally released in respect of any and all claims and other matters arising in respect of the PPF Agreement.

In connection with the completion of the settlement with PGB, Gowest entered into a credit agreement (the “Credit Agreement”), dated as of October 16, 2019, with Greenwater Investment Hong Kong Limited (“Greenwater”), pursuant to which Greenwater advanced US$7.0 million ($9,212,000) to Gowest. The proceeds advanced under the Credit Agreement were used by Gowest, together with cash on hand, to fund the final cash payment obligation owed to PGB under the Settlement Agreement. The Credit Agreement amends and restates the PPF Agreement, which was assigned to Greenwater (together with all security granted in favour of PGB under the PPF Agreement), as part of the settlement with PGB.

Pursuant to the Credit Agreement, the obligations thereunder are to be repaid in 33 equal consecutive monthly payments of blended principal and interest, each such payment totalling US$376,080 ($494,921), commencing as of May 2021. No payments of principal or interest are required to be paid by Gowest under the Credit Agreement until May 2021. All payments of principal and interest under the Credit Agreement are payable in cash and the Company has no future gold sale or delivery obligations under the Credit Agreement.

Subject to the terms of the Credit Agreement, the Company has the ability to prepay the obligations under the Credit Agreement at anytime prior to November 1, 2020 subject to a prepayment penalty in the amount of US$1,260,000 ( $1,658,000) plus interest Further, at the option of the Company and subject to the terms of the Credit Agreement, the payment obligations under the Credit Agreement may be postponed for a period of up to six months such that the first payment would not be due until November 2021. In respect of each month the first payment date is postponedthe Company will be obligated to make an additional payment to the Lender in the amount of US$191,330

*In Canadian Dollars*

## 11. LONG TERM DEBT (CONTINUED)

(i) Pre-Paid Forward Gold Purchase Agreement (Continued)

($252,000) on the date that is 33 months following the date on which any postponed payment was originally due. The obligations of the Company under the Credit Agreement are secured by a first lien (subject to permitted liens) over all of the Company's properties and assets, other than certain excluded properties or assets specified in the Credit Agreement. See Note 14.

Should any payments be postponed, Greenwater would become entitled to an upside participation amount as additional compensation. The calculation of the compensation is based on monthly gold sales and the gold price.

Balance of long term debt as at October 31, 2019:

| Pre-Paid Forward Gold Loan | Year Ended October 31, 2019 | Year Ended October 31, 2018 |
|---|---|---|
| | $ | $ |
| Balance, as at beginning of year | 8,617,150 | 6,830,227 |
| Total proceeds tranche 1 | - | - |
| Accretion | 1,628,074 | 1,602,996 |
| Repayment of long term debt | (11,885,100) | - |
| Loss on settlement of long term debt | 2,156,059 | - |
| Foreign exchange adjustment | - 516,183 | 183,927 |
| Balance as at end of year | - | 8,617,150 |
| Less: Current Portion | - | 754,215 |
| Long term balance as at end of year | - | 7,862,935 |

| Greenwater Loan | Year Ended October 31, 2019 |
|---|---|
| | $ |
| Balance, as at beginning of year | - |
| Total proceeds | 9,212,000 |
| Accretion | - |
| Balance as at end of year | 9,212,000 |
| Less: Current Portion | - |
| Long term balance as at end of year | 9,212,000 |

(ii) Prepayment for Gold Concentrate

On February 14, 2018, the Company received from Shandong Humon Smelting ("Humon") an arm's length party $3,764,700 (US$3,000,000) in connection with entering into an agreement to sell gold concentrate produced from its wholly-owned Bradshaw Gold Deposit ("Bradshaw"). Humon has advanced the funds as pre-payment for the planned delivery and sale of gold concentrate to be produced as part of Gowest's ongoing bulk sample program. The Company promised to complete the repayment to Humon of the amount on or prior to June 30, 2019. Subject to the prior approval of the TSX Venture Exchange, the amount that remains outstanding, from time to time, shall be convertible prior to June 30, 2019, at the option of the Company, into common shares of the Company (which common shares will be listed and posted for trading on the TSX Venture Exchange). The conversion price per common share shall be equal to the "market price" of the Company's common shares on the TSX Venture Exchange determined as of the date that the conversion

*In Canadian Dollars*

**11. LONG TERM DEBT (CONTINUED)**

(ii) Prepayment for Gold Concentrate (continued)

of option is exercised by the Company. Humon will be paid a monthly arrangement fee in respect of the pre-payment. As at October 31, 2019, $3,948,000 (October 31, 2018 - $3,942,600) is recorded in long term debt. The balance increased due to the fluctuation in the foreign exchange rate. Included in accounts payable and accrued liabilities is $1,079,120 (2018 - $440,776) of accrued monthly fees associated with the arrangement of the prepaid amount. All amounts are convertible into common shares up to December 31, 2020. The Company entered into an amendment to the gold concentrate purchase and sale agreement which extends the initial term of the Purchase and Sale Agreement to December 31, 2020 and permits Gowest to extend such term for an additional period of 36 months from the Initial Term Expiry Date provided it provides at least 60 days written notice to Humon.

## 12. SHARE CAPITAL

(a) Authorized capital

Unlimited number of common shares, and 2,000,000 special shares, redeemable, voting, non-participating.

(b) Issued common shares

| | No. of shares* | Amount |
|---|---|---|
| Balance, October 31, 2017 | 33,321,275 | $ 35,000,298 |
| Private placement and warrant exercise (i)(ii)(iii)(iv)(v)(vi) | 3,548,249 | 4,288,357 |
| Share issue costs, net of tax | - | (227,470) |
| Value of warrants exercised | - | 72,548 |
| Flow-through premium on private placement (i)(iii)(iv)(v)(vi) | - | (354,855) |
| Balance, October 31, 2018 | 36,869,524 | $ 38,778,878 |
| Private placement (vii)(viii)(ix) | 23,765,377 | 10,839,500 |
| Share issue costs, net of tax | - | (462,757) |
| **Balance, October 31, 2019** | **60,634,901** | **$ 49,155,621** |

* On June 17, 2019, the Company consolidated its outstanding common shares on a ten-for-one basis. All share and per share figures in these financial statements have been presented on a retroactive basis showing the effect of the share-consolidation.

(i) On November 15, 2017, the Company closed the second tranche of a private placement for aggregate proceeds of $1,428,151. Pursuant to the offering, the Company issued and sold 793,417 flow-through units of the Company at a price of $1.80 per unit for gross proceeds of $1,428,151. Each unit is comprised of one common share and one-half of one common share purchase warrant with each warrant exercisable at a price of $2.50 per warrant until November 15, 2019. In connection with the offering, the Company paid cost of issuance including finder's fees of $89,289 and issued 33,167 non-transferable compensation warrants exercisable at $2.50 for 2 years. The flow-through premium was calculated to be $87,088.

The grant date fair value of $191,000 was assigned to 396,708 warrants and value of $17,348 was assigned to the 33,167 compensation warrants issued as part of the offering was estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility 87%; risk-free rate of return 1.44% and an expected life of 2 years.

(ii) On December 11, 2017, 168,871 common shares were issued upon exercise of warrants at an exercise price of $1.50 per warrant for gross proceeds of $253,306.

(iii) On December 18, 2017, the Company closed the final tranche of a private placement for aggregate proceeds of $1,383,140. Pursuant to the offering, the Company issued and sold 737,300 flow-through units of the Company at a price of $1.80 per unit for gross proceeds of $1,327,140 and 35,000 common share units of the Company at a price of $1.60 per unit for gross proceeds of $56,000. Each unit is comprised of one common share and one-half of one common share purchase warrant with each warrant exercisable at a price of $2.50 per warrant until December 18, 2019. In connection with the offering, the Company paid cost of issuance finder's fees of $71,552 and issued

**12. SHARE CAPITAL**

(b) Issued common shares (continued)

39,818 non-transferable compensation warrants exercisable at $2.50 for 2 years. The flow-through premium was calculated to be $147,460.

The grant date fair value of $160,000 was assigned to 386,150 warrants and value of $18,642 was assigned to the 39,818 compensation warrants issued as part of the offering was estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility 87%; risk-free rate of return 1.57% and an expected life of 2 years.

(iv) On December 22, 2017, 12,500 common shares were issued upon exercise of warrants at an exercise price of $1.50 per warrant for gross proceeds of $18,750.

(v) On December 29, 2017, the Company closed a private placement for aggregate proceeds of $707,400. Pursuant to the offering, the Company issued and sold 376,111 flow-through units of the Company at a price of $1.80 per unit for gross proceeds of $677,000 and 19,000 common share units of the Company at a price of $1.60 per unit for gross proceeds of $30,400. Each unit is comprised of one common share and one-half of one common share purchase warrant with each warrant exercisable at a price of $2.50 per warrant until December 29, 2019. In connection with the offering, the Company paid cost of issuance finder's fees of $37,380 and issued 20,767 non-transferable compensation warrants exercisable at $2.50 for 2 years. The flow-through premium was calculated to be $75,222.

The grant date fair value of $82,000 was assigned to 197,556 warrants and value of $10,893 was assigned to the 20,767 compensation warrants issued as part of the offering was estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility 87%; risk-free rate of return 1.68% and an expected life of 2 years.

(vi) On July 13, 2018, the Company closed a private placement for aggregate proceeds of $1,029,610. Pursuant to the offering, the Company issued and sold 453,750 flow-through units of the Company at a price of $0.80 per unit for gross proceeds of $363,000 and 952,300 common share units of the Company at a price of $0.70 per unit for gross proceeds of $666,610. Each unit is comprised of one common share and one-half of one common share purchase warrant with each warrant exercisable at a price of $1.50 per warrant until July 13, 2020. In connection with the offering, the Company paid cost of issuance finder's fees of $18,099. The flow-through premium was calculated to be $45,085.

The grant date fair value of $99,000 was assigned to 703,025 warrants issued as part of the offering was estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility 82.20%; risk-free rate of return 1.92% and an expected life of 2 years.

The estimated volatility used in the Black-Scholes valuation model is based on the historical volatility of the Company's shares.

(vii) On December 21, 2018, the Company closed a private placement for aggregate proceeds of $993,800. Pursuant to the offering, the Company issued and sold 819,999 flow-through units of the Company at a price of $0.50 per unit for gross proceeds of $410,000 and 1,167,600 common share units of the Company at a price of $0.50 per unit for gross proceeds of $583,800. Each unit is comprised of one common share and one-half of one common share purchase warrant with each warrant exercisable at a price of $0.70 per warrant until December 21, 2020.

The grant date fair value of $154,300 was assigned to 993,800 warrants issued as part of the offering was estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility 92%; risk-free rate of return 1.94% and an expected life of 2 years.

*In Canadian Dollars*

## 12. SHARE CAPITAL (CONTINUED)

(b) Issued common shares (continued)

(viii) On March 25, 2019, the Company closed a private placement for aggregate proceeds of $2,000,000. Pursuant to the offering the Company issued and sold 4,000,000 common shares, of the Company at a price of $0.50 per share for gross proceeds of $2,000,000.

(ix) On June 19, 2019, the Company closed a private placement with Fortune Future Holdings Limited for aggregate proceeds of $8,000,000. Pursuant to the offering the Company issued and sold 17,777,777 common shares of the Company at a price of $0.45 per share for gross proceeds of $8,000,000.

(c) Stock options

The Company has an incentive stock option plan that allows it to grant options to its employees, directors and consultants. The plan received shareholder re-approval on May 25, 2016. The plan allows the Company to grant options to acquire up to 10% of the issued and outstanding common shares. The plan provides that the exercise price of an option granted under the plan shall not be less than the market price at the time of granting the option. Options have a maximum term of 5 years, vest immediately upon issue, unless otherwise stated and terminate on the 90th day after the optionee ceases to be any of: an employee, director or consultant of the Company.

The following table reflects the continuity of options as of October 31, 2019:

| | Number of Options* | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance, October 31, 2017 | 1,507,500 | 1.10 |
| Expired | (250,000) | 1.20 |
| Balance, October 31, 2018 | 1,257,500 | 1.10 |
| Expired | (285,000) | 0.70 |
| **Balance, October 31, 2019** | **972,500** | **1.17** |

* On June 17, 2019, the Company consolidated its outstanding common shares on a ten-for-one basis. All share and per share figures in these financial statements have been presented on a retroactive basis showing the effect of the share-consolidation.

During the  ended October 31, 2019, $Nil (October 31, 2018 - $Nil) was recorded as share-based payment in the statement of loss. The weighted average remaining contractual life of the options outstanding at October 31, 2019 was 1.65 years (October 31, 2018 – 2.14 years).

The estimated volatility used in the Black-Scholes valuation model is based on the historical volatility of the Company's shares.

The following table reflects the options issued and outstanding as of October 31, 2019:

| Expiry Date | Exercise Price ($) | Number of Options Outstanding | Number of Options Exercisable |
|---|---|---|---|
| November 7, 2019 | 0.85 | 40,000 | 40,000* |
| June 22, 2020 | 0.80 | 260,000 | 260,000 |
| June 21, 2021 | 0.95 | 282,500 | 282,500 |
| March 28, 2022 | 1.60 | 325,000 | 325,000 |
| September 24, 2022 | 1.60 | 25,000 | 25,000 |
| October 31, 2022 | 1.60 | 40,000 | 40,000 |
| | | **972,500** | **972,500** |

* Expired subsequent to October 31, 2019

*In Canadian Dollars*

## 12. SHARE CAPITAL (CONTINUED)

(d) Warrants

The following table reflects the continuity of warrants as of October 31, 2019 and 2018:

| | Number of Warrants* | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance, October 31, 2017 | 1,158,290 | 2.30 |
| Issued | 1,772,973 | 2.10 |
| Expired | (27,500) | 1.50 |
| Exercised | (181,371) | 1.50 |
| Balance, October 31, 2018 | 2,722,392 | 2.20 |
| Issued | 993,800 | 0.70 |
| Expired | (949,419) | 2.50 |
| **Balance, October 31, 2019** | **2,766,773** | **1.60** |

* On June 17, 2019, the Company consolidated its outstanding common shares on a ten-for-one basis. All share and per share figures in these financial statements have been presented on a retroactive basis showing the effect of the share-consolidation.

The following table reflects the warrants issued and outstanding as of October 31, 2019:

| Number of Warrants | Exercise Price ($) | Grant Date Fair Value ($) | Expiry Date |
|---|---|---|---|
| 396,708 | 2.50 | 191,000 | November 15, 2019* |
| 33,167 | 2.50 | 17,348 | November 15, 2019* |
| 386,150 | 2.50 | 160,000 | December 18, 2019* |
| 35,600 | 2.50 | 18,642 | December 18, 2019* |
| 197,556 | 2.50 | 82,000 | December 29, 2019* |
| 20,767 | 2.50 | 10,893 | December 29, 2019* |
| 703,025 | 1.50 | 99,000 | July 13, 2020 |
| 993,800 | 0.70 | 154,299 | December 21, 2020 |
| **2,766,773** | | **733,182** | |

* Expired subsequent to October 31, 2019

(e) Convertible Debt

Pursuant to the PPF Agreement (See Note 11), during the 27 month period following the payment of the initial tranche of the Gold Prepayment Amount (the "Conversion Period"), the lender may elect to reduce the amount of gold deliverable by the Company by up to 10,000 ounces in exchange for up to 43,054,838 common shares of the Company (the "Conversion") having an aggregate value equal to US$5,000,000 (or CDN$6,673,500, based on an exchange rate of US$1.00 = CDN$1.3347, being the closing rate of exchange on the date prior to the execution of the Agreement as published by the Bank of Canada). For the purposes of the Conversion, the price per common share has been fixed at CDN$0.155, being the closing price of the common shares on the TSX Venture Exchange on the date prior to the execution of the Agreement.

The Conversion may be exercised during the Conversion Period, in whole or in part, in increments of US$1,000,000 and in exchange for 8,610,967 common shares (corresponding to a reduction in the total quantity of gold deliverable under the Agreement by 2,000 ounces). Following the Conversion, if applicable, the scheduled monthly quantities of gold to be delivered will be reduced on a pro rata basis. Further, if at any time during the term of the Agreement the common shares of the Company trade at a price greater than CDN$0.465 per share (being a trading price three (3) times the Conversion price) for a period of twenty (20) consecutive trading days, the lender shall be obligated to consummate the Conversion.

As August 16, 2019, the Conversion Period had expired with the signing of the Settlement Agreement and as a result the Company reallocated the conversion component recognized in equity to deficit.

*In Canadian Dollars*

## 13. GENERAL AND ADMINISTRATIVE EXPENSES

| | | Year Ended 2019 | | Year Ended 2018 |
|---|---|---|---|---|
| General and administrative | $ | **1,617,598** | $ | 1,333,234 |
| Professional fees | | **655,647** | | 562,204 |
| Investor relations | | **30,000** | | 36,250 |
| Shareholder communications | | **44,901** | | 30,382 |
| Transfer agent and exchange fees | | **21,070** | | 64,274 |
| Amortization | | **138,183** | | 135,949 |
| Mill stand by charge (Note 15) | | **200,000** | | - |
| Gain on dispoal of equipment | | **(1,800)** | | - |
| | $ | **2,705,599** | $ | 2,162,293 |

## 14. RELATED PARTY TRANSACTIONS

The remuneration accrued for directors and key management of the Company for the year ended October 31, 2019 and 2018, is as follows:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Aggregate cash compensation | 382,000 | 442,000 |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

During the year ended October 31, 2019, officers, directors and insiders subscribed for 1,250,000 units in the private placement for proceeds of $625,000 (October 31, 2018 – 1,042,292 units for proceeds of $1,077,410) and Fortune Future Holdings Limited, a significant shareholder of the Company with three nominated directors subscribed for 17,777,777 common shares in a private placement for proceeds of $8,000,000. Included in long term debt is a loan from Greenwater Investment in the amount of $9,212,000 of which a director of Gowest, Meirong Yuan, is also a director and included in Commitments is an obligation to Northern Sun of which Meirong Yuan is also a director. See Notes 11,15 and 17).

During the year ended October 31, 2019, $36,800 was paid to Mr. Wu, a director who provided geological services to the Company (October 31, 2018 - $26,652), $50,400 was paid to Mr. Yuanhui, a director who provided Corporate Development services to the Company (October 31, 2018 - $25,200) and $Nil was paid to Mr. Huang, a director for professional services (October 31, 2018 - $5,000).

Included in accounts payable and accrued liabilities as at October 31, 2019 is $380,900 (October 31, 2018 - $323,037) owing to management, directors and officers of the Company of which the amount payable is unsecured, non-interest bearing with no fixed terms of repayment and $261,945 owing to a director through a promissory note due January 31, 2020, bearing interest at a rate of 8% per annum payable in arrears. See Note 11.

## 15. COMMITMENTS AND CONTINGENCIES

The Company is party to a management and consulting contract. The contract contains clauses requiring additional payments of $617,000 to be made upon the occurrence of certain events such as a change of control or termination. As of Octobe 31, 2019 no triggering event has occurred, and accordingly the contingent payment has not been reflected in these financial statements.

On December 21, 2018, the Company issued $410,000 in flow-through shares. As at October 31, 2019, the Company had expended $410,000 of the related commitments to these flow-through funds. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

The Company is committed to minimum amounts under one operating lease agreement for premises, which expires on November 30, 2023. Minimum commitments remaining under this lease are approximately $261,000, of which approximately $65,000 are due within a one year period.

Minimum payments due under operating leases in respect of office space are set out below:

2020 - $ 65,000
2021 - $ 67,000
2022 - $ 67,000
2023 - $ 62,000

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

On December 21, 2018, the Company issued $410,000 in flow-through shares. As at October 31, 2019, the Company had expended $410,000 of the related commitments to these flow-through funds. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

On October 30, 2019, the Company announced that it has entered into a binding term sheet with Northern Sun Mining Corp. ("Northern Sun") with respect to the processing at Northern Sun's Redstone Mill in Timmins, Ontario of up to 30,000 tonnes of ore developed from the Company's Advanced Exploration Bulk Sample program. Pursuant to the term sheet, which expires September 30, 2020, Gowest is responsible for certain care and maintenance costs of the Redstone Mill, in the form of a standby fee of CDN$200,000 per month (which may be reduced to CDN$150,000 in certain circumstances. In connection with the signing of the term sheet with Northern Sun the Company terminated it's agreement with QMX on October 30, 2019. See Note 14.

*In Canadian Dollars*

## 16. INCOME TAXES

a) Provision for Income Taxes

The following table reflects the major items causing the Company's income tax recovery to differ from the Canadian combined federal and provincial statutory rate of 26.5% (2018 – 26.5%).

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Loss before income taxes | (6,828,180) | (3,117,716) |
| Expected income tax (recovery) at statutory rates | (1,773,000) | (826,000) |
| Adjustment to expected income tax benefit: | | |
| Flow-through renunciation | 109,000 | 2,427,000 |
| Non-deductible amounts for tax purposes | (10,000) | 3,000 |
| Expenses deductible for tax purposes | | |
| Foreign exchange | 13,000 | 48,000 |
| Flow-through premium recovery | - | (276,000) |
| Other | (254,000) | 289,000 |
| Deferred income tax (recovery) / expense | (1,915,000) | 1,665,000 |
| Deferred income tax recognized directly in equity | 97,000 | (65,000) |
| Total taxation | (1,818,000) | 1,600,000 |

b) Deferred Income Tax

The following table reflects deferred income tax assets (liabilities):

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Non-capital losses | 1,058,000 | 1,263,000 |
| Exploration and evaluation properties | (2,719,000) | (4,250,000) |
| Share issue costs | 237,000 | 235,000 |
| Asset retirement obligation | 230,000 | 226,000 |
| Long term debt | - | (264,000) |
| Other temporary differences | 111,000 | (111,000) |
| Net deferred income tax (liabilities) | (1,083,000) | (2,901,000) |

The following table reflects unrecognized deferred tax assets in respect of the following temporary differences:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Long term investments | 15,000 | 14,000 |

The Company has approximately $43,600,000 (2018 - $33,748,000) of Canadian development and exploration expenditures as at October 31, 2019, which under certain circumstances can be used to reduce the taxable income of future years.

*In Canadian Dollars*

## 16. INCOME TAXES (CONTINUED)

b) Deferred Income Tax (continued)

The Company has also incurred non-capital losses for income tax purposes of approximately $4,883,000 (2018 - $4,520,000) at October 31, 2019 which under certain circumstances can be used to reduce the taxable income of future years. These non-capital losses expire as follows:

| Year of Expiry | Amount |
|---|---|
| 2028 | $ 196,000 |
| 2029 | 483,000 |
| 2030 | 153,000 |
| 2031 | 310,000 |
| 2032 | - |
| 2033 | 310,000 |
| 2034 | 123,000 |
| 2035 | 270,000 |
| 2036 | 191,000 |
| 2037 | 1,364,000 |
| 2038 | 1,285,000 |
| 2039 | 198,000 |
| | $ 4,883,000 |

## 17. SUBSEQUENT EVENTS

On November 7, 2019, 40,000 options to acquire common shares at a price of $0.85 per option expired unexercised.

On November 15, 2019, 429,876 warrants to acquire common shares at a price of $2.50 per warrant expired unexercised.

On December 18, 2019, 421,750 warrants to acquire common shares at a price of $2.50 per warrant expired unexercised.

On December 29, 2019, 218,323 warrants to acquire common shares at a price of $2.50 per warrant expired unexercised.

On December 20, 2019, the Company closed a private placement for aggregate proceeds of $2,043,049. Pursuant to the offering the Company issued and sold 4,741,130 flow-through units of the Company at a price of $0.22 per unit and 5,000,000 common share units of the Company at a price of $0.20 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant exercisable at a price of $0.30 per whole warrant until December 20, 2021. Two directors and a significant shareholder subscribed for proceeds of $1,490,000. In connection with the offering the Company paid finders fees of $25,774.

On January 16, 2020, the Company settled an aggregate of $545,000 of indebtedness through the issuance of 2,725,000 common shares. The Company issued 1,725,000 common shares at a price of $0.20 per share in satisfaction of directors fees owing and outstanding.

On January 30, 2020, the Company closed a private placement for aggregate proceeds of $1,000,000. Pursuant to the offering the Company issued and sold 5,000,000 common share units of the Company at a price of $0.20 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant exercisable at a price of $0.30 per whole warrant until January 31, 2022.

**GOWEST GOLD LTD.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED OCTOBER 31, 2019**

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Gowest Gold Ltd. ("Gowest" or the "Company") describes the operating and financial results of the Company for the three and twelve months ended October 31, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Gowest's audited financial statements for the years ended October 31, 2019 and 2018, together with the notes thereto. The Company prepares and files its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise noted and gold is measured in fine troy ounces ("ounces").

## Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Gowest's properties to contain economic precious and base metal deposits; the Company's ability to meet its working capital needs for the next twelve-month period, or the foreseeable future; the plans, costs, timing and capital for future exploration and evaluation of Gowest's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for precious and base metals; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Gowest's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, precious and base metal deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to the Company's properties, the possibility that future exploration results will not be consistent with Gowest's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economicand political conditions and other risks involved in the precious and base metal exploration and evaluation as well as those risk factors listed in the "Risks and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Gowest's exploration and evaluation activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Gowest's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

**Date of MD&A**

This MD&A is dated February 28, 2020.

**Description of the Business and Going Concern**

Gowest is in the business of exploring and evaluating properties that it believes contain mineralization that is, or will, in the future, be economically recoverable. The Company is focused on the exploration and evaluation of the North Timmins Gold Project ("NTGP"), which includes its wholly-owned Bradshaw gold deposit (formerly Frankfield East gold deposit). Gowest's 10,942-hectare (109 square kilometres) NTGP land package is located near Timmins, Ontario, in the Timmins Gold Camp, which since its discovery in the early 1900's, has produced almost half of all the gold mined in Canada.

The Company's primary objective is to advance its Bradshaw gold deposit to development and increase the resource through exploration in the NTGP. The Company also remains open to evaluating other potential opportunities to enhance shareholder value.

In addition to its focus on exploration and evaluation of its Bradshaw gold deposit, which represents approximately 50-hectare (0.5 square kilometre), the Company is exploring additional gold targets on the remainder of its land package. This land package generally surrounds, or is contiguous with, the Frankfield property and includes exploration interests along the largely undeveloped Pipestone Fault area of the Timmins Gold Camp, including a contiguous block of claims extending approximately 18 kilometres along the Pipestone Fault from the Bradshaw gold deposit southeast towards the Clavos deposit. The Company regularly evaluates the potential to increase its holdings in the vicinity of the Pipestone Fault, among other acquisition opportunities.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in the development of a profitable mine. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and evaluation, and the subsequent development of a mine and upon future profitable production or proceeds from dispositions of such properties. Changes in future conditions could require material write-downs of the carrying amounts of mineral properties.

Although the Company has taken steps to verify title to its mineral property interests, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The accompanying financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Due to continuing operating losses, the Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of property.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of a mineral property. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

**Highlights and Outlook**

Effective June 30, 2019, the Company amended it's agreement with Humon Smelting ("Humon") of $3,948,000 as of October 31, 2019 (October 31, 2018 - $3,764,700) The amendment, among other things, extends the initial term of the Purchase and Sale Agreement to December 31, 2020 and permits Gowest to extend such term for an additional period of 36 months from the Initial Term Expiry Date provided it provides at least 60 days written notice to Humon.

On October 16, 2019, the Company announced that it has completed its settlement with PGB Timmins Holdings LP ("PGB") in accordance with the minutes of settlement previously entered into between the parties. Pursuant to the Minutes of Settlement, Gowest has paid to PGB the final required cash payment of US$7.5 million. The parties are now fully and finally released in respect of any and all claims and other matters arising in respect of the Pre-Paid Forward Gold Purchase Agreement, dated as of December 16, 2016, entered into between PGB and Gowest.

On October 16, 2019, in connection with the completion of the settlement with PGB, Gowest has entered into a credit agreement, dated as of October 16, 2019, with Greenwater Investment Hong Kong Limited ("Greenwater"), pursuant to which Greenwater advanced US$7.0 million to Gowest. The proceeds advanced under the Credit Agreement were used by Gowest, together with cash on hand, to fund the final cash payment obligation owed to PGB under the Minutes of Settlement. The Credit Agreement amends and restates the PPF Agreement, which was assigned to Greenwater (together with all security granted in favour of PGB under the PPF Agreement), as part of the settlement with PGB.

Pursuant to the Credit Agreement, the obligations thereunder are to be repaid in 33 equal consecutive monthly payments of blended principal and interest, each such payment totalling US$376,080, commencing as of May 2021. No payments of principal or interest are required to be paid by Gowest under the Credit Agreement until May 2021. All payments of principal and interest under the Credit Agreement are payable in cash and the Company has no future gold sale or delivery obligations under the Credit Agreement.

Subject to the terms of the Credit Agreement, the Company has the ability to prepay the obligations under the Credit Agreement at anytime prior to November 1, 2020. Further, at the option of the Company and subject to the terms of the Credit Agreement, the payment obligations under the Credit Agreement may be postponed for a period of up to six months such that the first payment would not be due until November 2021.

The obligations of the Company under the Credit Agreement are secured by a first lien (subject to permitted liens) over all of the Company's properties and assets, other than certain excluded properties or assets specified in the Credit Agreement. The representations and warranties, covenants, events of default, and other terms and conditions of the Credit Agreement are generally consistent with the prior PPF Agreement, but modified as required to reflect the change in structure of the transaction to a loan made by way of a single advance and payable in cash. See Note 11 and 14 of the financial statements.

On October 30, 2019, the Company announced that it has entered into a binding term sheet with Northern Sun Mining Corp. ("Northern Sun") with respect to the processing at Northern Sun's Redstone Mill in Timmins, Ontario of up to 30,000 tonnes of ore developed from the Company's Advanced Exploration Bulk Sample program. Upon entering the term sheet, the Company terminated the agreement entered into on October 30, 2018 with QMX. Pursuant to the term sheet, which expires September 30, 2020, Gowest is responsible for certain care and maintenance costs of the Redstone Mill, in the form of a standby fee of CDN$200,000 per month (which may be reduced to CDN$150,000 in certain circumstances). Gowest shall further be responsible for any capital costs to be incurred by Northern Sun in keeping with prudent practices for the processing the Bulk Sample ore. In respect of any month in which Gowest ore is being processed, the standby fee shall not be payable and Gowest will instead be responsible for payment of the actual operating costs of the Redstone Mill relating to the processing of such ore.

The commencement of processing the Bulk Sample is subject to Northern Sun obtaining requisite governmental consents and approvals. Northern Sun has undertaken to diligently and expeditiously seek to obtain, using commercially reasonable efforts, all required governmental consents and approvals, including environmental approvals, necessary for the processing of the Bulk Sample ore pursuant to the Term Sheet.

Northern Sun and Gowest have further agreed under the Term Sheet to use commercially reasonable efforts to negotiate and execute a long-term custom milling agreement of not less than five years on commercially reasonable terms.

**SUBSEQUENT EVENTS**

On November 7, 2019, 40,000 options to acquire common shares at a price of $0.85 per option expired unexercised.

On November 15, 2019, 429,876 warrants to acquire common shares at a price of $2.50 per warrant expired unexercised.

On December 18, 2019, 421,750 warrants to acquire common shares at a price of $2.50 per warrant expired unexercised.

On December 29, 2019, 218,323 warrants to acquire common shares at a price of $2.50 per warrant expired unexercised.

On December 20, 2019, the Company closed a private placement for aggregate proceeds of $2,043,049. Pursuant to the offering the Company issued and sold 4,741,130 flow-through units of the Company at a price of $0.22 per unit and 5,000,000 common share units of the Company at a price of $0.20 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant exercisable at a price of $0.30 per whole warrant until December 20, 2021. Two directors and a significant shareholder subscribed for proceeds of $1,490,000. In connection with the offering the Company paid finders fees of $25,774.

In December 2019, the Company staked new claims that are contiguous with the previous Wark and Gowan claim groups. The combined two multi-cell claims (Claims #s 566482 and 566907) represent an area of 242.7 hectares or 2.4 $km^{2.}$ The Company's total land package now stands at 11,224 hectares or 111 $km^2$.

On January 16, 2020, the Company settled an aggregate of $545,000 of indebtedness through the issuance of 2,725,000 common shares. The Company issued 1,725,000 common shares at a price of $0.20 per share in satisfaction of directors fees owing and outstanding.

On January 30, 2020, the Company closed a private placement for aggregate proceeds of $1,000,000. Pursuant to the offering the Company issued and sold 5,000,000 common share units of the Company at a price of $0.20 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant exercisable at a price of $0.30 per whole warrant until January 31, 2022.

Subsequent to the year end, in December 2019, the Company staked new claims that are contiguous with the previous Wark and Gowan claim groups. The combined two multi-cell claims (Claims #s 566482 and 566907) represent an area of 242.7 hectares or 2.4 $km^{2.}$ The Company's total land package now stands at 11,224 hectares or 111 $km^2$.

**Selected quarterly information**

The following tables set out certain financial performance highlights for the last eight quarters:

| | Fourth Quarter October 31, 2019 | Third Quarter July 31, 2019 | Second Quarter April 30, 2019 | First Quarter January 31, 2019 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| General and administrative (expenses) | (1,224,354) | (638,952) | (438,232) | (404,061) |
| Foreign exchange (loss) gain | (3,332) | 131,319 | (90,011) | 3,212 |
| Interest income (expense) | (76,548) | (187) | (2,727) | - |
| Accretion (expense) | (156, 679) | (530,675) | (476,407) | (476,407) |
| Deferred income tax (expense) recovery | 1,851,000 | 26,000 | 19,000 | 19,000 |
| Net comprehensive (loss) | (2,055,552) | (1,012,495) | (988,377) | (858,256) |
| Net comprehensive (loss) per share, basic and diluted | (0.040) | (0.019) | (0.024) | (0.02) |
| Cash flow (used in) operations | (283,323) | (1,909,930) | (353,823) | 227,476 |
| Cash & cash equivalents, end of period | 284,567 | 5,098,636 | 461,462 | 274,607 |
| Assets | 57,246,391 | 61,555,866 | 55,279,684 | 54,239,671 |
| Deferred tax liabilities | 1,083,000 | 2,837,000 | 2,863,000 | 2,882,000 |

| | Fourth Quarter October 31, 2018 | Third Quarter July 31, 2018 | Second Quarter April 30, 2018 | First Quarter January 31, 2018 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| General and administrative (expenses) | (549,115) | (461,143) | (852,991) | (299,044) |
| Foreign exchange gain (loss) | (175,742) | (224,171) | (429,219) | 385,492 |
| Interest income (expense) | (13,038) | 16 | (12,831) | 17 |
| Accretion (expense) | (353,306) | (422,012) | (380,860) | (370,911) |
| Deferred income tax expense | (1,706,000) | 16,000 | 13,000 | 12,000 |
| Flow through premium (expense) recovery | (71,000) | - | 425,855 | 686,287 |
| Net comprehensive (loss) / gain | (2,803,701) | (1,107,310) | (1,263,046) | 389,841 |
| Net (loss) per share, basic and diluted | (0.0) | (0.03) | (0.04) | 0.01 |
| Cash flow (used in) operations | (2,061,358) | 145,680 | 263,202 | 1,055,596 |
| Cash & cash equivalents, end of period | 153,174 | 120,457 | 227,113 | 297,271 |
| Assets | 53,493,001 | 52,770,059 | 52,612,761 | 49,092,231 |
| Deferred tax liabilities | 2,901,000 | 1,260,000 | 1,276,000 | 1,289,000 |

The following is a summary of selected financial information for the fiscal years of:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| | $ | $ | $ |
| General and administrative expenses | 2,705,599 | 2,162,293 | 2,348,697 |
| Foreign exchange (loss) / gain | 41,188 | (443,640) | 87,036 |
| Interest, other (expense) / income | (79,462) | (25,836) | 17,583 |
| Accretion (expense) | (1,640,168) | (1,527,089) | (1,017,112) |
| Deferred income tax (expense) / recovery | 1,915,000 | (1,665,000) | 185,000 |
| Net loss for the year | (4,913,180) | (4,782,716) | (3,076,190) |
| Net comprehensive loss for the year | (4,914,680) | (4,784,216) | (3,073,940) |
| Net loss per share, basic and diluted | (0.103) | (0.134) | (0.0101) |
| Cash flow (used in) operations | (2,319,600) | (596,880) | (2,628,259) |
| Cash & cash equivalents, end of year | 284,567 | 153,174 | 2,590,753 |
| Assets | 57,246,391 | 53,493,001 | 44,547,013 |
| Long term debt | 13,160,000 | 7,862,935 | 6,830,227 |
| Deferred tax liabilities | 1,083,000 | 2,901,000 | 1,301,000 |

**Results of Operations**

The Company's activities during the three and twelve month period ended October 31, 2019, produced a net comprehensive loss of ($2,055,552) and ($4,914,680), respectively as compared to a net comprehensive loss of ($2,803,701) and ($4,782,716), respectively for the comparable prior year period.

The expenditures listing below are followed by a brief discussion of significant line items in expenses.

| Expenses | Three Month Ended October 31, 2019 | Three Month Ended October 31, 2018 | Twelve Month Ended October 31, 2019 | Twelve Months Ended October 31, 2018 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| General and administrative | 733,653 | 280,040 | 1,617,598 | 1,333,234 |
| Professional fees | 123,993 | 209,174 | 655,647 | 562,204 |
| Investor relations | 10,000 | 13,301 | 30,000 | 36,250 |
| Shareholder communications | 17,284 | 1,632 | 44,901 | 30,382 |
| Transfer agent and exchange fe | 3,041 | 11,341 | 21,070 | 64,274 |
| Amortization | 138,183 | 33,627 | 138,183 | 135,949 |
| Mill Stand By Charge | 200,000 | - | 200,000 | - |
| Gain on disposal | (1,800) | - | (1,800) | - |
| Total general and administrativ expenses | 1,224,354 | 549,115 | 2,705,599 | 2,162,293 |
| Other : | | | | |
| Accretion | (156,679) | 353,306 | 1,640,168 | 1,527,089 |
| Foreign exchange (loss) /gain | (3,332) | (175,742) | 41,188 | (443,640) |

**General and Administrative Expenses** – The current three and twelve month period reflects the recording of the annual directors fees, the monthly arrangement fee associated with the pre-payment of the gold concentrate and the ongoing general and administrative expense provisions.

**Professional Fees** – The overall increase in professional fees during the current three and twelve month period as compared to the prior year period reflects the costs associated with the default notice received from Pandion Mine Finance, costs associated with the negotiations of the new debt facility and the amendment to the processing agreements.

**Shareholder Communications –** The shareholder communication expenses during the current three and twelve month period include the costs associated with the share consolidation.

**Transfer agent and regulatory fees** – Transfer agent and regulatory fees for the current three and twelve month period reflects costs associated with exchange filing fees associated with the convertible debt and shareholder management and reporting during the prior year period.

**Accretion -** Accretion expense on long-term debt for the current three and twelve month period reflects up to October 16, 2019, the effective interest on the Prepaid Forward Gold Agreement and accretion recorded for the present value of the future rehabilitation liability as compared to the prior year period whereby the effective interest was recorded as at February 1, 2017.

**Foreign Exchange –** The foreign exchange gain is associated with the revaluation of the Prepaid Forward Gold Agreement debt and the Prepayment for gold concentrate from Shandong Humon Smelting both denominated in US dollars re-valued at the closing rate at the end of the period.

**Liquidity and Capital Resources**

The activities of the Company, which are primarily the acquisition, exploration and evaluation of mineral properties that it believes contain mineralization, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that equity capital will be available to the Company in the required amounts, with acceptable terms or at the time required. See "Risk Considerations" below.

As at October 31, 2019 and October 31, 2018, the Company reported a cash and cash equivalent position of $284,567 and $153,174 respectively, and working capital deficit of $9,083,442 and $14,164,031 respectively. Included in the current period working capital are costs associated deferred fees and equipment rentals and fees associated with the monthly Humon arrangement fee. Subsequent to October 31, 2019, $545,000 in indebtedness was settled with common shares of the Company.

The Company's cash used by operating activities was ($2,319,600) for the twelve month period ended October 31, 2019. Cash used in investing activities was ($5,253,949) for the twelve month period ended October 31, 2019 reflecting costs attributed to the advanced exploration activities including, care and maintenance during the suspension of bulk sample mining, engineering and permitting and the purchase of conveyors to be used in the ore-sorting.

The Company's cash provided by financing activities was $7,704,942 for the twelve month period ended October 31, 2019, reflecting the net proceeds from private placement financings in December 2018, March and June 2019, the repayment of the Prepaid Forward Gold Loan settlement, the refinancing of USD$7,000,000 and a short term loan from a related party.

The Company is assessing its future funding requirements to advance on the development of Bradshaw. The Company expects funding to complete the development of Bradshaw through equity transactions such as equity offerings, exercise of stock options and warrants. The Company will continue to explore various alternative methods to continue the advancement of its projects.

**Mineral Properties**

According to Gowest's Exploration and Evaluation Properties as at October 31, 2019, accumulated costs related to the Company's interest in mineral properties owned, leased, under consideration to be acquired or under option, were as follows:

| | Opening Net Book Value November 1, 2018 | Expenditures For the Year Ended October 31, 2019 | Closing Net Book Value October 31, 2019 |
|---|---|---|---|
| | **$** | **$** | **$** |
| Frankfield Property | 46,840,458 | 4,274,945 | 51,115,403 |
| Pipestone Property | 1,924,443 | 11,272 | 1,935,715 |
| Tully Property | 906,375 | 6,050 | 912,425 |
| Whitney Property | 114,475 | - | 114,475 |
| | 49,785,751 | 4,292,267 | 54,078,018 |

| | Frankfield Property | | Pipestone Property | | Tully Property | | Whitney Property | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Twelve Months Ended | | | | | | | | | |
| | Oct 31, 2019 | Oct 31, 2018 | Oct 31, 2019 | Oct 31, 2018 | Oct 31, 2019 | Oct 31, 2018 | Oct 31, 2019 | Oct 31, 2018 | Oct 31, 2019 | Oct 31, 2018 |
| | **$** | $ | **$** | $ | **$** | $ | **$** | $ | **$** | $ |
| **Opening Balance, Beginning of period** | **46,840,456** | 34,427,226 | **1,924,443** | 1,579,821 | **906,375** | 892,971 | **114,475** | 114,475 | **49,785,749** | 37,014,493 |
| **Acquisition and holding costs** | **-** | - | **-** | - | **-** | **1,578** | **-** | - | **-** | 1,578 |
| **Property upgrades, site infrastructure, site clearing and ramp development** | **-** | 3,618,657 | **-** | - | **-** | - | **-** | - | **-** | 3,618,657 |
| **Mining** | **-** | 6,870,508 | **-** | - | **-** | - | **-** | - | **-** | 6,870,508 |
| **Asset retirement obligation** | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - |
| **Office, Camp, Engineering, Study, Consultation, Permitting, Care &** | **3,920,921** | 1,705,055 | **-** | - | | | **-** | | **3,920,921** | 1,705,055 |
| **Exploration, Drilling and Geophysics** | **354,026** | 219,010 | **11,272** | 344,622 | **6,050** | 11,826 | **-** | - | **371,348** | 575,458 |
| | | | | | | | | | | |
| **Closing Balance, End of Period** | **51,115,403** | 46,840,456 | **1,935,715** | 1,924,443 | **912,425** | 906,375 | **114,475** | 114,475 | **54,078,018** | 49,785,749 |

Exploration and Development Expenditures

Gowest's North Timmins Gold Project (NTGP) currently covers one patented mining claim, 11 mining leases and 56 unpatented mining claims over a total of 10,942 hectares (109 square kilometres) in Evelyn, Gowan, Little, Prosser, Tully, and Wark Townships in the Timmins gold camp. This includes 26 unpatented mining claims (3,302 hectares) held under joint venture with Transition Metals Corp. (Transition). The project is comprised of three main properties: Frankfield, Tully and Pipestone.

The project is located approximately 32 km north-northeast of the City of Timmins, Ontario. Gowest owns a 100% interest in all of the claims that are not part of the Transition joint venture.

(i) Frankfield Property

The Frankfield Property covers an area of 837 hectares and is comprised of nine mining leases. The property hosts the Bradshaw deposit that currently contains approximately 422,059 ounces of Au in the indicated category (2.1 million t at a grade of 6.2 g/t) and 754,583 oz. Au in the inferred category (3.6 million t at a grade of 6.5 g/t Au).

In March, 2009, Gowest acquired a 100% interest in the Frankfield project in Ontario. In consideration for New Texmont Exploration Ltd.'s ("New Texmont") 50% interest in the Frankfield project, the Company issued 15,000,000 common shares to New Texmont and also granted New Texmont a sliding scale Net Smelter Royalty (the "NSR"). In December 2015, the Company purchased the NSR from New Texmont with one-time payment with the issuance of 10,000,000 common shares (estimated grant date fair value of $800,000 based on the quoted market price of the Company's shares) at a deemed price of $0.10.

In February, 2010, the Company completed an agreement with Newmont Corporation (formerly Goldcorp Canada Ltd. and Goldcorp Inc). (collectively "Newmont"), for the purchase of Newmont's properties in Tully Township adjacent to the Company's 100% owned Frankfield Project. Consideration for this acquisition included a 2% NSR derived from future production specifically from the Newmont leased claims, a 1% NSR derived from future production specifically from the Newmont unpatented claims and $100,000 in cash (paid). The Company will maintain an NSR buyout option for both the Newmont leased claims and Goldcorp unpatented claims valued at $500,000 for each 0.5% of the desired NSR. Newmont may elect not to sell the final 0.5% portion of its NSR.

In December, 2010, the Company completed its acquisition of a 100% interest of the Dowe property in Tully Township, Ontario adjacent to the Company's 100% owned Frankfield Gold Property. In consideration for this acquisition, the Company paid $16,000 in cash, issued 70,000 common shares (estimated grant date fair value of $18,200 based on the quoted market price of the Company's shares) of the Company and agreed to a 0.5% NSR at gold prices of less than US$950 per ounce or 0.75% NSR at gold prices equal to or greater than US$950 per ounce. The Company maintains an NSR buyout option valued at $125,000 for each 0.25% of the NSR.

During the year ended October 31, 2017, the Company increased its previously placed financial assurance bond by $773,877 for a total of $854,298 with the Ministry of Northern Development and Mines for the Bradshaw project advanced exploration closure plan, which is refundable once certain conditions are met.

During the year ended October 31, 2017, the Company initiated and proceeded with the advanced exploration program on the Bradshaw with extensive surface preparation work for the Bulk Sample Program. Gowest started underground development at the Bradshaw mine site on May 11, 2017, when the first blast was executed at the portal, which is located at the east side of the outcrop.

During the initiation of the bulk sample program, the Company has driven over 2,100 metres of the main decline to the south with development on the 30 and 45 metre levels near completion for stoping and development extending to the 60 metre level. Crews were working on the decline in two shifts since the middle of May 2017 and one shift from end of December 2017 to April 2018. The Company currently has over 28,000 tonnes of development material stockpiled on surface for sorting, milling and sale as concentrate.

While the Company reviewed and evaluated its options for processing ore from its Bulk Sample, and given the uncertainty of the timing surrounding the processing of the Bulk Sample and the fact that there was no further capacity at the mine site to store any further underground mined material, the Company determined to suspend mining operations in April 2018, but only to the extent that will ensure there will be no delay in the renewal of the development of the mine when conditions warrant

To date, the Company completed 3,871 metres of ramp infill drilling for a total of 30 holes and metallurgical test holes in the area where the bulk sample will be collected. All holes in the drill program intersected gold mineralization. The advanced exploration drill program has been designed to refine the geological model and the stope design in the upper portion of the Bradshaw deposit.

Reclamation and Closure Cost Obligations

Pursuant to the Bradshaw Project Closure Plan, the Company is obligated to rehabilitate the Bradshaw site. Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligations at each of its mining properties and development properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the obligation. The fair values of the obligations are measured by discounting the expected cash flows using a discount factor that reflects the risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an obligation is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; obligations realized through additional ore bodies mined; changes in the quantities of material in reserves and a corresponding change in the Life of Mine; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. Assumptions, including an inflation rate of 1.15% (2018 – 2.4%) and a discount rate of 1.42% (2018 – 2.71%), and an expected time to completion of 9 years (2018 – 10 years) have been made which management believes are a reasonable basis upon which to estimate the future liability.

The present value of the future rehabilitation liability was estimated at $898,669 as at October 31, 2019.

(ii) Pipestone Property

The Pipestone Property (7,577 hectares) is comprised of two blocks, namely the East Pipestone and the West Pipestone, both east and west of the Frankfield Property, respectively. The East Pipestone block consists of 21 wholly owned unpatented mining claims (4,274 hectares) and 12 unpatented mining claims (2,218 hectares), held by Gowest under a joint-venture agreement with Transition Metals Corp.

The Pipestone West Property consists of 15 unpatented mining claims (1,085 hectares), held by Gowest under a joint-venture agreement with Transition Metals Corp.

On April 26, 2011, the Company entered into an option and joint venture agreement (the "Option Agreement") with Transition Metals Corp. ("TMC") to explore and earn an interest in an additional 3,400 hectares in the Porcupine mining district in Ontario (the "Pipestone Property"). The Company completed its earn-in option for a 60% interest in the properties on April 26, 2016. Upon earning the 60% interest, as applicable, a joint venture automatically formed between Gowest and TMC, pursuant to which the companies will continue to explore and develop the Pipestone Property as warranted. Should either party's joint venture interest be diluted below 10%, its interest will be converted to a 2% NSR.

During the twelve month period ended October 31, 2018, the Company completed an Induced Polarization (IP) survey on the Pipestone property, as part of the Transition JV work program. The Company is evaluating the results and developing the next steps for the program which it expects to initiate during the fourth quarter of the Company's fiscal twelve months.

As at October 31, 2019, the Company's interest in the properties is 67.7%.

(iii) Tully Property

The Tully Property consists of two claim blocks totalling 2,513 hectares in Tully Township. The North block is located 3 km northeast of the Bradshaw Gold deposit and is comprised of one mining lease and one unpatented claim totalling 228 hectares. The Tully East Property, which consists of one patented claim, one mining lease and six unpatented mining claims covering 2,285 hectares, is contiguous to and east of the Frankfield Property.

(iv) Whitney Property

The Gowest Whitney Property consists of nine patented claims (mining and surface rights) totalling approximately 144 hectares. It is located in the centre of the Timmins Gold Camp, 10 km west of downtown Timmins, Ontario and 25 km south of the Bradshaw gold deposit.

The Company had a historic interest in 5 patented claims and on July 22, 2015, the Company entered into an agreement to acquire a 100% interest in 4 additional patented claims from the Crown for shares and cash. In accordance with the terms of the agreement, the Company has paid $25,000 in cash and issued 1,000,000 common shares (estimated grant date fair value of $75,000 based on the quoted market price of the Company's shares) of the Company on August 25, 2015.

**Next Steps**

The Company's primary objective is to complete the Bradshaw gold deposit 30,000 tonne bulk sample from the primary gold zones in the underground mining area, towards production. To that end, the Company has received all the necessary permits for the advanced exploration at the Bradshaw from the various provincial government ministries. The Company has undertaken the application for a mining permit and continues to consult with the various First Nation communities on obtaining a Resource Development Agreement.

In addition, the Company continues to review opportunities to increase the resource through exploration on the NTGP and other potential opportunities to enhance shareholder value.

On a quarterly and annual basis, the management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization.

**Commitments and Contingencies**

The Company is party to a management and consulting contract. The contract contains clauses requiring additional payments of $617,000 to be made upon the occurrence of certain events such as a change of control or termination. As of October 31, 2019 no triggering event has occurred, and accordingly the contingent payment has not been reflected in these financial statements.

On December 21, 2018, the Company issued $410,000 in flow-through shares. As at October 31, 2019, the Company had expended $410,000 of the related commitments to these flow-through funds. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

The Company is committed to minimum amounts under one operating lease agreement for premises, which expires on November 30, 2023. Minimum commitments remaining under this lease are approximately $261,000, of which approximately $65,000 are due within a one year period.

Minimum payments due under operating leases in respect of office space are set out below:

2020 - $ 65,000
2021 - $ 67,000
2022 - $ 67,000
2023 - $ 62,000

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

On December 21, 2018, the Company issued $410,000 in flow-through shares. As at October 31, 2019, the Company had expended $410,000 of the related commitments to these flow-through funds. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

On October 30, 2019, the Company announced that it has entered into a binding term sheet with Northern Sun Mining Corp. ("Northern Sun") with respect to the processing at Northern Sun's Redstone Mill in Timmins, Ontario of up to 30,000 tonnes of ore developed from the Company's Advanced Exploration Bulk Sample program. Pursuant to the term sheet, which expires September 30, 2020, Gowest is responsible for certain care and maintenance costs of the Redstone Mill, in the form of a standby fee of $200,000 per month (which may be reduced to $150,000 in certain circumstances. In connection with the signing of the term sheet with Northern Sun the Company terminated it's agreement with QMX on October 30, 2019.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Transactions with Related Parties**

The remuneration of directors and key management of the Company for the three months ended January 31 is as follows:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Aggregate cash compensation | 382,000 | 442,000 |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

During the year ended October 31, 2019, officers, directors and insiders subscribed for 1,250,000 units in the private placement for proceeds of $625,000 (October 31, 2018 – 1,042,292 units for proceeds of $1,077,410) and Fortune Future Holdings Limited, a significant shareholder of the Company with three nominated directors subscribed for 17,777,777 common shares in a private placement for proceeds of $8,000,000. Included in long term debt is a loan from Greenwater Investment in the amount of $9,212,000 of which a director of Gowest, Meirong Yuan, is also a director and included in Commitments is an obligation to Northern Sun of which Meirong Yuan is also a director.

During the year ended October 31, 2019, $36,800 was paid to Mr. Wu, a director who provided geological services to the Company (October 31, 2018 - $26,652), $50,400 was paid to Mr. Yuanhui, a director who provided Corporate Development services to the Company (October 31, 2018 - $25,200) and $Nil was paid to Mr. Huang, a director for professional services (October 31, 2018 - $5,000).

Included in accounts payable and accrued liabilities as at October 31, 2019 is $380,900 (October 31, 2018 - $323,037) owing to management, directors and officers of the Company of which the amount payable is unsecured, non-interest bearing with no fixed terms of repayment and $261,945 owing to a director through a promissory note due January 31, 2020, bearing interest at a rate of 8% per annum payable in arrears.

**Proposed Transactions**

There are no material decisions by the board of directors of the Company with respect to any imminent or proposed transactions that have not been disclosed.

**Significant Accounting Judgements, Estimates**

The preparation of the condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates that, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are: capitalization of exploration and evaluation expenditures, impairment of exploration and evaluation properties, share-based payments, income taxes and recoverability of potential deferred tax assets and flow-through shares, valuation of the reclamation and closure cost obligation and classification and measurement of long-term debt.

**Change in Accounting Policy**

The basis of presentation, and accounting policies and methods of their application in the October 31, 2019 financial statements are consistent with those used in the Company's annual financial statements for the year ended October 31, 2018.

During the year ended October 31, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards including IFRS 9. These new standards and changes did not have any materials impact on the Company's financial statements

**New accounting standards and interpretations effective in future periods**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after November 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

(i) IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

(ii) IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

**Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage with the Bradshaw moving into development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended October 31, 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of October 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the direction of the TSXV.

**Risk Considerations**

Gowest's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effects on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Gowest common shares should be considered speculative.

For a discussion of certain risk exposures and the impact on the Company, refer to Note 4 of the Company's financial statements for the nine month period ended October 31, 2019. In addition to the risk exposures and the impact to the Company the following are additional considerations for the Company.

**Exploration and Development Risks**

The Company's activities are directed towards the exploration and development of the Bradshaw project.

Resource exploration and mineral development is a highly speculative and extremely volatile business. The Company's exploration and initial development activities involve significant risks that cannot be eliminated or adequately mitigated, even with careful and prudent planning and evaluation, experience, knowledge and operational know-how. In general, the discovery of ore bodies may result in substantial rewards. However, few properties which are explored are ultimately developed into producing mines. Exploration for gold involves many risks and uncertainties and success in exploration is dependent on a number of factors, including the quality of management, quality and availability of geological expertise and the availability of exploration capital. Substantial expenditures are required to (i) establish mineral resources and mineral reserves (ii) complete drilling and to develop metallurgical processes to extract the minerals, (iii) develop mining and processing facilities and suitable infrastructure at any site chosen for mining, and (iv) establish commercial operations. Also, substantial expenses may be incurred on exploration projects which are subsequently abandoned due to poor exploration results or the inability to define reserves which can be mined economically. Even if an exploration program is successful and economically recoverable gold is found, it can take a number of months from the initial phases of drilling and identification of the mineralization until production is possible, during which time the economic feasibility of extraction may change and gold that was economically recoverable at the time of discovery ceases to be economically recoverable. There can be no assurance that gold recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale operations. The Company cannot ensure or provide any comfort that the exploration or development programs planned by the Company will result in a profitable commercial mining operation in respect of the Bradshaw Project.

The commercial viability of the Bradshaw Project depends upon on a number of factors, all of which are beyond the control of the Company, including: the particular attributes of a deposit, such as size, grade, metallurgy and proximity to infrastructure, market fluctuations in the price of metals (which are highly volatile), general and local labour market conditions, the proximity and capacity of milling facilities, and local, provincial, federal and international government regulation, including regulations relating to prices, taxes, royalties, land tenure, land use, and the importing and exporting of minerals and environmental protection. The effect of these factors, either alone or in combination, cannot be accurately predicted and their impact may result in the Company not being able to economically extract minerals from any identified mineral resource or mineral reserve which, in turn, could have a material and adverse impact on the Company's cash flows, earnings, results of operations and financial condition and prospects. The Company cannot provide any certainty that its planned expenditures will result in the successful operation of the Bradshaw Project.

Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting, social activism, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, and work interruptions. In addition, the quantity or grade of minerals ultimately extracted may differ from the quantity or grade indicated by drilling results. Short term factors relating to reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on results from operations. Any material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of the Bradshaw Project and the viability of the Company may be negatively affected.

**Obtaining and Renewing of Government Permits**

In the ordinary course of business, the Company is required to obtain or renew governmental permits for mineral exploration. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous agencies which can often involve public hearings and costly undertakings. The duration and success of the Company's efforts to obtain or renew permits are contingent upon many variables not within the Company's control, including the interpretation of applicable requirements implemented by the permitting authority or potential legal challenges from various stakeholders such as environmental groups, nongovernmental organizations, aboriginal groups or other claimants. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from the Bradshaw Project once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could have a material adverse effect on the Company's operations and profitability.

**Employee Recruitment and Key Personnel**

Recruiting and retaining qualified personnel is critical to the success of the Company. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key executive, financial, operational, administrative and mining personnel. There can be no assurance that the Company will be successful in attracting, training and retaining qualified personnel. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse effect on the Company's results of operations and profitability. The Company's business involves a certain degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. As such, the Company's success is dependent on the services of its senior management. The loss of one or more of the Company's key employees could have a material adverse effect on the Company's operations and business prospects. In addition, the Company's future success depends on its ability to attract and retain skilled technical, management, sales and marketing personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect.

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at October 31, 2019, Gowest management, with the participation of the President, Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President, Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Internal Control Over Financial Reporting**

Management of the Company is responsible for designing internal controls over financial reporting or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

There are inherent weaknesses in the systems of internal control due to the small size of the Company and its inability to segregate incompatible functions. The Company plans to remediate this weakness by expanding the number of individuals involved in the accounting function as the Company incurs future growth.

## Outstanding Share Data

*Common Shares:*

The Company has authorized an unlimited number of common shares and 2,000,000 special shares, redeemable, voting and non-participating. The Company has 78,101,031 common shares issued and outstanding, on a post consolidation basis, as of the date hereof.

Gowest shares are traded on the TSX Venture Exchange under the symbol GWA.

*Share Purchase Warrants:*

As of the date hereof, the Company has 9,067,389 common share purchase warrants outstanding, on a post consolidation basis, with an average exercise price of $0.44 expiring between July 2020 and January 2022.

*Stock Options:*

As of the date hereof, the Company has 932,500 options outstanding under the Company's stock option plan for employees, directors, officers and directors, on a post consolidation basis, with exercise prices of between $0.80 and $1.60 expiring from June 2020 to October 2022.

## Additional Information

Additional information relating to the Company is available on the Internet at the SEDAR website located at www.sedar.com and at http://www.gowestgold.com/index.html.