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**SKARB EXPLORATION CORP.**

**UNAUDITED CONDENSED INTERIM FINANCIAL  
STATEMENTS**

**FOR THE THREE-MONTHS ENDED**

***SEPTEMBER 30, 2019***

(Expressed in Canadian Dollars)

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SKARB EXPLORATION CORP.

**Dated November 7, 2019**

**Management's Comments on Unaudited Interim Financial Statements**

The accompanying unaudited interim financial statements of Skarb Exploration Corp. for the three months ended September 30, 2019 have been prepared by management and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three-month period ended September 30, 2019.

**SKARB EXPLORATION CORP.**  
**Interim Statements of Financial Position**  
As at September 30, 2019 and 2018  
(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2019	June 30, 2019
<b>ASSETS</b>			
Current			
Cash		192,630	\$ 214,871
Amounts receivable		2,777	795
Prepays		3,420	15,120
		\$ 198,827	\$ 230,786
Non-Current			
Exploration & evaluation asset	4	121,018	104,708
<b>TOTAL ASSETS</b>		\$ 319,845	\$ 335,494
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities		\$ 29,263	29,329
Promissory notes	5	27,000	27,000
<b>TOTAL LIABILITIES</b>		\$ 56,263	56,329
<b>EQUITY</b>			
Share capital	6	\$ 528,150	\$ 528,150
Option reserve	6	9,644	8,544
Deficit		(274,212)	(257,529)
<b>TOTAL EQUITY</b>		\$ 263,582	\$ 279,165
<b>TOTAL LIABILITIES AND EQUITY</b>		\$ 319,845	\$ 335,494

Nature of operations (Note 1)

These unaudited interim financial statements were authorized for issue by the Board of Directors on November 7, 2019

*/s/ "Craig Parry"*

**CRAIG PARRY, Chief Executive Officer**

*/s/ "Ota Hally"*

**OTA HALLY, Chief Financial Officer**

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

**SKARB EXPLORATION CORP.****Interim Statements of Loss and Comprehensive Loss**

For the three-months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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	<b>Note</b>	<b>For the three-month period ended September 30, 2019</b>	<b>For the three-month period ended September 30, 2018</b>
<b>Expenses</b>			
Accounting and audit fees		\$ 3,134	\$ -
Bank Fees		59	420
Office and administrative		856	-
Transfer agent & filing fees		4,142	18,017
Insurance		2,700	-
Listing fees		1,950	-
Meals and entertainment		242	-
Professional fees		2,500	11,756
Share-based compensation	6	1,100	577
<b>Loss and comprehensive loss</b>		<b>\$ 16,683</b>	<b>30,770</b>
Loss per common share – basic and diluted	2	<b>\$ (0.00)</b>	<b>(0.00)</b>
Weighted average number of common shares outstanding - basic and diluted		<b>16,806,863</b>	<b>12,625,344</b>

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

**SKARB EXPLORATION CORP.****Interim Statements of Changes in Equity**

(Unaudited - Expressed in Canadian Dollars)

	Note	Number of Common Shares	Number of Special Warrants	Share Capital	Special Warrants	Option Reserve	Deficit	Total
<b>Balance as at March 6, 2018</b> (date of incorporation)		<b>5,400,000</b>	-	<b>\$ 27,000</b>			-	<b>\$ 27,000</b>
Shares issued		15,950,000	-	358,000	-	-	-	358,000
Special warrants		-	1,401,500		\$ 140,150			140,150
Share-based compensation		-	-	-	-	577		577
Net Loss for the period		-	-	-	-	-	(84,026)	(84,026)
<b>Balance as at September 30, 2018</b>		<b>21,350,000</b>	<b>1,401,500</b>	<b>\$ 385,000</b>	<b>\$ 140,150</b>	<b>\$ 577</b>	<b>\$ (84,026)</b>	<b>\$ 441,701</b>
Special Warrants converted to shares	6	1,401,500	(1,401,500)	140,150	(140,150)	-	-	-
Repurchase of shares	5	(5,400,000)		(27,000)	-	-	-	(27,000)
Shares issued	4	300,000	-	30,000	-	-	-	30,000
Share-based compensation		-	-	-	-	7,967		7,967
Net Loss for the period		-	-	-	-	-	(173,503)	(173,503)
<b>Balance as at June 30, 2019</b>		<b>17,651,500</b>	-	<b>\$ 528,150</b>	-	<b>\$ 8,544</b>	<b>\$ (257,529)</b>	<b>\$ 279,165</b>
Share-based compensation		-	-	-	-	1,100		1,100
Net Loss for the period		-	-	-	-	-	(16,683)	(16,683)
<b>Balance as at September 30, 2019</b>		<b>17,651,500</b>	-	<b>\$ 528,150</b>	-	<b>\$ 9,644</b>	<b>\$ (274,058)</b>	<b>\$ 263,582</b>

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

**SKARB EXPLORATION CORP.**  
**Interim Statements of Cash Flows**

For the three months ended September 30, 2019 and 2018  
(Unaudited - Expressed in Canadian Dollars)

	Note	For the three-months ended September 30, 2019	For the three-months ended September 30, 2018
<b>Cash flows from (used in) operating activities</b>			
Net loss for the period	\$	(16,683)	\$ (30,770)
Adjustments for items that do not represent changes in cash and cash equivalents			
Stock Based Compensation	6	1,100	577
Changes in non-cash working capital			
Amounts receivable		(1,982)	(43)
Prepays		11,700	-
Accounts payable and accrued liabilities		(67)	11,419
Net cash generated (used) in operating activities	\$	(5,931)	\$ (18,817)
<b>Cash flows used in investing activities</b>			
Additions of exploration and evaluation asset	4	\$ (16,310)	\$ (25,000)
Net cash (used) in investing activities	\$	(16,310)	\$ (25,000)
<b>Cash flows provided by (used in) financing activities</b>			
Issuance of common shares		-	\$ -
Issuance of special warrants	6	-	140,150
Net cash provided (used) by financing activities		-	\$ 140,150
<b>Change in cash</b>	<b>\$</b>	<b>(22,241)</b>	<b>\$ 96,333</b>
Cash, beginning of period		214,871	351,969
<b>Cash, end of period</b>	<b>\$</b>	<b>192,630</b>	<b>\$ 448,302</b>

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

## **SKARB EXPLORATION CORP.**

### **Notes to the Interim Financial Statements**

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN**

##### **Nature of Operations**

Skarb Exploration Corp. ("Skarb" or the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on March 6, 2018. The Company's head office is located at Suite 970 – 1055 West Hastings St., Vancouver, British Columbia.

On February 13, 2019, the Company's common shares were listed on the Canadian Securities Exchange under the symbol "SKRB".

The Company's principal business activities include the acquisition and exploration of mineral property assets. On March 14, 2018, the Company entered into an option agreement to obtain the sole and exclusive right and option to acquire a 100% right, title and interest in the RDR Gold Property located in the Province of Quebec. Please refer to Note 4 for details on RDR Gold Property.

##### **Going Concern**

These interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2019, the Company has working capital of \$ 166,144, incurred accumulated losses of \$ 274,212, expects to incur further losses in the development of its business, and has insufficient resources to meet its required exploration expenditures on the Property (see note 4), all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to complete or develop a business, generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These interim financial statements do not give effect to adjustments that would be necessary to their reported carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Basis of Preparation**

The accounting policies followed by the Company as set out below have been consistently followed in the preparation of these interim financial statements.

##### **b) Statement of Compliance**

These interim financial statements for the three-months ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

##### **c) Basis of Presentation**

These interim financial statements have been prepared on a historical cost basis. In addition, these interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts ("\$").

##### **d) Functional and Presentation Currency**

These interim financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

## **SKARB EXPLORATION CORP.**

### **Notes to the Interim Financial Statements**

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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#### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **e) Cash**

Cash includes cash on hand with a Canadian chartered bank.

##### **f) Exploration and evaluation assets**

All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized as incurred and deferred until management establishes technical feasibility and economic feasibility of a property. When technical feasibility and commercial viability of a property is demonstrated, exploration and evaluation assets will be reclassified into property.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Exploration and evaluation assets are assessed for impairment when facts or circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The estimated recoverable amount is determined on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the cash generating unit level. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company will measure, present and disclose any resulting impairment loss.

##### **g) Share-based payments**

The fair value of share options granted is recognized as an expense over the vesting period with a corresponding increase in equity. The fair value 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 financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

##### **h) 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 year. Diluted loss per share, where applicable, 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.

##### **i) Income Taxes**

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using income tax rates and income tax laws that have been enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax



## SKARB EXPLORATION CORP.

### Notes to the Interim Financial Statements

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### i) Income Taxes (continued)

liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

##### j) Financial Assets

All financial instruments are classified and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss ("FVTPL"). Cash is measured at amortised cost.

##### k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently 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 expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

##### l) Future Accounting Pronouncements

The following standards have not been adopted by the Company and are being evaluated:

###### IFRS 16 - Leases

The standard was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The mandatory adoption date of the standard is January 1, 2019. The Company does not currently expect the standard to have a material impact on its financial statements.

#### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## SKARB EXPLORATION CORP.

### Notes to the Interim Financial Statements

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### *Significant accounting judgments*

- i. the consideration of whether impairment indicators exist for exploration and evaluation assets;
- ii. the determination tax losses are currently not probable to be utilized against taxable profit; and
- iii. assumptions and expectations utilized in the calculation of stock-based compensation expense which includes the valuation of stock options.

### 4. EXPLORATION AND EVALUATION ASSET

	September 30, 2019 \$	September 30, 2018 \$
RDR Gold Property		
Acquisition Costs	80,000	50,000
Exploration Costs	41,018	7,500
	<u>121,018</u>	<u>57,500</u>

As at September 30, 2019, exploration costs were as follows:

	\$
Geology and consulting	<u>41,018</u>
Total	<u>41,018</u>

As at September 30, 2018, exploration costs were as follows:

	\$
Geology and consulting	<u>7,500</u>
Total	<u>7,500</u>

#### **RDR Gold Property**

Pursuant to an option agreement (the "Agreement") dated March 14, 2018 (the "Effective Date"), the Company was granted an option to acquire a 100% right, title and interest in and to the RDR Gold Property (the "Property") located in the Province of Quebec.

In accordance with the Agreement, the Company has the option to acquire a 100% right, title and interest in and to the Property by issuing a total of 1,550,000 common shares of the Company to the optionor, making cash payments totaling \$50,000, and incurring a total of \$1,000,000 in exploration expenditures as follows:

## SKARB EXPLORATION CORP.

### Notes to the Interim Financial Statements

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

#### 4. EXPLORATION AND EVALUATION ASSET (continued)

##### RDR Gold Property (continued)

	Common Shares	Cash \$	Exploration Expenditures \$
Upon execution of the Agreement (paid)	-	25,000	-
Upon listing of the Company's common shares on the Canadian Securities Exchange, February 13, 2019 (issued)	300,000	-	-
On or before April 13, 2020	500,000	-	250,000
On or before June 13, 2021	750,000	25,000	750,000
	1,550,000	50,000	1,000,000

The optionor was issued 300,000 shares on February 20, 2019, with an estimated fair value of \$30,000 recognized and charged as a non-cash addition to the asset.

The optionor retains a 1% Gross Overriding Royalty ("GORR") on the Property. The Company has the right to purchase the first ½% of the GORR for \$1,000,000 at any time.

In addition, as the listing date was later than September 1, 2018, the Company was required to pay optionor an additional \$25,000 in cash. The Company made this payment on September 18, 2018.

#### 5. PROMISSORY NOTES

On December 10, 2018, the Company repurchased 5,400,000 Common Shares, which were issued on March 6, 2018, from related parties of the Company in exchange for the issuance of two promissory notes. Each promissory note has a principal amount equal to \$13,500 (the original subscription price for the Common Shares), payable on demand with interest calculated at the rate of 3% per annum. The Company also has the right to repay any portion of the notes payable at its discretion.

#### 6. SHARE CAPITAL

##### a) Authorized Capital:

Unlimited number of common shares with no par value.

##### b) Shares

Upon incorporation on March 6, 2018 the Company issued 5,400,000 common shares at a value of \$0.005.

On May 10, 2018, the Company issued 6,900,000 common shares at a value of \$0.02.

On May 25, 2018, the Company issued 7,750,000 common shares at a value of \$0.02.

On June 29, 2018, the Company issued 1,300,000 common shares at a value of \$0.05.

On December 10, 2018, the Company repurchased 5,400,000 Common Shares, which were issued on March 6, 2018, from related parties of the Company in exchange for the issuance of two promissory notes (Note 5).

## SKARB EXPLORATION CORP.

### Notes to the Interim Financial Statements

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

#### 6. SHARE CAPITAL (continued)

##### b) Shares (continued)

On February 13, 2019, 300,000 shares were issued for the RDR Gold Property (Note 4).

##### c) Stock options

On July 5, 2018, the Company implemented a share option plan (the "Plan"). The purposes of the Plan are to (a) support the achievement of the Company's performance objectives and (b) ensure that interests of key persons are aligned with the success of the Company. On July 9, 2018, the Company granted 175,000 stock options under the plan. The options granted have an exercise price of \$0.10 and expire 10 years from the grant date and vest annually in four equal tranches starting on the first anniversary from the grant date. At September 30, 2019, the Company had granted 175,000 stock options. As of September 30, 2019, 43,750 options were vested.

The stock options were accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the assumption that follow: Average expected life, 7.5 years; Forfeiture rate, NIL; Volatility, 131%, and risk-free rate, 2.13%. The full grant value of \$16,285 is expensed over the expected life of the options. During the three months ended September 30, 2019, the Company recognized \$1,100 of stock-based compensation expense.

A summary of the Company's share options at September 30, 2019 and 2018, and the changes for the years ended on those dates, is as follows:

	2019		2018	
		\$		\$
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Balance, beginning of year	-	-	-	-
Awarded	175,000	0.10	-	-
Balance, end of year	175,000	0.10	-	-

The following is a summary of share options outstanding and exercisable at September 30, 2019:

Expiry date	Number exercisable	Number outstanding	Exercise price \$
July 9, 2028	43,750	175,000	0.10

The fair value of share options awarded to directors and share purchase warrants issued were estimated on the dates of issue using the Black-Scholes option price model with the following assumptions:

The average fair value of share options awarded during the three months ended September 30, 2019 was \$ 1,100.

#### 7. RELATED PARTY DISCLOSURES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers.

## **SKARB EXPLORATION CORP.**

### **Notes to the Interim Financial Statements**

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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#### **7. RELATED PARTY DISCLOSURES (continued)**

During the three months ended September 30, 2019, no common shares were issued to related parties of the Company.

The Company implemented a share option plan and granted share options to an officer and a director of the Company (see Note 6), such remuneration totaling \$1,100 attributable to key management personnel for the three months ended September 30, 2019 classified as share-based compensation.

#### **8. CAPITAL MANAGEMENT**

The Company's capital consists of share capital, promissory notes and option reserve. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration. The Board of Directors does not impose quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In the management of capital, the Company considers all types equity and is dependent on third party financing, whether through debt, equity, or other means. Although the Company has been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Company.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

#### **9. FINANCIAL INSTRUMENTS**

##### **a) Fair Value**

The fair value of the Company's financial instruments approximates their carrying value as at September 30, 2019 because of the demand nature or short-term maturity of these instruments.

##### **b) Financial Risk Management Objectives and Policies**

The Company's financial instruments consist of cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

###### **i) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at September 30, 2019, the Company has cash on deposit with a large Canadian bank. Management believes the risk of loss to be remote.

###### **ii) Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its obligations under financial instruments. The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital to meet short-term obligations. As at September 30, 2019, the Company had a working capital of \$199,021 (including Amounts receivable), including cash of \$192,630.

###### **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. The Company does not expect exchange rates, and commodity and equity prices to have a material impact to the Company

**SKARB EXPLORATION CORP.**

**Notes to the Interim Financial Statements**

For the three months ended September 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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**9. FINANCIAL INSTRUMENTS** (continued)

iv) **Rate Risk**

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates.

Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value of the Company's cash and cash equivalent balances as of September 30, 2019.

**10. SUBSEQUENT EVENTS**

On October 21, 2019, the Company granted a total of 1,570,000 stock options at an exercise price of \$0.10. The options vest immediately and will expire on October 21, 2024.