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**SKARB EXPLORATION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE SIX MONTHS ENDED**

***DECEMBER 31, 2019***

(Expressed in Canadian Dollars)

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## **SKARB EXPLORATION CORP.**

### **Management's Discussion and Analysis**

For the six months ended December 31, 2019 and 2018

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#### **INTRODUCTION**

The following is management's discussion and analysis ("MD&A"), prepared as of February 26, 2020. This MD&A should be read in conjunction with the Skarb Exploration Corp.'s (the "**Company**" or "**Skarb**") unaudited Financial Statements and the accompanying notes for the six months ended December 31, 2019 and December 31, 2018, as well as, the most recent audited financial statements filed on SEDAR. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as "expects", "does not expect", "plans", "anticipates", "does not anticipate", "believes", "intends", "estimated", "projects", "potential", "scheduled", "forecast", "budget", and similar expressions, or that events or conditions "will", "would", "may", "could", "should" or "might" occur and similar words. Such statements give the Company's current expectations or forecasts of future events and are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward-looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made, and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include, for example, such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Overview**

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. On October 21, 2019, the Company acquired 100% interest in the Gossan and SBS properties, located in the Spences Gold Belt in British Columbia. The Company's common shares are listed on the Canadian Securities Exchange under the symbol "SKRB".

#### **OVERALL PERFORMANCE**

Following incorporation on March 6, 2018, the Company capitalized itself through the issuance of securities on a private placement basis. The Company raised a net aggregate of \$498,150 through the issuance of its securities including the Special Warrants Private Placement and incurred approximately \$121,018 in expenditures with respect to the RDR Property. The Company holds the sole and exclusive option to acquire a 100% right, title, and interest on

## SKARB EXPLORATION CORP.

### Management's Discussion and Analysis

For the six months ended December 31, 2019 and 2018

the Property, an exploration stage property, and has not generated revenues to date. Management anticipates increased exploration costs as the Company carries out expenditures on the Property. The field exploration program commenced in late July 2019 and was completed in December 2019. The Company is currently deciding how to proceed with the property.

The Company acquired 100% interest in the Gossan Property and the SBS Property on October 21, 2019. The properties are in the exploration stage and have not generated revenues to date.

On February 13, 2019, the Company was listed on the Canadian Securities Exchange ("CSE") under the symbol "SKRB".

As an exploration stage company, Skarb does not have revenues and is expected to generate operating losses. As at December 31, 2019, the Company had cash of \$158,361, an accumulated deficit of \$420,137 and working capital (defined as cash plus GST expected less accounts payable) of \$159,508.

#### Industry and Economic Factors that May Affect the Company's Performance

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company's resource base.

In particular, the Company does not generate revenue, as a result, Skarb continues to be dependent on third party financing to continue exploration activities on the company's properties. Accordingly, the Company's future performance will be most affected by its access to financing, whether debt, equity or other means. Access to such financing, in turn, is affected by general economic conditions, exploration risks and the other factors described in the section entitled "risk factors" included below.

#### SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information for the Company for the fiscal six months ended December 31, 2019 and 2018. The selected financial information should only be read in conjunction with the Company's financial statements, including the notes thereto, for the same periods as well the most recent audited financial statements filed on [SEDAR](#).

##### *Statements of Operations, Comprehensive Loss and Deficit Data, and Cash Flows*

	December 31, 2019	December 31, 2018
	(\$)	(\$)
Revenue	-	-
<i>Accounting and audit fees</i>	2,529	-
<i>General and administrative</i>	7,185	420
<i>Transfer agent, filing and listing fees</i>	12,305	18,017
<i>Stock based compensation</i>	137,689	1,154
<i>Professional fees</i>	2,900	36,298
Total Expenses	162,608	55,889

**SKARB EXPLORATION CORP.****Management's Discussion and Analysis**

For the six months ended December 31, 2019 and 2018

	<b>December 31, 2019</b>	December 31, 2018
	<b>(\$)</b>	<b>(\$)</b>
Net loss for the period	(162,608)	(55,889)
Loss per share (basic and diluted)	(0.00)	(0.00)
Net cash used in operating activities	(40,200)	(9,302)
Change in cash	(56,510)	95,245

*Balance Sheet Data*

	<b>December 31, 2019</b>	June 30, 2019
	<b>(\$)</b>	<b>(\$)</b>
Current Assets	161,651	230,786
Other Assets	121,018	104,708
<b>Total Assets</b>	<b>282,669</b>	<b>335,494</b>
Current Liabilities	1,423	56,329
Long Term Debt	-	-
Shareholders' Equity	254,246	279,165
<b>Total Liabilities and Equity</b>	<b>282,669</b>	<b>335,494</b>

As an exploration stage company, the Company has not generated revenue from its property interest and does not anticipate it will do so for the foreseeable future. The Company currently owns the sole and exclusive option to acquire a 100% right, title and interest in and to a mineral property in Quebec. The field exploration program was completed in December 2019. The Company also owns 100% interest in two properties located in British Columbia. Management anticipates that expenses related to mineral exploration and administration of the Company to materially increase. Such expenses will include increased exploration expenditures with respect to the properties and increased professional fees, and other costs associated with compliance with applicable securities laws.

**RESULTS OF OPERATIONS**

*The following discussion addresses the operating results and financial condition of the Company for the six months ended December 31, 2019 compared to the period ended December 31, 2018. The MD&A should be read in conjunction with the Company's unaudited financial statements and the accompanying notes for the six months ended December 31, 2019.*

During the six months ended December 31, 2019, the Company generated no revenues and expenses of \$162,608 compared to no revenues and expenses of \$55,889 December 31, 2018.

*Accounting and Audit Fees*

For the six months ended December 31, 2019, \$2,529 in fees were incurred due to quarterly accounting fees compared to \$Nil December 31, 2018.

## SKARB EXPLORATION CORP.

### Management's Discussion and Analysis

For the six months ended December 31, 2019 and 2018

#### *General and Administrative*

The expenses incurred for the six months ended December 31, 2019 included D&O insurance, bank fees, meals and entertainment and miscellaneous office expenses totaling \$7,185. For the six months ended December 31, 2018, only \$420 was incurred for bank fees.

#### *Transfer Agent, Listing and Filing Fees*

For the six months ended December 31, 2019, \$12,305 in fees were incurred due to monthly fees paid to the Canadian Securities Exchange ("CSE"). For the six months ended December 31, 2018, we incurred \$18,017 for listing expenses. The Company was listed on the CSE on February 13, 2019.

#### *Stock Based Compensation*

The Company granted 175,000 stock options to a director and officer of the company in July 2018. On October 21, 2019, the Company granted 1,570,000 stock options to directors, officers and consultants. The stock-based compensation incurred for the six months ended December 31, 2019 was \$137,689 compared to \$1,154 December 31, 2018.

#### *Professional Fees*

For the six months ended December 31, 2019, \$2,900 in legal fees were incurred compared to \$36,298 December 31, 2018. The fees related to the AGM and listing on the CSE.

### SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's interim financial statements prepared in accordance with IFRS applicable to interim financial reporting including IAS 34. The information below should be read in conjunction with the Company's interim financial statements for each of the past four quarters.

Consistent with the preparation and presentation of the Annual Financial Statements, these unaudited quarterly results are presented in Canadian dollars.

	December 31, 2019	September 30, 2019	June 30,2019	March 31,2019	December 31,2018	September 30, 2018
						(\$)
Revenue	-	-	-	-	-	-
Net loss for the period	(145,926)	(16,683)	(48,863)	(101,829)	(25,119)	(30,770)
Loss per share (basic and diluted)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)

Skarb does not derive any revenue from its operations. Its primary focus is the acquisition, exploration and evaluation of mineral properties. As a result, the loss per period has fluctuated depending on the Company's activity level. Therefore, quarterly periods are not comparable.

### LIQUIDITY

As at December 31, 2019, the Company has working capital of \$159,508 including cash of \$158,361 and current liabilities of \$32,471.

On July 9, 2018, the Corporation implemented a share option plan. Concurrently with the plan adoption, the Corporation granted a total of 175,000 options to acquire Common Shares to its Chief Financial Officer and director,

## SKARB EXPLORATION CORP.

### Management's Discussion and Analysis

For the six months ended December 31, 2019 and 2018

and to its director and Chair of Audit Committee. 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.

On July 30, 2018, the Company issued 1,401,500 Special Warrants pursuant to a private placement at \$0.10 per Special Warrant for proceeds of \$140,150. Each Special warrant entitled the holder to acquire one Common Share of the Company. The Special Warrants automatically converted to Common Shares on December 1, 2018 with no additional cash received by the Company.

On February 13, 2019, 1,367,500 of the original founding escrowed shares were released making them freely tradeable but does not change the shares count of shares issued. On February 20, 2019, 300,000 shares were issued to the RDR property owner as per the option agreement.

On October 21, 2019, the Company granted a total of 1,570,000 options to acquire Common Shares to its directors, officers and consultants. The options granted have an exercise price of \$0.10 and expire 5 years from the grant date and vest immediately.

As the Company will not generate funds from operations for the foreseeable future, the Company is primarily reliant upon the sale of equity securities in order to fund operations. Since inception, the Company has funded limited operations through the issuance of equity securities on a private placement basis. This has permitted the Company to carry out limited exploration on its Property and address preliminary costs associated with the Offering. The Company anticipates that its total of working capital will be sufficient to satisfy the Company's cash requirements during the next 6-month period.

#### CAPITAL RESOURCES

The Company cannot offer any assurance that expenses will not exceed management's expectations. The Company will require additional funds and will be dependent upon its ability to secure equity and/or debt financing, the availability of which cannot be assured.

Although the Company currently has limited capital resources, management currently believes that, the Company will not have to rely upon the sale of its equity and/or debt securities for cash required to fund operations for the next 9-month period. The Company is required to incur limited exploration expenditures on or prior to the one-year anniversary of its listing in order to keep its claims in good standing.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

#### TRANSACTIONS WITH RELATED PARTIES

The following amounts due to related parties are included in trade payables and accrued liabilities and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	December 31, 2019
Directors and officers of the Company	\$0

The Company has issued 1,575,000 Options to directors and officers of the Company pursuant to the Option Plan. The Company has not entered into any transactions for services or contributions with Directors of the Company that are not charged to the Company.

#### PROPOSED TRANSACTIONS

The Company does not have any proposed transactions as of the date of the MD&A.

## **SKARB EXPLORATION CORP.**

### **Management's Discussion and Analysis**

For the six months ended December 31, 2019 and 2018

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#### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the 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. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the Annual Financial Statements is as follows:

##### *Impairment*

At the end of each financial reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss or reversal of previous impairment. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. With respect to exploration and evaluation assets, the Company is required to make estimates and judgments about the future events and circumstances and whether the carrying amount of intangible exploration assets exceeds its recoverable amount. Recoverability depends on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or its ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

##### *Share-based payments*

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate share-based payment expenses. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payment expenses.

#### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

##### *Standards, Amendments, and Interpretations Not Yet in Effect*

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new and amended standards and interpretations:

##### *Accounting Estimates and Assumptions*

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is

## SKARB EXPLORATION CORP.

### Management's Discussion and Analysis

For the six months ended December 31, 2019 and 2018

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recognized prospectively by including it in comprehensive income or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

A detailed summary of all of the Company's accounting estimates and assumptions is included in audited financial statements ended June 30, 2019 filed on SEDAR.

#### FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, GST receivable, accounts payable and accrued liabilities.

The fair values of the Company's financial instruments approximate their carrying value, due to their short-term maturities or liquidity. The Company's cash and amounts receivable are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

#### Financial instrument risk exposure

As at December 31, 2019, the Company's financial instrument risk exposure and impact thereof on the Company's financial instruments is summarized below:

##### *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 December 31, 2019, the Company has cash on deposit with a large Canadian bank. Credit risk is concentrated as a significant amount of the Company's cash and cash equivalents is held at one financial institution. Management believes the risk of loss to be remote. The Company's amounts receivable consists of input tax credits receivable from the Government of Canada. Accordingly, the Company does not believe it is subject to significant credit risk.

##### *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 December 31, 2019, the Company had a working capital balance of \$159,508, including cash of \$158,361.

##### *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

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 December 31, 2019.

##### b) Foreign Currency Risk

The functional currency of the Company is in Canadian Dollars, therefore, it is not exposed to significant foreign currency risk.



## **SKARB EXPLORATION CORP.**

### **Management's Discussion and Analysis**

For the six months ended December 31, 2019 and 2018

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#### 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 of movements in individual equity prices or general movements in the level of the stock market on the Company's financial performance. Commodity price risk is defined as the potential adverse impact of commodity price movements and volatilities on financial performance and economic value. Future declines in commodity prices may impact the valuation of long-lived assets. The Company closely monitors the commodity prices of uranium, individual equity movements, and the stock market.

#### **DISCLOSURE OF OUTSTANDING SECURITY DATA**

##### *Common Shares*

As at December 31, 2019 and the date of this MD&A, the Company had 17,651,500 Common Shares issued and outstanding.

##### *Share Options*

The Company has granted 1,745,000 Options as at the date of this MD&A.

#### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The Company anticipates that its working capital of \$159,508 as at December 31, 2019 together with the ability, if needed, to raise additional capital or debt if necessary, will fund operations and payments for the next 6-month period. The operating costs necessary for the Company to achieve its stated business objectives consist of \$250,000 to carry out aspects of the Phase 1 exploration program on the Property within 14 months of the listing date on the CSE and to cover anticipated administrative costs for the next 9-month period. Other than the costs stated above the Company does not anticipate incurring any other material capital expenditures during the next 6-month period.