



SKARB EXPLORATION CORP.

**UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS**

FOR THE THREE AND NINE MONTHS ENDED

MARCH 31, 2020

(Expressed in Canadian Dollars)

SKARB EXPLORATION CORP.

Dated May 27, 2020

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Skarb Exploration Corp. for the three and nine months ended March 31, 2020 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 periods ended March 31, 2020.

SKARB EXPLORATION CORP.
Interim Statements of Financial Position
As at March 31, 2020 and June 30, 2019
(Unaudited - Expressed in Canadian Dollars)

	Note	March 31, 2020	June 30, 2019
ASSETS			
Current			
Cash		142,632	\$ 214,871
Amounts receivable		3,267	795
Prepays		8,790	15,120
		\$ 154,689	\$ 230,786
Non-Current			
Exploration & evaluation asset	4	7,656	104,708
TOTAL ASSETS		\$ 162,345	\$ 335,494
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 8,505	29,329
Promissory notes	5	27,000	27,000
TOTAL LIABILITIES		\$ 35,505	56,329
EQUITY			
Share capital	6	\$ 528,150	\$ 528,150
Option reserve	6	146,233	8,544
Deficit		(547,543)	(257,529)
TOTAL EQUITY		\$ 126,840	\$ 279,165
TOTAL LIABILITIES AND EQUITY		\$ 162,345	\$ 335,494

Nature of operations (Note 1)

These unaudited interim financial statements were authorized for issue by the Board of Directors on May 27, 2020

/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 nine-months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Note	For the three-month period ended		For the nine-month period ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Expenses					
Accounting and audit fees		\$ 2,150	\$ 5,939	\$ 4,679	\$ 22,238
Bank Fees		32	337	122	757
Dues and Subscriptions		-	-	500	-
Exploration costs' write-off		116,362	-	116,362	-
Office and administrative		69	-	377	-
Transfer agent & filing fees		1,413	4,399	10,463	22,415
Insurance		2,730	1,980	8,130	1,980
Listing fees		2,150	21,339	6,050	21,339
Meals and entertainment		-	1,485	242	1,485
Professional fees		2,500	65,773	5,400	85,773
Share-based compensation	6	-	577	137,689	1,731
Loss and comprehensive loss		\$ 127,406	101,829	290,014	\$ 157,718
Loss per common share – basic and diluted	2	\$ (0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		17,651,500	17,484,833	17,651,500	19,799,749

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
Balance as at December 31, 2018		17,351,500	-	\$ 498,150		\$ 1,154	(\$109,145)	\$ 390,159
Shares issued	4	300,000	-	30,000	-	-	-	30,000
Share-based compensation		-	-	-	-	577		577
Net Loss for the period		-	-	-	-	-	(101,829)	(101,829)
Balance as at March 31, 2019		17,651,500	-	\$ 528,150	-	\$ 1,731	(\$210,974)	\$ 318,907
Share-based compensation		-	-	-	-	144,502		144,502
Net Loss for the period		-	-	-	-	-	(209,163)	(209,163)
Balance as at December 31, 2019		17,651,500	-	\$ 528,150	-	\$ 146,233	\$ (420,137)	\$ 254,246
Share-based compensation		-	-	-	-	-	-	-
Net Loss for the period		-	-	-	-	-	(127,406)	(127,406)
Balance as at March 31, 2020		17,651,500	-	\$ 528,150	-	\$ 146,233	\$ (547,543)	\$ 126,840

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

SKARB EXPLORATION CORP.
Interim Statements of Cash Flows

For the nine months ended March 31, 2020 and 2019
(Unaudited - Expressed in Canadian Dollars)

	Note	For the three-months ended March 31		For the Nine-months ended March 31	
		2020	2019	2020	2019
Cash flows from (used in) operating activities					
Net loss for the period		\$ (127,406)	\$ (101,829)	\$ (290,014)	\$ (157,718)
Adjustments for items that do not represent changes in cash and cash equivalents					
Stock Based Compensation	6	-	577	137,689	1,731
Write off of Exploration Asset	4	116,362	-	116,362	-
Changes in non-cash working capital					
Amounts receivable		(697)	(20,036)	(2,472)	(20,636)
Prepays		(8,070)	(8,820)	6,330	(8,820)
Accounts payable and accrued liabilities		7,082	(83,582)	(20,824)	(37,549)
Net cash generated (used) in operating activities		\$ (12,729)	\$ (213,690)	\$ (52,929)	\$ (222,992)
Cash flows used in investing activities					
Additions of exploration and evaluation asset	4	\$ (3,000)	\$ (1,044)	\$ (19,310)	\$ (36,647)
Net cash (used) in investing activities		\$ (3,000)	\$ (1,044)	\$ (19,310)	\$ (36,647)
Cash flows provided by (used in) financing activities					
Issuance of common shares		-	-	-	-
Issuance of special warrants		-	-	-	140,150
Net cash provided (used) by financing activities		\$ -	\$ -	\$ -	\$ 140,150
Change in cash		\$ (15,729)	\$ (214,734)	\$ (72,239)	\$ (119,489)
Cash, beginning of period		158,361	447,214	214,871	351,969
Cash, end of period		\$ 142,632	232,480	142,632	232,480

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

SKARB EXPLORATION CORP.

Notes to the Interim Financial Statements

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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 October 21, 2019, the Company acquired 100% interest in the Gossan and SBS properties, located in the Spences Gold Belt in British Columbia. Please refer to Note 4 for details on the properties. During the 3 months ended March 31, 2020, the company terminated its option agreement to acquire the RDR Project in Quebec.

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 March 31, 2020, the Company has working capital of \$ 137,394, incurred accumulated losses of \$ 547,543, 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.

In respect to the COVID-19 crisis, it has had little to no impact on the Company and we don't anticipate any material impact in the future.

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 nine-months ended March 31, 2020 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 ("\$").

SKARB EXPLORATION CORP.

Notes to the Interim Financial Statements

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Functional and Presentation Currency

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

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.

SKARB EXPLORATION CORP.

Notes to the Interim Financial Statements

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

i) 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.

j) 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.

k) Future Accounting Pronouncements

The IFRS 16 standard was adopted as of January 1, 2019. The Company does not currently have any leases.

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:

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.

SKARB EXPLORATION CORP.**Notes to the Interim Financial Statements**

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSET

	March 31, 2020 \$	March 31, 2019 \$
RDR Gold property acquisition	-	80,000
Gossan property acquisition	1,579	-
SBS property acquisition	2,469	-
Exploration Costs	3,608	19,147
	<u>7,656</u>	<u>99,147</u>

As at March 31, 2020, exploration costs were as follows:

	\$
Geology and consulting	<u>3,608</u>
Total	3,608

As at March 31, 2019, exploration costs were as follows:

	\$
Geology and consulting	<u>19,147</u>
Total	18,103

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 had 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.

On March 24, 2020, the Company terminated the Option Agreement due to results from the most recent exploration work that was completed. The total acquisition and exploration cost of \$116,362 was expensed.

Gossan Property

The Gossan property ("Gossan"), which is approximately a 902 ha property, is located approximately 7 km north-west of Princeton, British Columbia, is characterized by widespread gossanous argillic alteration near a past producing pyrophyllite mine and historical placer gold workings. The Company acquired 100% interest and was only required to pay the staking claim fees.

SKARB EXPLORATION CORP.

Notes to the Interim Financial Statements

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSET (continued)

SBS Property

The SBS property ("SBS"), which is approximately a 1,411 ha property, is located approximately 27 km south-east of Princeton, British Columbia, and in particular is located at the southern-end of the SBGB and is characterized by a regional stream sediment silver anomaly, a major mapped fault system and extensive glacial till cover. The Company acquired 100% interest and was only required to pay the staking claim fees.

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).

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. 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. 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.

On October 21, 2019, the Company granted 1,570,000 stock options. The options granted have an exercise price of \$0.10 and expire 5 years from the grant date and were all vested immediately. The stock options were accounted for at their fair value determined by the Black-Scholes option pricing model based on the assumption that follow:

SKARB EXPLORATION CORP.

Notes to the Interim Financial Statements

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

c) Stock options (continued)

Average expected life, 5 years; Forfeiture rate, NIL; Volatility, 131%, and risk-free rate, 2.13%. The full grant value of \$135,488 is expensed immediately.

On October 21, 2019, the Company granted 1,570,000 stock options. The options granted have an exercise price of \$0.10 and expire 5 years from the grant date and were all vested immediately. The stock options were accounted for at their fair value determined by the Black-Scholes option pricing model based on the assumption that follow: Average expected life, 5 years; Forfeiture rate, NIL; Volatility, 131%, and risk-free rate, 2.13%. The full grant value of \$135,488 is expensed immediately.

At December 31, 2019, the Company had granted 1,745,000 stock options. As of December 31, 2019, 1,613,750 options were vested. During the six months ended December 31, 2019, the Company recognized \$137,689 of stock-based compensation expense.

A summary of the Company's share options at March 31, 2020 and 2019, and the changes for the years ended on those dates, is as follows:

	2020		2019	
		\$		\$
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Balance, beginning of year	175,000	0.10	175,000	0.10
Awarded	1,570,000	0.10	-	-
Balance, end of year	1,745,000	0.10	175,000	0.10

The following is a summary of share options outstanding and exercisable at March 31, 2020:

Expiry date	Number exercisable	Number outstanding	Exercise price \$
October 21, 2024	1,570,000	1,570,000	0.10
July 9, 2028	43,750	175,000	0.10
Balance	1,613,750	1,745,000	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 nine months ended March 31, 2020 was \$ 137,689.

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.

During the nine months ended March 31, 2020, no common shares were issued to related parties of the Company.

SKARB EXPLORATION CORP.

Notes to the Interim Financial Statements

For the nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

7. RELATED PARTY DISCLOSURES (continued)

The Company implemented a share option plan and granted share options to officers, director and consultants of the Company (see Note 6), such remuneration totaling \$131,145 attributable to key management personnel for the nine months ended March 31, 2020 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 March 31, 2020 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 March 31, 2020, 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 March 31, 2020, the Company had a working capital of \$137,394 (including Amounts receivable), including cash of \$142,632.

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 nine months ended March 31, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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 March 31, 2020.

10. SUBSEQUENT EVENTS

There are no subsequent events at this time.