



**SKARB EXPLORATION CORP.**

**UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTHS ENDED**

***SEPTEMBER 30, 2020 and 2019***

(Expressed in Canadian Dollars)

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**SKARB EXPLORATION CORP.****Condensed Interim Statement of Financial Position**

As at September 30, 2020

(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2020	June30, 2020
<b>ASSETS</b>			
Current			
Cash		126,661	\$ 130,980
Amounts receivable		3,166	3,764
Prepays		3,390	6,090
		\$ 133,217	\$ 140,834
Non-Current			
Exploration & evaluation assets	4	7,656	7,656
<b>TOTAL ASSETS</b>		\$ 140,873	\$ 148,490
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities		\$ 58,324	13,274
Promissory notes	5	27,000	27,000
<b>TOTAL LIABILITIES</b>		\$ 85,324	40,274
<b>EQUITY</b>			
Share capital	6	\$ 530,150	\$ 528,150
Option reserve	6	149,020	148,433
Deficit		(623,621)	(568,367)
<b>TOTAL EQUITY</b>		\$ 55,549	\$ 108,216
<b>TOTAL LIABILITIES AND EQUITY</b>		\$ 140,873	\$ 148,490

Nature of operations and going concern (Note 1)

These condensed interim financial statements were authorized for issue by the Board of Directors on November 23, 2020

*/s/ "Craig Parry"***CRAIG PARRY, Chairman***/s/ "Ota Hally"***OTA HALLY, Chief Financial Officer**

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

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

For the three-months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Note	For the three-month period ended September 30, 2020	For the three-month period ended September 30, 2019
<b>Expenses</b>			
Accounting and audit fees		\$ 2,425	\$ 3,134
Bank Fees		2	59
Dues and Subscriptions		75	-
Office and administrative		-	856
Transfer agent & filing fees		3,942	4,142
Insurance		2,700	2,700
Listing fees		2,250	1,950
Meals and entertainment		-	242
Professional fees		43,273	2,500
Share-based compensation	6	587	1,100
<b>Loss and comprehensive loss</b>		<b>\$ 55,254</b>	<b>16,683</b>
Loss per common share – basic and diluted	2	\$ (0.01)	(0.00)
Weighted average number of common shares outstanding - basic and diluted		17,671,500	17,671,500

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

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

(Unaudited - Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Option Reserve	Deficit	Total
<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)	(16,673)
<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>
Share-based compensation		-	-	138,789	-	138,789
Net Loss for the period		-	-	-	(294,309)	(294,155)
<b>Balance as at June 30, 2020</b>		<b>17,651,500</b>	<b>\$ 528,150</b>	<b>\$ 148,433</b>	<b>\$ (568,367)</b>	<b>\$ 108,216</b>
Issuance of shares		20,000	2,000			2,000
Share-based compensation		-	-	587	-	587
Net Loss for the period		-	-	-	(55,254)	(55,254)
<b>Balance as at September 30, 2020</b>		<b>17,671,500</b>	<b>\$ 530,150</b>	<b>\$ 149,020</b>	<b>\$ (623,621)</b>	<b>\$ 55,549</b>

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

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

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Note	For the three- months ended September 30, 2020	For the three- months ended September 30, 2019
<b>Cash flows from (used in) operating activities</b>			
Net loss for the period		\$ (55,254)	\$ (16,683)
Adjustments for items that do not represent changes in cash and cash equivalents			
Stock Based Compensation	6	587	1,100
Changes in non-cash working capital			
Amounts receivable		(598)	(1,982)
Prepays		2,700	11,700
Accounts payable and accrued liabilities		45,050	(67)
Net cash generated (used) in operating activities		(6,319)	(5,931)
<b>Cash flows from investing activities</b>			
Additions of exploration and evaluation asset	4	-	(16,310)
Net cash (used) in investing activities		-	(16,310)
<b>Cash flows from financing activities</b>			
Issuance of common shares		2,000	-
Net cash provided by financing activities		2,000	-
<b>Change in cash</b>		<b>(4,319)</b>	<b>(22,241)</b>
Cash, beginning of period		130,980	214,871
<b>Cash, end of period</b>		<b>126,661</b>	<b>192,630</b>

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

## **SKARB EXPLORATION CORP.**

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

For the three months ended September 30, 2020 and 2019

(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 October 21, 2019, the Company acquired 100% interests in the Gossan and SBS properties, located in the Spences Gold Belt in British Columbia. The company terminated its option agreement to acquire the RDR Project in Quebec. Please refer to Note 4 for details on the properties.

##### **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. These 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.

As at September 30, 2020, the Company had working capital of \$ 71,504, incurred accumulated losses of \$ 623,621, and expects to incur further losses in the development of its business. 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. As described in Note 10, on November 16, 2020, the Company closed a non-brokered private placement issuing 57,030,000 units of one share and one-half warrant at a price of C\$0.20 per Unit for gross proceeds of C\$11,406,000.

In respect to the COVID-19 crisis, it has had little to no impact on the Company and material impact in the future is not anticipated.

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

##### **a) Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The condensed interim financial statements should be read in conjunction with the annual financial statements for the years ended June 30, 2020 and June 30, 2019, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the years ended June 30, 2020 and June 30, 2019.

##### **b) Basis of Measurement**

The Company’s condensed interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The condensed interim financial statements are presented in Canadian dollars unless otherwise stated.

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

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

**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.

**4. EXPLORATION AND EVALUATION ASSETS**

	For the three-months ended September 30, 2020 \$	For the year ended June 30, 2020 \$	For the year ended June 30, 2019 \$
RDR Gold property:			
Balance forward	-	104,708	-
Acquisition Costs	-	(80,000)	80,000
Exploration Costs	-	(24,708)	24,708
	-	-	104,708
Gossan property:			
Balance forward	3,383	-	-
Acquisition Costs	-	1,579	-
Exploration Costs	-	1,804	-
	3,383	3,383	-
SBS property:			
Balance forward	4,273	-	-
Acquisition Costs	-	2,469	-
Exploration Costs	-	1,804	-
	4,273	4,273	-
Total acquisition and exploration	7,656	7,656	104,708

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

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

**4. EXPLORATION AND EVALUATION ASSETS (continued)**

Total exploration costs are as follows:

	For the three-months ended September 30, 2020 \$	For the year ended June 30, 2020 \$	For the year ended June 30, 2019 \$
Geology and consulting	-	3,608	24,708
Total	-	3,608	24,708

For the year ended June 30, 2019, a total of \$24,708 was spent for exploration of the RDR property.

For the year ended June 30, 2020, \$1,804 was spent for exploration of the Gossan property and \$1,804 was spent for exploration of the SBS property.

**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. The Company acquired 100% interest and was only required to pay the staking claim fees.

**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. 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 from related parties 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.

## SKARB EXPLORATION CORP.

### Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

#### 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.

In May 2018, the Company issued a total of 14,650,000 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).

On September 8, 2020, the Company issued 20,000 common shares at a value of \$0.10 in connection with the Special Warrant exercise in December 2018.

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: 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.

A summary of the Company's share options is as follows:

	Number of options outstanding	Weighted average exercise price
As at June 30, 2019	175,000	\$ 0.10
Granted	1,570,000	0.10
Exercised	-	-
Cancelled	-	-
As at June 30, 2020	1,745,000	0.10
Granted	-	-
Exercised	-	-
Cancelled	-	-
<b>As at September 30, 2020</b>	<b>1,745,000</b>	<b>0.10</b>

## SKARB EXPLORATION CORP.

### Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

#### 6. SHARE CAPITAL (continued)

##### c) Stock options (continued)

The following is a summary of share options outstanding and exercisable at September 30, 2020:

Expiry date	Number exercisable	Number outstanding	Exercise price \$
October 21, 2024	1,570,000	1,570,000	0.10
July 9, 2028	87,500	175,000	0.10
<b>Balance</b>	<b>1,657,500</b>	<b>1,745,000</b>	<b>0.10</b>

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 year ended September 30, 2020 was \$0.09 per option.

#### 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 year ended September 30, 2020, no common shares were issued to related parties of the Company.

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 \$128,970 attributable to key management personnel for the year ended September 30, 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 September 30, 2020 because of the demand nature or short-term maturity of these instruments.

## SKARB EXPLORATION CORP.

### Notes to the Condensed Interim Financial Statements

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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#### 9. FINANCIAL INSTRUMENTS (continued)

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

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and promissory notes. 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, 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 September 30, 2020, the Company had a working capital of \$71,504 (including amounts receivable), including cash of \$126,661.

##### 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.

##### 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, 2020.

#### 10. SUBSEQUENT EVENTS

On November 16, 2020, the Company closed a non-brokered private placement issuing 57,030,000 units (the "Units") at a price of C\$0.20 per Unit for gross proceeds of C\$11,406,000. Each Unit consists of one common share (a "Share") of the Company and a half of one warrant (each whole warrant, a "Warrant"). Each full Warrant entitles the holder to acquire one common share of the Company for a period of two years at a price of \$0.50, subject to an accelerated expiry if the volume weighted average trading price of the Company's shares is greater than \$0.75 per share for a period of 10 consecutive trading days (the "Acceleration Event"). The Company may give notice to the holders of the Acceleration Event and the Warrants will expire 30 days thereafter. The Company paid finders' fees on a portion of the Private Placement in the form of cash for a total of \$447,810 and issued 2,253,450 broker warrants exercisable at \$0.50 for a period of 24 months from closing.

On October 9, 2020, the Company entered into a Definitive Asset Purchase Agreement (the "Asset Purchase Agreement") with Petratherm Ltd. ("Petratherm") to acquire certain gold projects located in Victoria, Australia (the "Transaction").

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

For the three months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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Pursuant to the Asset Purchase Agreement, the Company will acquire the Projects in exchange for the issuance of an aggregate 100,000,000 common shares of the Company (each, a "Consideration Share"). Pursuant to the policies of the Exchange, the Transaction requires approval of the shareholders of the Company (the "Shareholder Approval"). The Company intends to obtain the Shareholder Approval by way of written consent of the holders of the majority of the common shares in the capital of the Company.

Completion of the proposed Transaction is subject to a number of conditions precedent, including, but not limited to, (i) acceptance by the Exchange and receipt of other applicable regulatory approvals; (ii) receipt of the Shareholder Approval; (iii) receipt of consent of the JV Owners (which, pursuant to the JV Agreement, may not be unreasonably withheld or delayed), and (iv) completion by Outback of a private placement for gross proceeds of at least \$4,000,000. There can be no assurance that the Transaction will be completed as proposed or at all.