

**RED OAK MINING CORP.**

**AUDITED FINANCIAL STATEMENTS  
AND AUDITORS' REPORT**

**MAY 31, 2020 AND 2019**

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p | 604.683.3277  
f | 604.684.8464

SUITE 1735, TWO BENTALL CENTRE  
555 BURRARD STREET  
BOX 243  
VANCOUVER, BC V7X 1M9



charlton & company  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of:  
**Red Oak Mining Corp.**

### Opinion

We have audited the financial statements of Red Oak Mining Corp. (the "Company"), which comprise the statements of financial position as at May 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$270,365 during the year ended May 31, 2020 and, as of that date, the Company's current liabilities exceeded its total assets by \$16,948. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

*Charlton & Company*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

1735-555 Burrard Street  
Vancouver, BC  
V7X 1M9

September 28, 2020

**RED OAK MINING CORP.**  
**Statements of Financial Position**  
**(expressed in Canadian dollars)**

	May 31, 2020	May 31, 2019
<b><u>ASSETS</u></b>		
<b>Current</b>		
Cash	\$ 199,301	\$ 23,059
Accounts receivable (Note 5)	11,721	15,442
<b>Total current assets</b>	<b>211,022</b>	<b>38,501</b>
<b>Restricted cash</b> (Note 6)	<b>18,261</b>	<b>17,931</b>
<b>Total assets</b>	<b>\$ 229,283</b>	<b>\$ 56,432</b>
<b><u>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</u></b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 144,066	\$ 108,147
Due to related parties (Note 9(d))	70,165	153,720
Provision for environmental rehabilitation (Note 6)	32,000	32,000
<b>Total liabilities</b>	<b>246,231</b>	<b>293,867</b>
<b>Shareholders' deficiency</b>		
Share capital (Note 7)	32,998,737	32,507,885
Contributed surplus (Note 8)	1,555,465	1,555,465
Deficit	(34,571,150)	(34,300,785)
<b>Total shareholders' deficiency</b>	<b>(16,948)</b>	<b>(237,435)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 229,283</b>	<b>\$ 56,432</b>

**Nature of Operations and Going Concern** (Note 1)  
**Subsequent Events** (Note 13)

**Approved by the Board:**

***"Jay Roberge"***

Director – Jay Roberge

***"Ian Graham"***

Director – Ian Graham

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

**RED OAK MINING CORP.**  
**Statements of Loss and Comprehensive Loss**  
**(expressed in Canadian dollars)**

<b>For the Years Ended May 31</b>	<b>2020</b>	<b>2019</b>
<b>Expenses</b>		
Accounting and audit (Note 9(a) and (b))	\$ 22,392	\$ 32,190
Bank charges	481	164
Consulting fees (Note 9(c))	163,194	203,034
Filing and share transfer fees	20,366	11,807
Interest	-	95
Legal fees	50,100	80,410
Office and administration	9,270	3,214
Reclamation costs (Note 6)	-	45,719
Shareholders' information	1,825	2,148
Travel	30,300	12,615
	<b>297,928</b>	<b>391,396</b>
<b>Loss before other items</b>	<b>(297,928)</b>	<b>(391,396)</b>
<b>Other items</b>		
Interest income	563	325
Proceeds from sale of oil well (Note 6)	27,000	-
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (270,365)</b>	<b>\$ (391,071)</b>
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(0.07)</b>
<b>Weighted average number of common shares outstanding</b>	<b>12,581,666</b>	<b>5,337,958</b>

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

**RED OAK MINING CORP.**  
**Statements of Shareholders' Deficiency**  
**(expressed in Canadian dollars)**

	Number of Shares		Share Capital		Contributed Surplus		Deficit		Shareholder's Deficiency
<b>Balance, May 31, 2019</b>	<b>5,833,556</b>	\$	<b>32,507,885</b>	\$	<b>1,555,465</b>	\$	<b>(34,300,785)</b>	\$	<b>(237,435)</b>
Shares issued pursuant to private placements – net	10,000,000		490,852		-		-		490,852
Shares returned for re-registration	(4,000)		-		-		-		-
Net loss for the year	-		-		-		(270,365)		(270,365)
<b>Balance, May 31, 2020</b>	<b>15,829,556</b>	\$	<b>32,998,737</b>	\$	<b>1,555,465</b>	\$	<b>(34,571,150)</b>	\$	<b>(16,948)</b>
<b>Balance, May 31, 2018</b>	<b>5,261,175</b>	\$	<b>32,307,552</b>	\$	<b>1,555,465</b>	\$	<b>(33,909,714)</b>	\$	<b>(46,697)</b>
Shares issued pursuant to the exercise of warrants	572,381		200,333		-		-		200,333
Net loss for the year	-		-		-		(391,071)		(391,071)
<b>Balance, May 31, 2019</b>	<b>5,833,556</b>	\$	<b>32,507,885</b>	\$	<b>1,555,465</b>	\$	<b>(34,300,785)</b>	\$	<b>(237,435)</b>

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

**RED OAK MINING CORP.**  
**Statements of Cash Flows**  
**(expressed in Canadian dollars)**

<b>For the Years Ended May 31</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Loss for the years from continuing operations	\$ (270,365)	\$ (391,071)
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	3,721	(13,901)
Increase in accounts payable & accruals	35,919	80,566
Increase in decommissioning liability	-	16,000
<b>Net cash used in operating activities</b>	<b>(230,725)</b>	<b>(308,406)</b>
<b>Cash flows from investing activities</b>		
Restricted cash	(330)	(325)
<b>Net cash used in investing activities</b>	<b>(330)</b>	<b>(325)</b>
<b>Cash flows from financing activities</b>		
Issuance of common shares	500,000	-
Share issuance costs	(9,148)	-
Warrants exercised	-	200,333
Increase (decrease) in due to related party	(83,555)	75,120
<b>Net cash provided by financing activities</b>	<b>407,297</b>	<b>275,453</b>
<b>Increase (decrease) in cash during the year</b>	<b>176,242</b>	<b>(33,278)</b>
<b>Cash, beginning of the year</b>	<b>23,059</b>	<b>56,337</b>
<b>Cash, end of the year</b>	<b>\$ 199,301</b>	<b>\$ 23,059</b>

**Supplemental disclosure with respect to cash flows (Note 10)**

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

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

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

Red Oak Mining Corp. (“The Company”) is incorporated in the Province of British Columbia (extra-provincially registered in the Province of Alberta). The Company’s registered and record office is located at Miller Thomson LLP, Pacific Centre 400-725 Granville St., Vancouver BC, V7Y 1G5.

At May 31, 2020 the Company had a working capital deficiency of \$35,209 (May 31, 2019 - \$255,366) and had not yet achieved profitable operations, has accumulated losses of \$34,571,150 (May 31, 2019 - \$34,300,785) since its inception and expects to incur further losses in the development of its business, 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 generate future profitable operations and/or to obtain the necessary financing including support from related parties to meet its ongoing levels of corporate overhead, and discharge its liabilities as they come due. The Company is also depending on the continued patience of its related and third party creditors with respect to outstanding amounts. At this time the Company is managing its financial resources to minimize expenditures while it determines its future direction. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business.

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, these financial statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these financial statements.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. It has adversely affected global workforces, economies, and financial markets, triggering an economic downturn. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of the outbreak nor its effects on the Company’s business or operations.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance**

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

These financial statements were approved and authorized for issue by the Board of Directors on September 28, 2020.

**(b) Basis of measurement**

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below. All financial information in these financial statements is presented in Canadian dollars which is the functional currency of the Company. The accounting policies set out below have been applied consistently by the Company.

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

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**2. BASIS OF PRESENTATION** (continued)

**(c) Use of estimates and judgments**

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. Actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

*Judgments*

**Going concern assumption**

The continued use of the going concern assumption is based on the Company's judgments regarding the availability, timing, and costs of obtaining financing. The use of the going concern assumption is also based on the Company's judgments regarding the continued support and patience of related parties and third party creditors. In applying the going concern assumption, the Company has not taken into account the uncertainty surrounding the timing of receipt of the restricted cash and the uncertainty surrounding the timing of payments of accounts and loans payable in determining the fair values of its financial instruments.

*Estimates*

**Provision for environmental rehabilitation**

Provisions for environmental rehabilitation are based on the Company's best estimate of the probable outflow to complete reclamation work. The final costs of the currently recognized environmental rehabilitation provision may be higher or lower than currently provided for.

**(d) New standards and interpretations**

**New Standards Recently Adopted**

*IFRS 16 – Leases*

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of June 1, 2019. This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize "right-of-use" assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Exploration and evaluation assets**

Mineral properties and exploration and evaluation expenditures

Acquisition costs of exploration and evaluation assets together with direct exploration and evaluation expenditures thereon are deferred in the accounts at cost. These are classified as intangible assets. Once a project has been established as commercially viable and technically feasible, mineral properties are reclassified as tangible assets and related development expenditures are capitalized. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made.

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

#### **(b) Earnings (loss) per share**

Basic earnings/(loss) per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/(loss) per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares from options and warrants that would have been outstanding, if potentially dilutive instruments were converted.

#### **(c) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(d) Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

**(e) Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred.

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(f) Agent warrants and warrants**

Warrants issued to agents in connection with an equity financing are recorded at fair value and charged to share issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

**(g) Impairment**

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(h) Financial instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at June 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Asset retirement obligation	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

(ii) Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss).

**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

**(a) Fair value of financial instruments**

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

**RED OAK MINING CORP.**  
**Notes to the Financial Statements**  
**Years Ended May 31, 2020 and 2019**  
**(expressed in Canadian dollars)**

**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

(continued)

	Level 1	Level 2	Level 3	Total
<b>May 31, 2020</b>				
<b>Cash</b>	<b>\$ 199,301</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 199,301</b>
<b>Restricted cash</b>	<b>18,261</b>	<b>-</b>	<b>-</b>	<b>18,261</b>
	<b>\$</b>			
	<b>217,562</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 217,562</b>
<b>May 31, 2019</b>				
<b>Cash</b>	<b>\$ 23,059</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,059</b>
<b>Restricted cash</b>	<b>17,931</b>	<b>-</b>	<b>-</b>	<b>17,931</b>
	<b>\$</b>			
	<b>40,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,990</b>

The fair value of cash and restricted cash are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The fair value of loans payable are determined based on Level 2 inputs and estimated using the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at May 31, 2020, the Company believes that the carrying values of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate the fair values because they are due on demand.

**(b) Risk management**

*Credit Risk*

The Company is exposed to credit risk with respect to its cash. To minimize this risk, cash is placed with major Canadian financial institutions.

*Interest Rate Risk*

The Company is not exposed to significant interest rate risk due to the relatively short-term maturity of its monetary assets and liabilities.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company does not have operating cash flow and therefore has relied primarily on equity financings and loans from related parties to meet its capital requirements. As at May 31, 2020 the Company has a working capital deficiency of \$35,209 (May 31, 2019 - \$255,366). The Company will need to obtain additional financing to meet the obligations as they come due.

*Commodity Price Risk*

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of resource commodities.

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**5. ACCOUNTS RECEIVABLE**

	<b>May 31, 2020</b>		May 31, 2019	
GST/HST receivable	\$	<b>6,071</b>	\$	15,442
Subscriptions receivable		<b>400</b>		-
Other		<b>5,250</b>		-
	\$	<b>11,721</b>	\$	15,442

**6. EXPLORATION AND EVALUATION ASSETS**

**Provost Property, Alberta**

In February 2003, the Company acquired a 100% interest in an oil well (16-28) and an 18% interest in a shut-in gas well (02/13-17) located in the Provost area of Alberta.

During the year ended May 31, 2010, the Company abandoned the oil well and determined that it would be required to perform additional reclamation work. Management's best estimate of the cost for the associated reclamation work is \$16,000. This estimate has been updated during the year ended May 31, 2019 to \$32,000 based on quotations obtained by third party consultants and an additional reclamation obligation amount was recorded. The Company previously deposited \$16,000 with the Alberta Energy Resources Conservation Board ("AECB"), which amount is shown as restricted cash on the statement of financial position. The \$16,000 deposit plus interest will be refunded once the AECB is satisfied that the Company has performed all necessary decommissioning activities. The balance of restricted cash after accumulated interest as at May 31, 2020 is \$18,261 (May 31, 2019 - \$17,931).

During the year ended May 31, 2020, the Company has spent \$nil (May 31, 2019 - \$45,719) on reclamation work.

In October 2019, the Company signed a Notice of Assignment with Tamarack Acquisition Corp (the "Assignee) to transfer 100% working interest in the shut-in gas well (02/13-17) located in the Provost area of Alberta for a total proceeds of \$27,000.

**7. SHARE CAPITAL**

(a) Authorized: Unlimited common shares without par value

**(b) Issued during the year ended May 31, 2020:**

- (i) On December 17, 2019, the Company consolidated its shares at a ratio of 3.5:1 whereby 20,417,578 pre-consolidation shares became 5,833,556 post-consolidation shares.
- (ii) On December 17, 2019, the Company closed the first tranche of a private placement, issuing 4,000,000 shares at an issue price of \$0.05 per share for total proceeds of \$200,000. There are \$400 in subscriptions receivable from this issuance.

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**7. SHARE CAPITAL (continued)**

- (iii) In January 2020, the Company returned 4,000 shares to treasury for re-registration.
- (iv) On March 5, 2020, the Company closed the second and last tranche of a private placement, issuing 6,000,000 shares at an issue price of \$0.05 per share for total proceeds of \$300,000. The Company had finders' fee of \$4,333 and share issuance costs of \$4,815 on this private placement.

**Issued during the year ended May 31, 2019:**

The Company received \$200,333 pursuant to exercise of 572,381 warrants at the exercise price of \$0.35.

**(c) Warrants**

- i) As at May 31, 2020, the Company had nil warrants outstanding.
- ii) Summary of warrants outstanding post consolidation at May 31, 2020:

	<b>Warrants Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>
<b>Balance at May 31, 2018</b>	765,714	\$ 0.35	0.25 years
Exercised	(572,381)	0.35	
Expired	(193,333)	0.35	
<b>Balance at May 31, 2019 &amp; 2020</b>	<b>-</b>	<b>\$ -</b>	<b>0.00 years</b>

**(d) Stock options**

- i) As at May 31, 2020, the Company had nil warrants outstanding.
- ii) Summary of options outstanding post consolidation at May 31, 2020:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>
<b>Balance at May 31, 2018</b>	485,714	\$ 0.35	4.49 years
<b>Balance at May 31, 2019</b>	485,714	0.35	3.49 years
Cancelled	(485,714)	0.35	
<b>Balance at May 31, 2020</b>	<b>-</b>	<b>\$ -</b>	<b>0.00 years</b>

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**8. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS**

The following table reconciles the Company's contributed surplus:

<b>Balance, May 31, 2019 and 2020</b>	<b>\$</b>	<b>1,555,465</b>
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The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. Each option should have a maximum term of five years.

During the year ended May 31, 2020, the Company has recognized \$nil (May 31, 2019 - \$nil) stock-based compensation expenses.

**9. RELATED PARTY TRANSACTIONS**

**Key Management Compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the year ended May 31, 2020, the Company entered into the following transactions with the related parties:

- (a) Incurred accounting fees of \$nil (May 31, 2019 - \$18,000) with BJ Financial Accounting Inc. (a company controlled by the former CFO and director of the Company).
- (b) Incurred accounting fees of \$11,270 (May 31, 2019 - \$2,590) with Jin Passage Consulting Inc. (a company controlled by the CFO of the Company).
- (c) Incurred consulting fees of \$58,500 (May 31, 2019 - \$150,000) with Tehma Venture and Tehama Capital Corp. (companies controlled by the director, President and CEO of the Company).
- (d) As at May 31, 2020, \$70,165 (May 31, 2019 - \$153,720) was owing to companies controlled by directors and officers of the Company.

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the year ended May 31, 2020, the Company paid \$nil (May 31, 2019 - \$95) interest on loan.

	<u>May 31, 2020</u>	<u>May 31, 2019</u>
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 95

Non-cash investing and financing activities for the year ended May 31, 2020 were \$nil (May 31, 2019 - \$nil).

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**11. LETTER OF INTENT WITH CB HOLDING GROUP CORP.**

On July 12, 2018, the Company entered into a letter of intent with CB Holding Group Corp. (“CBH”). CBH is a Nevada corporation, that will operate a vaporizer pen distribution and sale business through a wholly owned California subsidiary (the “California Subsidiary”), with an Exclusive Distribution Agreement in the State of California, and through a wholly owned Nevada subsidiary, (the “Nevada Subsidiary”) with an Exclusive Distribution Agreement in the State of Nevada, allowing for the distribution and sale of vaporizers. The Company and CBH plan to enter into a definitive Share Exchange Agreement (the “Definitive Agreement”) whereby all outstanding securities of CBH will be exchanged for securities of the Company (the “Transaction”), which will constitute a reverse takeover by CBH and a change of business of the Corporation from mining to the production and sale of vaporizers for cannabis and CBD. The final structure of the Definitive Agreement is subject to applicable corporate, securities and tax considerations. The Transaction is an arm’s length transaction.

On closing of the Transaction, it is anticipated that the Company will carry on with sale of CBH’s vaporizer pens. In connection with the completion of the Transaction, the Corporation intends to delist its securities from the TSX Venture Exchange (the “TSXV”) and seek listing of the same on the Canadian Securities Exchange (the “CSE”). Red Oak plans to change its name on closing of the Transaction.

The completion of the Transaction is subject to a number of conditions, including but not limited to, the execution of the Definitive Agreement, completion of satisfactory due diligence including the delivery and satisfactory review of the audited financial statements of CBH and the audited carve out financial statements from Caesarbrutus, completion of various financings, completion of the name change, approval of the listing of the Company’s securities on the CSE and approval to delist the same from the TSXV, and the approval of the Transaction by each of the TSXV, CSE and the board of directors and shareholders of each of the Company and CBH (if and as applicable). The LOI contains customary deal support provisions, including a break fee of US\$750,000 payable by CBH to Red Oak if the proposed Transaction is not completed in certain circumstances. In addition, the LOI contains mutual customary exclusivity and non-solicitation covenants that expire October 30, 2018.

On December 21, 2018 the letter of intent was terminated. As per the mutual release agreement signed by both CBH and the Company, CBH is to compensate the Company with \$82,000 in cash and 500,000 in common shares of CBH.

As at May 31, 2020, the Company does not consider the \$82,000 cash collectible. The 500,000 common shares of CBH, a private company without a quoted market price in an active market, were received by the Company during the year and has fair value of \$nil.

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**12. INCOME TAXES**

A reconciliation of income taxes at statutory rate with the reported taxes is as follows:

	<u>2020</u>	<u>2019</u>
Loss for the year	\$ (270,365)	\$ (391,071)
Expected income tax recovery (2020: 27%, 2019: 27%)	(72,999)	(105,589)
Items not deductible and deducted for income tax purposes	(134)	(428)
Tax effect on change in statutory rate	-	(217,400)
Losses for which tax benefits not recognized	73,133	323,417
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's unrecognized deferred income tax assets are as follows:

	<u>2020</u>	<u>2019</u>
Deferred income tax assets		
Non-capital losses carry forward	\$ 1,959,514	\$ 1,886,381
Share issue costs	3,717	1,830
Equipment	4,888	4,888
Resource properties	3,450,108	3,450,108
Total unrecognized deferred tax assets	\$ 5,418,227	\$ 5,343,207

The Company has non-capital losses of approximately \$7,257,000 which are available to reduce taxable income of future years. The non-capital losses expire as follows:

<u>Years</u>	<u>\$</u>
2026	570,000
2027	945,000
2028	1,551,000
2029	794,000
2030	698,000
2031	536,000
2032	244,000
2033	296,000
2034	299,000
2035	274,000
2036	106,000
2037	103,000
2038	179,000
2039	392,000
2040	270,000
<u>Total</u>	<u>7,257,000</u>

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**13. SUBSEQUENT EVENTS**

On June 30, 2020, the Company entered into a non-binding letter of intent (“LOI”) with Metrock Resources Ltd. (“Metrock”), an arms-length privately held issuer incorporated under laws of Australia which upon completion will result in the acquisition of Metrock by Red Oak by way of a share exchange. The Transaction is intended to constitute a Fundamental Acquisition, a transaction where one or more assets, properties or businesses or an interest therein is acquired, in respect of which: (a) at least 50% of Red Oak’s assets, resources, planned expenditures or management time commitment will be devoted over the next 12 month period; or (b) at least 50% of Red Oak’s anticipated revenues for the next 12 months are expected to be derived.

With the completion of the Transaction, it is intended that the Company will graduate from the NEX board of the TSX Venture Exchange (“TSXV”) to become a Tier 2 mining issuer on TSXV.

Metrock is engaged in the business of mineral exploration through its wholly owned subsidiary Coastal Resource Pty Ltd (“Coastal”). Coastal, through wholly-owned subsidiaries, holds certain exploration licenses located in Botswana that are in prospective exploration targets for manages including: 100% of eight contiguous tenure licenses encompassing approximately 3,470 sq km and 100% of one tenure license encompassing approximately 55,750 hectares which are adjacent to the north of the eight tenure licenses.

As consideration on the acquisition, the Company will issue an aggregate of approximately 18,350,000 common shares in exchange for 100% of the issued and outstanding shares of Metrock Resources Ltd. The deemed value of the consideration shares for the purpose of the transaction is \$0.10 per share.

In addition, the Company will issue 5,300,000 warrants at an exercise price of \$0.20 to certain shareholders of Metrock. The warrants exercisable for two years after issuance at price of \$0.20 per share. In the event that the Company’s common shares have a closing price on TSXV of greater than \$0.30 per common share for period of five consecutive trading days, the Company may accelerate the expiry to the 30th day thereafter.

The Company has agreed to pay an arm’s length party an advisory fee equal the 10% of the value consideration on the Transaction to be satisfied in common shares of Red Oak at the same price per share of the transaction, which is approximately 1,835,000 common shares.

Letter of Intent contemplates that the Transaction will be completed through a definitive agreement that is to be negotiated in good faith by Red Oak and Metrock – both parties agreed to an exclusivity period expiring July 31, 2020 during which the parties have agreed to negotiate in good faith and settle the definitive agreement

In conjunction with the transaction, the Company will arrange a private placement at price of \$0.10 per unit for proceeds up to \$2,000,000 where each unit will consist of one common share of Red Oak and one Red Oak warrant at price of \$0.20 exercisable for period of two years with an acceleration clause.