

RED OAK MINING CORP.

INTERIM FINANCIAL STATEMENTS

**AUGUST 31, 2020 AND 2019
(Unaudited – Prepared by Management)**

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NOTICE – NO Auditor Review of the Interim Financial Statements

The accompanying unaudited interim financial statements of Red Oak Mining Corp. (“the Company”), for the three months ended August 31, 2020, have been prepared by management and have not been the subject of a review by the Company’s external independent auditor.

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

| | August 31, 2020 | May 31, 2020 |
|---|----------------------------|-----------------|
| <u>ASSETS</u> | | |
| Current | | |
| Cash | \$ 162,844 | \$ 199,301 |
| Accounts receivable (Note 5) | 8,984 | 11,721 |
| Total current assets | 171,828 | 211,022 |
| Restricted cash (Note 6) | 18,284 | 18,261 |
| Total assets | \$ 190,112 | \$ 229,283 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 94,668 | \$ 144,066 |
| Due to related parties (Note 9(b)) | 72,775 | 70,165 |
| Provision for environmental rehabilitation (Note 6) | 32,000 | 32,000 |
| Total liabilities | 199,443 | 246,231 |
| Shareholders' equity | | |
| Share capital (Note 7) | 32,998,737 | 32,998,737 |
| Share subscription | 25,000 | - |
| Contributed surplus (Note 8) | 1,555,465 | 1,555,465 |
| Deficit | (34,588,533) | (34,571,150) |
| Total shareholders' equity | (9,331) | (16,948) |
| Total liabilities and shareholders' equity | \$ 190,112 | \$ 229,283 |

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 12)

Approved by the Board:

"Jay Roberge"

Director – Jay Roberge

"Ian Graham"

Director – Ian Graham

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

| For the Periods Ended August 31 | 2020 | 2019 |
|---|--------------------|-------------------|
| Expenses | | |
| Accounting and audit | \$ (10,000) | \$ - |
| Bank charges | 128 | 18 |
| Consulting fees (Note 9(a)) | 25,500 | 7,500 |
| Filing and share transfer fees | 13,581 | 2,159 |
| Legal fees | (15,941) | - |
| Office and administration | 3,960 | 330 |
| Travel | 178 | - |
| | <u>17,406</u> | <u>10,007</u> |
| Loss before other items | (17,406) | (10,007) |
| Other items | | |
| Interest income | 23 | 90 |
| Net loss and comprehensive loss for the period | \$ (17,383) | \$ (9,917) |
| Basic and diluted loss per share | (0.00) | (0.00) |
| Weighted average number of common shares outstanding | 15,829,556 | 5,833,556 |

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

| | Number of Shares | Share Capital | Share subscription | Contributed Surplus | Deficit | Shareholder's Equity |
|---------------------------------|---------------------|----------------------|-----------------------|------------------------|------------------------|-------------------------|
| Balance, May 31, 2020 | 15,829,556 | \$ 32,998,737 | | 1,555,465 | \$ (34,571,150) | \$ (16,948) |
| Share subscription | - | - | 25,000 | - | - | 25,000 |
| Net loss for the period | - | - | - | - | (17,383) | (17,383) |
| Balance, August 31, 2020 | 15,829,556 | \$ 32,998,737 | | 1,555,465 | \$ (34,588,533) | \$ (9,331) |
| Balance, May 31, 2019 | | 5,833,556 | \$ 32,507,885 | \$ 1,555,465 | \$ (34,300,785) | \$ (237,435) |
| Net loss for the period | | - | - | - | (9,917) | (9,917) |
| Balance, August 31, 2019 | | 5,833,556 | \$ 32,507,885 | \$ 1,555,465 | \$ (34,310,702) | \$ (247,352) |

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

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

| For the Periods Ended August 31 | 2020 | 2019 |
|--|-------------------|------------------|
| Cash flows from operating activities | | |
| Loss for the periods from continuing operations | \$ (17,383) | \$ (9,917) |
| | <u>(17,383)</u> | <u>(9,917)</u> |
| Changes in non-cash working capital items: | | |
| (Increase) decrease in accounts receivable | 2,735 | (499) |
| Increase (decrease) in accounts payable & accruals | (49,398) | (45,870) |
| Net cash used in operating activities | <u>(64,046)</u> | <u>(56,286)</u> |
| Cash flows from investing activities | | |
| Restricted cash | (21) | (90) |
| Net cash used in investing activities | <u>(21)</u> | <u>(90)</u> |
| Cash flows from financing activities | | |
| Share subscription | 25,000 | - |
| Increase (decrease) in due to related party | 2,610 | 51,180 |
| Net cash provided by financing activities | <u>27,610</u> | <u>51,180</u> |
| Decrease in cash during the period | (36,457) | (5,196) |
| Cash, beginning of the period | 199,301 | 23,059 |
| Cash, end of the period | \$ 162,844 | \$ 17,863 |

Supplemental disclosure with respect to cash flows (Note 10)

RED OAK MINING CORP.
Notes to the Interim Financial Statements
Periods Ended August 31, 2020 and 2019
(expressed in Canadian dollars)

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 August 31, 2020 the Company had a working capital deficiency of \$27,615 (May 31, 2020 - \$35,209) and had not yet achieved profitable operations, has accumulated losses of \$34,588,533 (May 31, 2020 - \$34,571,150) 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 interim financial statements including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved and authorized for issue by the Board of Directors on October 30, 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 Interim Financial Statements
Periods Ended August 31, 2020 and 2019
(expressed in Canadian dollars)

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.

RED OAK MINING CORP.
Notes to the Interim Financial Statements
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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 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.

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Notes to the Interim Financial Statements
Periods Ended August 31, 2020 and 2019
(expressed in Canadian dollars)

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.

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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.

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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:

| Financial assets/liabilities | Original classification IAS 39 | New classification IFRS 9 |
|--|---|--------------------------------------|
| 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.

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(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.

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Notes to the Interim Financial Statements
Periods Ended August 31, 2020 and 2019
(expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

(continued)

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|-------------------|-------------|-------------|-------------------|
| August 31, 2020 | | | | |
| Cash | \$ 162,844 | \$ - | \$ - | \$ 162,844 |
| Restricted cash | 18,284 | - | - | 18,284 |
| | \$ 181,128 | \$ - | \$ - | \$ 181,128 |
| May 31, 2020 | | | | |
| Cash | \$ 199,301 | \$ - | \$ - | \$ 199,301 |
| Restricted cash | 18,261 | - | - | 18,261 |
| | \$ 217,562 | \$ - | \$ - | \$ 217,562 |

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 August 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 August 31, 2019 the Company has a working capital deficiency of \$265,374 (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.

5. ACCOUNTS RECEIVABLE

RED OAK MINING CORP.
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(expressed in Canadian dollars)

| | August 31, 2020 | May 31, 2020 |
|--------------------------|------------------------|------------------|
| GST/HST receivable | \$ 3,334 | \$ 6,071 |
| Subscriptions receivable | 400 | 400 |
| Other | 5,250 | 5,250 |
| | \$ 8,984 | \$ 11,721 |

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 period ended August 31, 2020, the Company has spent \$nil (May 31, 2020 - \$nil) 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 period ended August 31, 2020:**

No new share issuance during the period.

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.

7. SHARE CAPITAL (continued)

(ii) On December 17, 2019, the Company closed the first tranche of a private placement, issuing

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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.

- (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.

(c) Warrants

As at August 31, 2020 and 2019, the Company had nil warrants outstanding.

(d) Stock options

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

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|--------------------------------|--------------------------------|--|--|
| Balance at May 31, 2019 | 485,714 | 0.35 | 3.49 years |
| Cancelled | (485,714) | 0.35 | |
| Balance at May 31, 2020 | - | - | 0.00 years |

8. STOCK-BASED COMPENSATION AND CONTRIBUTED SURPLUS

The following table reconciles the Company's contributed surplus:

| | |
|---------------------------------|---------------------|
| Balance, May 31, 2019 and 2020 | \$ 1,555,465 |
| Balance, August 31, 2020 | \$ 1,555,465 |

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

9. RELATED PARTY TRANSACTIONS

Key Management Compensation

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(expressed in Canadian dollars)

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 period ended August 31, 2020, the Company entered into the following transactions with the related parties:

- (a) Incurred consulting fees of \$18,000 (August 31, 2019 - \$7,500) with Tehama Capital Corp. (companies controlled by the director, President and CEO of the Company).
- (b) As at August 31, 2020, \$72,775 (August 31, 2019 - \$204,900) was owing to companies controlled by directors and officers of the Company.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the period ended August 31, 2020, were nil.

Non-cash investing and financing activities for the period ended August 31, 2019, were nil.

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.

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11. LETTER OF INTENT WITH CB HOLDING GROUP CORP. (continued)

On December 21, 2018 the letter of intent was terminated. As per the mutual release agreement signed by

RED OAK MINING CORP.
Notes to the Interim Financial Statements
Periods Ended August 31, 2020 and 2019
(expressed in Canadian dollars)

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 August 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.

12. SUBSEQUENT EVENTS

(a) In October 2020, the Company entered in a non-binding letter of intent (“LOI”) with Impact Silver Corp. (“Impact Silver”) for an arm’s length transaction whereby the Company may earn a 100% interest in the Nuevo Taxco Silver-Gold Project (the “Property”) located approximately 80 km south west of Mexico City and west of the municipality of Tetipac within the Pregones Silver- Gold District. Under terms of the agreement (subject to regulatory approval), the Company may earn 100% interest in the approximately 1,100 hectare property by completing exploration expenditures of \$1,400,000, making cash payments of \$300,000 and issuing 3,500,000 common shares to IPT over a 3-year period. Details of the option agreement are outlined below.

Under the Agreement, the Company may earn a 100% interest in the Property by making certain staged cash payments, issuing common shares in the capital of the Company to Impact Silver and making exploration expenditures over a 3-year period as follows: (i) \$1,000 in cash was paid upon execution of the Letter of Intent in respect of the Transaction; (ii) \$49,000 in cash and 500,000 common shares upon TSXV approval of the Transaction and closing of the Financing (the “Closing Date”); (iii) \$200,000 in exploration expenditures on or before September 30th, 2021; (iv) \$100,000 in cash, 1,000,000 common shares and \$400,000 in exploration expenditures on or before September 30, 2022; and (v) \$150,000 in cash, 2,000,000 common shares and \$800,000 in exploration expenditures on or before September 30, 2023.

The Transaction is intended to constitute a Fundamental Acquisition, as that term is defined in the policies of the TSX Venture Exchange (the “TSXV”). On completion of the Transaction, it is intended that the Company will graduate its listing from the NEX board of the TSXV to become a Tier 2 Mining issuer on the TSXV.

The Company has agreed to pay an arm’s length party an finder’s fee with regards to the property acquisition equal to 10% of the value consideration for year one of the Agreement to be satisfied in common shares of the Company at the same price per share as the Transaction, being approximately 100,000 common shares.

In conjunction with the Agreement with Impact, the Company will arrange a non-brokered private placement at a price of CAD\$0.10 per unit for proceeds up to CAD\$950,000.00. Each Unit will consist of one share and one share purchase warrant at a price of \$0.20, exercisable for a period of two years from issuance.

(b) The previously announced Letter of Intent with Metrock Resources Corp., originally announced on June 4th, 2020 has been amicably terminated and the concurrent financing announced in the same press release has been terminated.