SKARB EXPLORATION CORP.

Financial Statements

For the year ended June 30, 2019
and
period from incorporation on March 6, 2018 to June 30, 2018

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Skarb Exploration Corp.

Opinion

We have audited the financial statements of Skarb Exploration Corp. (the "Company"), which comprise the statement of financial position as at June 30, 2019, and the statement of loss and comprehensive loss, statement of changes in equity and statement of cash flows for the year 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 June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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.

Other Matter

The financial statements of the Company for the period from incorporation on March 6, 2018 to June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 25, 2019.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company recorded a net loss of $ 204,273 (2018 - $ 53,256) and, as at June 30, 2019, the Company had an accumulated deficit of $ 257,529. 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 information included in the Management's 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 identified above 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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, 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.

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 Gordon Cummings.

D&H Group LLP

Vancouver, B.C.
October 3, 2019

Chartered Professional Accountants

SKARB EXPLORATION CORP.
Statements of Financial Position
As at June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Note		2019		2018
ASSETS					
Current					
Cash			**214,871**	$	351,969
Amounts receivable			**795**		375
Prepaids			**15,120**		-
		$	**230,786**	$	352,344
Non-Current					
Exploration & evaluation asset	4		**104,708**		32,500
TOTAL ASSETS		**$**	**335,494**	$	384,844
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**29,329**		53,100
Promissory notes	5		**27,000**		-
TOTAL LIABILITIES		**$**	**56,329**		53,100
EQUITY					
Share capital	6	**$**	**528,150**	$	385,000
Option reserve	6	**$**	**8,544**		-
Deficit		**$**	**(257,529)**		(53,256)
TOTAL EQUITY		**$**	**279,165**	$	331,744
TOTAL LIABILITIES AND EQUITY		**$**	**335,494**	$	384,844

Nature of operations and going concern (Note 1)

These financial statements were authorized for issue by the Board of Directors on October 3, 2019

/s/ "*Craig Parry*"
CRAIG PARRY, Chief Executive Officer

/s/ "Ota Hally"
OTA HALLY, Chief Financial Officer

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

SKARB EXPLORATION CORP.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note		For the year ended June 30, 2019		From March 6, 2018 (Date of Incorporation) to June 30, 2018
Expenses					
Accounting and audit fees		**$**	**39,150**	$	-
Bank Fees			**757**		156
Office and administrative			**63**		-
Transfer agent & filing fees			**23,507**		-
Insurance			**4,680**		-
Listing fees			**23,504**		-
Meals and entertainment			**1,772**		-
Professional fees			**102,296**		53,100
Share-based compensation	6		**8,544**		-
Loss and comprehensive loss		**$**	**204,273**	$	53,256
Loss per common share – basic and diluted	2	**$**	**(0.01)**	$	(0.00)
Weighted average number of common shares outstanding - basic and diluted			**19,268,405**		10,850,000

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

SKARB EXPLORATION CORP.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Number of Special Warrants	Share Capital	Special Warrants	Option Reserve	Deficit	Total
Balance as at March 6, 2018 (date of incorporation)		**5,400,000**	**-**	**$ 27,000**			**-**	**$ 27,000**
Shares issued		15,950,000	-	358,000	-	-	-	358,000
Net Loss for the period		-	-	-	-	-	(53,256)	(53,256)
Balance as at June 30, 2018		**21,350,000**	**-**	**$ 385,000**	**-**	**-**	**$ (53,256)**	**$ 331,744**
Special Warrants	6	-	1,401,500	-	140,150	-	-	140,150
Special Warrants converted to shares	6	1,401,500	(1,401,500)	140,150	(140,150)	-	-	-
Repurchase of shares	5	(5,400,000)		(27,000)	-	-	-	(27,000)
Shares issued	4	300,000	-	30,000	-	-	-	30,000
Share-based compensation		-	-	-	-	8,544		8,544
Net Loss for the year		-	-	-	-	-	(204,273)	(204,273)
Balance as at June 30, 2019		**17,651,500**	**-**	**$ 528,150**	**-**	**$ 8,544**	**$ (257,529)**	**$ 279,165**

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

SKARB EXPLORATION CORP.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note		For the year ended June 30, 2019		From March 6, 2018 (Date of Incorporation) to June 30, 2018
Cash flows from (used in) operating activities					
Loss for the year		**$**	**(204,273)**	$	(53,256)
Adjustments for items that do not represent changes in cash					
Share Based Compensation	6		**8,544**		-
Changes in non-cash working capital					
Amounts receivable			**(420)**		(375)
Prepaids			**(15,120)**		-
Accounts payable and accrued liabilities			**(23,771)**		53,100
Net cash generated (used) in operating activities		**$**	**(235,040)**	$	(531)
Cash flows used in investing activities					
Additions of exploration and evaluation asset	4	**$**	**(42,208)**	$	(32,500)
Net cash (used) in investing activities		**$**	**(42,208)**	$	(32,500)
Cash flows provided by financing activities					
Issuance of common shares			**-**	$	385,000
Issuance of special warrants	6		**140,150**		-
Net cash provided (used) by financing activities			**140,150**	$	385,000
Change in cash		**$**	**(137,098)**	$	351,969
Cash, beginning of period			**351,969**		-
Cash, end of period		**$**	**214,871**	$	351,969

Supplemental cash flow information (Note 11)

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

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 March 14, 2018, the Company entered into an option agreement to obtain the sole and exclusive right and option to acquire a 100% right, title and interest in the RDR Gold Property located in the Province of Quebec. Please refer to Note 4 for details on RDR Gold Property.

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2019, the Company has working capital of $ 201,457, incurred accumulated losses of $ 257,529, expects to incur further losses in the development of its business, and has insufficient resources to meet its required exploration expenditures on the Property (see note 4), all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to complete or develop a business, generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These 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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The accounting policies followed by the Company as set out below have been consistently followed in the preparation of these financial statements.

b) Statement of Compliance

These financial statements for the year ended June 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

c) Basis of Presentation

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts ("$").

d) Functional and Presentation Currency

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

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

e) **Cash**

Cash includes cash on hand with a Canadian chartered bank.

f) **Exploration and evaluation assets**

All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized as incurred and deferred until management establishes technical feasibility and economic feasibility of a property. When technical feasibility and commercial viability of a property is demonstrated, exploration and evaluation assets will be reclassified into property.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Exploration and evaluation assets are assessed for impairment when facts or circumstances suggest that the carrying value of an exploration and evaluation asset may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The estimated recoverable amount is determined on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the cash generating unit level. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company will measure, present and disclose any resulting impairment loss.

g) **Share-based payments**

The fair value of share options granted is recognized as an expense over the vesting period with a corresponding increase in equity. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

h) **Loss per Share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share, where applicable, is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

i) **Income Taxes**

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using income tax rates and income tax laws that have been enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax

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

i) **Income Taxes** (continued)

liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

j) **Financial Assets**

All financials instruments are classified and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss ("FVTPL"). Cash is measured at amortised cost.

k) **Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

l) **Future Accounting Pronouncements**

The following standards have not been adopted by the Company and are being evaluated:

IFRS 16 - Leases

The standard was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The mandatory adoption date of the standard is January 1, 2019. The Company does not currently expect the standard to have a material impact on its financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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:

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 share-based compensation expense which includes the valuation of stock options.

4. EXPLORATION AND EVALUATION ASSET

	2019 $	2018 $
RDR Gold Property		
Acquisition Costs	80,000	25,000
Exploration Costs	24,708	7,500
	104,708	32,500

As at June 30, 2019, exploration costs were as follows:

	$
Geology and consulting	24,708
Total	24,708

As at June 30, 2018, exploration costs were as follows:

	$
Geology and consulting	7,500
Total	7,500

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 has 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 as follows:

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSET (continued)

RDR Gold Property (continued)

	Common Shares	Cash	Exploration Expenditures
		$	$
Upon execution of the Agreement (paid)	-	25,000	-
Upon listing of the Company's common shares on the Canadian Securities Exchange, February 13, 2019 (issued)	300,000	-	-
On or before April 13, 2020	500,000	-	250,000
On or before June 13, 2021	750,000	25,000	750,000
	1,550,000	50,000	1,000,000

The optionor was issued 300,000 shares on February 20, 2019, with an estimated fair value of $30,000 recognized and charged as a non-cash addition to the asset.

The optionor retains a 1% Gross Overriding Royalty ("GORR") on the Property. The Company has the right to purchase the first ½% of the GORR for $1,000,000 at any time.

In addition, as the listing date was later than September 1, 2018, the Company was required to pay optionor an additional $25,000 in cash. The Company made this payment on September 18, 2018.

5. PROMISSORY NOTES

On December 10, 2018, the Company repurchased 5,400,000 Common Shares, which were issued on March 6, 2018, from related parties of the Company in exchange for the issuance of two promissory notes. Each promissory note has a principal amount equal to $13,500 (the original subscription price for the Common Shares), payable on demand with interest calculated at the rate of 3% per annum. The Company also has the right to repay any portion of the notes payable at its discretion.

6. SHARE CAPITAL

a) **Authorized Capital:**

Unlimited number of common shares with no par value.

b) **Shares**

Upon incorporation on March 6, 2018 the Company issued 5,400,000 common shares at a value of $0.005.

On May 10, 2018, the Company issued 6,900,000 common shares at a value of $0.02.

On May 25, 2018, the Company issued 7,750,000 common shares at a value of $0.02.

On June 29, 2018, the Company issued 1,300,000 common shares at a value of $0.05.

On December 10, 2018, the Company repurchased 5,400,000 Common Shares, which were issued on March 6, 2018, from related parties of the Company in exchange for the issuance of two promissory notes (Note 5).

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

b) **Shares** (continued)

On February 13, 2019, 300,000 shares were issued for the RDR Gold Property (Note 4).

c) **Stock options**

On July 5, 2018, the Company implemented a share option plan (the "**Plan**"). The purposes of the Plan are to (a) support the achievement of the Company's performance objectives and (b) ensure that interests of key persons are aligned with the success of the Company. On July 9, 2018, the Company granted 175,000 stock options under the plan. 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. At June 30, 2019, the Company had granted 175,000 stock options. No options were vested as at June 30, 2019.

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 assumptions 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 vesting period of the options. During the year ended June 30, 2019, the Company recognized $8,544 of share-based compensation expense.

A summary of the Company's share options at June 30, 2019 and 2018, and the changes for the years ended on those dates, is as follows:

	2019		2018	
		$		$
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Balance, beginning of year	-	-	-	-
Awarded	175,000	0.10	-	-
Balance, end of year	175,000	0.10	-	-

The following is a summary of share options outstanding and exercisable at June 30, 2019:

Expiry date	Number exercisable	Number outstanding	Exercise price $
July 9, 2028	-	175,000	0.10

d) **Special warrants**

On July 30, 2018, the Company closed an offering of 1,401,500 special warrants for proceeds of $140,150. The Company's directors passed a resolution on July 12, 2018 for the Company to complete an Initial Public Offering on the Canadian Securities Exchange. On August 1, 2018, the Company filed a preliminary long form prospectus

(the "Prospectus") for purposes of completing an initial public offering (the "Offering") of 1,401,500 Common Shares upon the automatic conversion of the Special Warrants of the Company. On December 1, 2018, 1,401,500 Common Shares were issued upon the automatic conversion of the Special Warrants of the Company.

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 June 30, 2019, no common shares were issued to related parties and 2,000 Special Warrants were purchased by persons who are considered related parties of the Company.

The Company implemented a share option plan and granted share options to an officer and a director of the Company (see Note 5), such remuneration totalling $8,544 attributable to key management personnel for the year ended June 30, 2019 classified as share-based compensation.

8. CAPITAL MANAGEMENT

The Company's capital consists of share capital, promissory notes, special warrants 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 June 30, 2019 because of the demand nature or short-term maturity of these instruments.

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

The Company's financial instruments consist of cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As at June 30, 2019, the Company has cash on deposit with a large Canadian bank. Management believes the risk of loss to be remote.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (continued)

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 June 30, 2019, the Company had a working capital of $201,457 (including Amounts receivable), including cash of $214,871.

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 June 30, 2019.

10. INCOME TAXES

The provision for income taxes differs from the amount that would have been obtained by applying the statutory income tax rate of 27% (2018 - 27%) to the Company's net loss. The difference results from the following items:

	2019 $	2018 $
Expected income tax expense (recovery)	(55,200)	(14,400)
Permanent differences	2,600	-
Unrecognized benefits of loss carryforwards	52,600	14,400
Provision for income taxes (recovery)	-	-

The income tax effects of temporary differences that give rise to significant components of deferred income tax assets and liabilities are as follows:

	2019 $	2018 $
Deferred income tax assets and liabilities are as follows:		
Deferred income tax assets		
Non-capital loss carry-forwards	67,000	14,400
Valuation allowance	(67,000)	(14,400)
	-	-

10. INCOME TAXES (continued)

The Company has non-capital losses for income tax purposes of approximately $ 248,000 (2018 - $ 53,000) available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as it is not probable such benefit will be realized. The non-capital losses expire between the 2038 and 2039 fiscal years.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the year-ended June 30, 2019, 300,000 shares valued at $30,000 were issued for exploration and evaluation assets and $27,000 in promissory notes were issued in consideration to repurchase 5,400,000 common shares.