



**Consolidated Financial Statements**

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Tarku Resources Ltd.

### *Opinion*

We have audited the accompanying consolidated financial statements of Tarku Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits 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 Consolidated 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 consolidated 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$827,171 during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by \$175,632. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements***

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

In preparing the consolidated 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 Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Company to express an opinion on the consolidated 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 Glenn Parchomchuk.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

January 27, 2020

**Tarku Resources Ltd.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

<b>As at September 30</b>	<b>2019</b>	<b>2018</b>
<b>Current</b>		
Cash and cash equivalents	\$ 62,643	\$ 57,889
Trade and other receivables	9,257	37,438
	71,900	95,327
<b>Non-current</b>		
Exploration and evaluation assets (note 4)	455,041	703,991
<b>Total assets</b>	<b>\$ 526,941</b>	<b>\$ 799,318</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 7)	\$ 244,599	\$ 107,295
Flow-through premium liability (note 5)	2,933	17,400
	247,532	124,695
<b>Equity</b>		
Share capital (note 5)	4,075,380	3,788,128
Contributed surplus	335,441	190,736
Deficit	(4,131,412)	(3,304,241)
	279,409	674,623
<b>Total liabilities and equity</b>	<b>\$ 526,941</b>	<b>\$ 799,318</b>

Nature of business and continuance of operations (note 1)

APPROVED ON BEHALF OF THE BOARD

"Julien Davy"

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 President, CEO & Director

"Jeff Sheppard"

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 CFO & Director

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

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**Tarku Resources Ltd.****Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)**

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<b>For the year ended September 30,</b>	<b>2019</b>	<b>2018</b>
<b>Expenses</b>		
Administrative expenses (note 7)	\$58,735	\$111,541
Consulting fees (note 7)	161,440	197,840
Exploration costs (notes 4 and 7)	100,774	250,853
Investor relations expenses	19,053	42,957
Listing and filing fees	22,175	20,012
Professional fees	35,875	42,984
Share-based compensation (notes 5 and 7)	144,705	10,400
	<hr/>	<hr/>
	(542,757)	(676,587)
Impairment of exploration and evaluation assets (note 4)	(347,563)	(153,450)
Other income – disposal of exploration and evaluation asset (note 4)	2,499	-
Other income - flow-through premium (note 5)	60,650	30,525
	<hr/>	<hr/>
<b>Loss and comprehensive loss for the year</b>	<b>(\$827,171)</b>	<b>(\$799,512)</b>
	<hr/>	<hr/>
<b>Basic and diluted loss per common share</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>
	<hr/>	<hr/>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>73,806,705</b>	<b>60,611,922</b>

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

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**Tarku Resources Ltd.****Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)**

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<b>For the year ended September 30,</b>	<b>2019</b>	<b>2018</b>
<u>Operating activities</u>		
Loss for the year	\$(827,171)	\$ (799,512)
Adjustments:		
Impairment of exploration and evaluation assets	347,563	153,450
Other income – disposal of exploration and evaluation assets	(2,499)	-
Other income - flow-through premium	(60,650)	(30,525)
Share-based compensation	144,705	10,400
Changes in non-cash working capital items:		
Prepaid	-	1,100
Trade and other receivables	28,181	(13,063)
Trade and other payables	60,642	(36,135)
	<u>(309,229)</u>	<u>(714,285)</u>
<u>Financing activities</u>		
Cash received from share issuance	283,550	326,000
Share issue costs	(17,615)	(24,133)
	<u>265,935</u>	<u>301,867</u>
<u>Investing activities</u>		
Proceeds on disposal of exploration and evaluation assets	2,500	-
Additions to exploration and evaluation assets, net of ITCs received	45,548	(22,913)
	<u>48,048</u>	<u>(22,913)</u>
(Decrease) increase in cash and cash equivalents	4,754	(415,331)
Cash and cash equivalents, beginning of year	57,889	493,220
<b>Cash and cash equivalents, end of year</b>	<b>\$ 62,643</b>	<b>\$ 57,889</b>
Cash and Cash Equivalents consists of:		
Cash	\$ 61,543	\$ 40,289
Term Deposit	1,100	17,600
	<u>\$ 62,643</u>	<u>\$ 57,889</u>

**Supplemental cash flow information (Note 12)**

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

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**Tarku Resources Ltd.****Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)**

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	Number of Common Shares		Share Capital	Contributed Surplus	Deficit	Equity
<b>Balance, September 30, 2017</b>	<b>57,055,466</b>	<b>\$</b>	<b>3,526,011</b>	<b>\$ 180,336</b>	<b>\$(2,504,729)</b>	<b>\$ 1,201,618</b>
Private placements	5,700,000		321,000	-	-	321,000
Flow-through premium liability	-		(36,000)	-	-	(36,000)
Share issue costs	-		(24,133)	-	-	(24,133)
Share-based compensation	-		-	10,400	-	10,400
Shares issued for mineral properties	25,000		1,250	-	-	1,250
Net loss and comprehensive loss	-		-	-	(799,512)	(799,512)

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**Balance, September 30, 2018**      **62,780,466**    **\$**      **3,788,128**    **\$ 190,736**    **\$(3,304,241)**    **\$ 674,623**

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	Number of Common Shares		Share Capital	Contributed Surplus	Deficit	Equity
<b>Balance, September 30, 2018</b>	<b>62,780,466</b>	<b>\$</b>	<b>3,788,128</b>	<b>\$ 190,736</b>	<b>\$(3,304,241)</b>	<b>\$ 674,623</b>
Private placements	11,868,331		283,550	-	-	283,550
Flow-through premium liability	-		(46,183)	-	-	(46,183)
Share issue costs	-		(17,615)	-	-	(17,615)
Share-based compensation	-		-	144,705	-	144,705
Shares issued for mineral properties	1,500,000		67,500	-	-	67,500
Net loss and comprehensive loss	-		-	-	(827,171)	(827,171)

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**Balance, September 30, 2019**      **76,148,797**    **\$**      **4,075,380**    **\$ 335,441**    **\$(4,131,412)**    **\$ 279,409**

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



# Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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## 1. Nature of business and continuance of operations

The principal business activity of Tarku Resources Ltd. (the "Company") is the exploration for mineral resources in the provinces of Saskatchewan and Quebec. The Company's corporate office is located at Suite 602, 224 4th Ave S., Saskatoon, Saskatchewan.

These consolidated financial statements ("financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Corporation has not earned significant revenue and is considered to be in the exploration and evaluation stage.

The investment in, and expenditures on, exploration and evaluation assets comprise a significant portion of the Corporation's assets. Mineral exploration and development is highly speculative and involves inherent risks. Realization of the Corporation's investment in these assets is dependent upon the renewed legal ownership of the claims and whether an economically viable operation can be established.

In addition, it has not yet been determined whether the Corporation's properties contain ore reserves that are economically recoverable. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

As at September 30, 2019, the Corporation's current cash resources are insufficient to cover the expected expenditures in fiscal 2020. The Corporation's ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

The Corporation reported net losses in fiscal 2019 and 2018 of \$827,171 and \$799,512 with working capital deficiencies of \$175,632 and \$29,368, respectively. These recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Corporation's ability to continue as a going concern.

These financial statements do not include any adjustments to the carrying values of assets and liabilities that might be necessary, if the Corporation is unable to continue as a going concern. Such adjustments could be material.

## 2. Basis of preparation

### (a) Statement of compliance

The Company's financial statements for the year ended September 30, 2019 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on January 27, 2020.

# Tarku Resources Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 2. Basis of preparation (continued)

#### (b) Basis of consolidation

These financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

<u>Subsidiary name</u>	<u>Place of Incorporation</u>	<u>Ownership</u>	<u>Principal activity</u>
Eureka Exploration Inc. ("Eureka")	Quebec	100%	Exploration

#### (c) Use of Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates include amounts of provisions, if any, for impairment of exploration and evaluation assets, reclamation and environmental obligations, deferred income taxes, share-based payments, and contingencies reported in the notes to the financial statements.

Significant areas requiring the use of management judgments include recognition of impairment of exploration and evaluation assets, reclamation and environmental obligations, deferred income taxes, share-based payments, classification of financial instruments, assessment of the going concern assumption, and disclosure of contingencies reported in the notes to the financial statements.

#### (d) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL") are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

# Tarku Resources Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(b) Exploration and evaluation assets

Exploration expenditures are expensed as incurred until an economic feasibility study has established the presence of proven and probable reserves and development of the project has commenced, at which time exploration and development expenditures incurred on the project thereafter are capitalized.

Costs incurred relating to the acquisition and claim maintenance of mineral properties, including option payments and annual fees to maintain the project in good standing, are capitalized and deferred by project until the project to which they relate is sold, abandoned, impaired or placed into production.

The Company assesses its capitalized mineral project costs for indications of impairment on a regular basis and when events and circumstances indicate a risk of impairment. A project is written down or written off when the Company determines that an impairment of value has occurred or when exploration results indicate that no further work is warranted.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

(c) Mineral tax credit

Mining exploration tax credits for certain exploration expenditures in Quebec are treated as a reduction of the exploration costs. The amounts are accounted for on an accrual basis.

(d) Reclamation and environmental obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at September 30, 2019 and 2018, the Company has no asset retirement obligations and accordingly, has not recorded an asset retirement obligation in the financial statements.

# Tarku Resources Ltd.

## Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 3. Significant Accounting Policies (continued)

(e) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's 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. The impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive income/loss.

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 year-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 tax asset to be recovered.

(g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, flow-through shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

# Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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## 3. Significant Accounting Policies (continued)

### (g) Share Capital (continued)

#### Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued until qualifying expenditures are incurred.

#### Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

### (h) Earnings (loss) per common share

Basic earnings/loss per share is computed by dividing the net 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 net 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.

For the years ended September 30, 2019 and 2018, this calculation proved to be anti-dilutive.

## **Tarku Resources Ltd.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### **3. Significant Accounting Policies (continued)**

(i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve of contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve of contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

# Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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## 3. Significant accounting policies (continued)

### (j) Financial instruments

IFRS 9, Financial Instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9, Financial Instruments ("IFRS 9"), on September 1, 2018. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The adoption of this new standard had no significant impact on the Company's consolidated financial statements and the new accounting policy was defined as follows:

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

#### *Financial assets*

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

i) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash and cash equivalents and trade and other receivables. Cash is measured at fair value and receivables and deposits are measured at amortized cost.

## **Tarku Resources Ltd.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### **3. Significant accounting policies (continued)**

(j) Financial instruments (continued)

*Financial liabilities*

The Company's liabilities include trade and other payables which are measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

*Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(k) New standards, amendments and interpretations not yet adopted

During the year ended September 30, 2019, the Company adopted certain new standards and amendments, none of which had a material impact on the Company's financial information.

Although the Company does not expect any of the following changes to have a material impact on the financial results of the Company, the Company has not yet fully assessed the impact of adoption of the following standards:

IFRS 16 – 'Leases'

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

### **4. Exploration and evaluation assets**

**Chateau Fort gold project, Quebec**

On March 24, 2015, Anthem Resources Inc. ("Anthem"), a company related by a common director, signed a binding letter of intent ("LOI") to option its Chateau Fort gold project in central Quebec to the Company.

On July 27, 2015, Boss Power Corp. completed the acquisition of Anthem and changed its name to Eros Resources Corp. ("Eros"). The option agreement continues with Eros.



## **Tarku Resources Ltd.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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### **4. Exploration and evaluation assets (continued)**

#### **Chateau Fort gold project, Quebec (continued)**

The Company will have the option to acquire a 100% interest in the project, subject to reservations of diamonds on the claims identified as Melkior OJV and royalty interests on the project, by funding expenditures on the project, issuing shares and making cash payments, according to the following schedule:

- (i) \$5,000 deposit payable on execution of the LOI (paid);
- (ii) make total cash payments of \$95,000 and issue a total of 8,000,000 shares of the Company as follows:
  - (1) on approval of the TSX Venture Exchange, no later than April 21, 2015, or such later date as mutually agreed upon, \$10,000 in cash (paid) and 2,000,000 shares (issued);
  - (2) on or before March 31, 2016, \$20,000 in cash (unpaid) and 1,500,000 shares (unissued);
  - (3) on or before March 31, 2017, \$20,000 in cash and 1,500,000 shares (unissued);
  - (4) on or before March 31, 2018, \$20,000 in cash and 1,500,000 shares (unissued);
  - (5) on or before March 31, 2019, \$25,000 in cash and 1,500,000 shares (unissued);
- (iii) fund expenditures of not less than \$200,000 and renew claims in the amount of \$25,000 (completed) on or before July 10, 2015 which expenditures will be a firm commitment.

The Company also has a requirement to complete a private placement financing of not less than \$400,000 by April 21, 2015, of which Eros has deemed satisfied by way of the Company's private placement financing of \$219,450 completed in June 2015.

Eros retains a 2% net smelter return ("NSR") royalty on claims not subject to other underlying agreements. The Company will have the right to buy down the royalty to 1% for \$2,000,000 on or before commencement of commercial production. In addition, Eros retains the right to maintain its pro rata percentage ownership of the Company via future financings, and first right of refusal on third party offers to purchase the project.

On July 29, 2016, the project option agreement was amended as follows: 100% of the project was transferred to the Company with no other liabilities or consideration or commitments and the right to buy down the royalty to 1% was reduced from \$2,000,000 to \$500,000.

During the year ended September 30, 2019 the Company incurred \$nil (September 30, 2018 - \$2,671) in exploration expenditures in connection with this project and received \$462 (September 30, 2018 - \$24,218) in exploration income tax credits ("ITCs") in connection with previous year's exploration expenditures. In addition, the Company has recorded a \$229,711 impairment related to this property.

#### **Richardson gold project, Quebec**

On June 1, 2017, the Company purchased 100% of Eureka (note 2), which owns the Richardson gold project located 20 kilometers north-northeast of Chibougamau, Quebec.

During the year ended September 30, 2019 the Company incurred \$nil (September 30, 2018 - \$12,002) in exploration expenditures and received \$5,332 (September 30, 2018 - \$14,731) in exploration ITCs in connection with previous years exploration expenditures. In addition, the Company has recorded a \$73,446 impairment related to this property.

## **Tarku Resources Ltd.**

Notes to the Consolidated Financial Statements

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### **4. Exploration and evaluation assets (continued)**

#### **Bullion gold project, Quebec**

On June 1, 2017, the Company purchased 100% of Eureka (note 2), which owns the Bullion gold project located 25 kilometers north-northeast of Chibougamau, Quebec.

During the year ended September 30, 2019 the Company incurred \$nil (September 30, 2018 - \$9,115) in exploration expenditures and received \$3,112 (September 30, 2018 - \$15,547) in exploration ITCs in connection with previous years exploration expenditures. In addition, the Company has recorded a \$44,405 impairment related to this property.

#### **Apollo gold project, Quebec**

On June 1, 2017, the Company purchased 100% of Eureka (note 2), which owns the Apollo gold project located 50 kilometers east from Matagami, Quebec.

During the year ended September 30, 2019 the Company incurred \$22,428 (September 30, 2018 - \$73,134) in exploration expenditures in connection with this project and received \$34,528 (September 30, 2018 - \$19) in exploration ITCs in connection with previous years exploration expenditures.

#### **Admiral gold project, Quebec**

On June 1, 2017, the Company purchased 100% of Eureka (note 2), which owns the Admiral gold project located 25 kilometers east from Matagami, Quebec.

On December 18, 2017 the Company entered into a purchase agreement, with an arms length party, to acquire a 100% undivided interest in 1 claim near the municipality of Matagami, Quebec.

Under the terms of the agreement the consideration required to be given by the Company is:

1. \$600 cash payment, in total, upon approval of the TSX Venture Exchange (Paid)
2. Issuance of 12,500 common shares, in total upon approval of the TSX Venture Exchange (Issued)

During the year ended September 30, 2019 the Company incurred \$141,028 (September 30, 2018 - \$25,391) in exploration expenditures in connection with this project.

#### **Atlas gold project, Quebec**

On June 1, 2017, the Company purchased 100% of Eureka (note 2), which owns the Atlas gold project located 50 kilometers east from Matagami, Quebec.

On December 18, 2017 the Company entered into a purchase agreement, with an arms length party, to acquire a 100% undivided interest in 1 claim near the municipality of Matagami, Quebec.

Under the terms of the agreement the consideration required to be given by the Company is:

1. \$600 cash payment, in total, upon approval of the TSX Venture Exchange (Paid)
2. Issuance of 12,500 common shares, in total upon approval of the TSX Venture Exchange (Issued)

During the year ended September 30, 2019 the Company incurred \$5,500 (September 30, 2018 - \$55,339) in exploration expenditures in connection with this project and received \$24,748 (September 30, 2018 - \$nil) in exploration ITCs in connection with previous years exploration expenditures.

## **Tarku Resources Ltd.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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### **4. Exploration and evaluation assets (continued)**

#### **Net Smelter Royalty**

Each of the Eureka properties is subject to:

- a. 1% NSR in favour of Julien Davy, a director and officer of the Company, half of which can be bought back by the Company for \$500,000.
- b. 1% NSR in favour of Benoit Lafrance, a director and exploration manager of the Company; half of which can be bought back by the Company for \$500,000.

#### **Lac Fabien project, Quebec**

On February 18, 2019, the Company signed an option agreement with arm's length individuals, to acquire 100% of the Lac Fabien Project.

The Company will have the option to acquire a 100% interest in the project by funding expenditures on the project, issuing shares and making cash payments, according to the following schedule:

- (i) make total cash payments of \$720,000 and issue a total of 1,500,000 shares of the Company as follows:
  - (1) on execution of the option agreement and approval of the TSX Venture Exchange, \$25,000 in cash (paid) and 1,500,000 shares (issued);
  - (2) \$90,000 in cash before the 1<sup>st</sup> anniversary date (unpaid);
  - (3) \$125,000 in cash before the 2<sup>nd</sup> anniversary date (unpaid);
  - (4) \$180,000 in cash before the 3<sup>rd</sup> anniversary date (unpaid);
  - (5) \$300,000 in cash before the 4<sup>th</sup> anniversary date (unpaid);
- (ii) fund expenditures of not less than \$1,100,000 according to the following schedule:
  - (1) \$100,000 before the 1<sup>st</sup> anniversary date (not incurred);
  - (2) \$250,000 before the 2<sup>nd</sup> anniversary date (not incurred);
  - (3) \$350,000 before the 3<sup>rd</sup> anniversary date (not incurred);
  - (4) \$400,000 before the 4<sup>th</sup> anniversary date (not incurred);

In addition, the Company will grant a 2% NSR, with the Company having the right to buy down the royalty to 1% for \$1,500,000.

During the year ended September 30, 2019 the Company incurred \$nil in exploration expenditures in connection with this project.

## Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

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### 4. Exploration and evaluation assets (continued)

#### **Guercheville project, Quebec**

On January 15, 2018, the Company signed an option and joint venture agreement with SOQUEM Inc., a subsidiary of Resources Quebec, to acquire 50% of the Guercheville project. According to the terms of the option agreement, signed on January 15, 2018 (the "Effective Date"), the Company has the option to acquire 50% interest in the Guercheville Project by incurring \$2,000,000 in exploration work over a period of three years according to the following schedule:

- (1) \$350,000 by the first anniversary of the Effective Date;
- (2) \$650,000 by the second anniversary of the Effective Date; and
- (3) \$1,000,000 by the third anniversary of the Effective Date.

Upon acquisition of the 50% interest, SOQUEM and Tarku will form a joint venture.

After completing the first exploration program during fiscal 2018, the Company decided to cancel the option agreement. During the year ended September 30, 2019, the Company incurred \$nil (2018 - \$101,857) in exploration expenditures in connection with this project.

#### **Virgin River project, Saskatchewan**

On January 15, 2014, the Company entered into an option agreement with Eagle Plains Resources Ltd. ("Eagle Plains") (related by virtue of common directors) to earn an undivided 60% interest in the Virgin River project situated in Saskatchewan subject to the following terms:

- (i) make total cash payments of \$500,000 to Eagle Plains as follows:
  - (1) \$10,000 within 5 business days of the execution of the option agreement (paid);
  - (2) \$25,000 on or before May 21, 2014 (paid);
  - (3) \$50,000 on or before May 21, 2015 (unpaid);
  - (4) \$75,000 on or before May 21, 2016 (unpaid);
  - (5) \$100,000 on or before May 21, 2017 (unpaid);
  - (6) \$120,000 on or before May 21, 2018 (unpaid);
  - (7) \$120,000 on or before May 21, 2019 (unpaid);
- (ii) issue a total of 1,200,000 common shares of the Company to Eagle Plains as follows:
  - (1) 200,000 on or before May 21, 2014 (issued);
  - (2) 200,000 on or before May 21, 2015 (unissued);
  - (3) 200,000 on or before May 21 2016 (unissued);
  - (4) 200,000 on or before May 21, 2017(unissued);
  - (5) 200,000 on or before May 21, 2018 (unissued);
  - (6) 200,000 on or before May 21, 2019 (unissued);
- (iii) incur total expenditures of \$5,000,000 on the Virgin River project as follows:
  - (1) \$200,000 on or before May 21, 2015 (incurred);
  - (2) \$500,000 on or before May 21, 2016 (not incurred);
  - (3) \$800,000 on or before May 21, 2017(not incurred);
  - (4) \$1,500,000 on or before May 21, 2018 (not incurred);
  - (5) \$2,000,000 on or before May 21, 2019 (not incurred);

## Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

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### 4. Exploration and evaluation assets (continued)

On August 16, 2016, the project option agreement was amended as follows: 100% of the project was transferred to the Company with no other liabilities or commitments. In consideration the Company issued 2,000,000 common shares, which were issued during the year ended September 30, 2017. Eagle Plains will maintain a 2% NSR, with the Company having the right to buy down the royalty to 1% for \$1,000,000 on or before commencement of commercial production.

During the year ended September 30, 2019 the Company incurred \$nil (2018 - \$nil) in exploration expenditures in connection with this project. In addition the Company allowed the claims to expire, except 1 claim and had recorded a \$100,000 impairment related to this property in fiscal 2018.

On December 10, 2018, the project was sold to a third party for \$2,500 cash and the granting of a 1% net smelter royalty to the Company, which the purchaser has the right to buy down the royalty to 0.5% for \$500,000 on or before commencement of commercial production.

The following is a summary of changes to exploration and evaluation assets:

<b>Projects</b>	<b>Balance at Sept. 30, 2017</b>	<b>Acquisitions and renewals</b>	<b>Impairment</b>	<b>Balance at Sept. 30, 2018</b>
Chateau Fort	\$ 220,420	\$ 7,807	\$ -	\$ 228,227
Berthiaume	51,000	2,450	(53,450)	-
Richardson	70,529	2,917	-	73,446
Bullion	43,643	512	-	44,155
Apollo	161,798	5,670	-	167,468
Admiral	40,572	1,795	-	42,367
Atlas	145,315	3,012	-	148,327
Virgin River	100,001	-	(100,000)	1
	<b>\$ 833,278</b>	<b>\$ 24,163</b>	<b>\$ (153,450)</b>	<b>\$ 703,991</b>

<b>Projects</b>	<b>Balance at Sept. 30, 2018</b>	<b>Acquisitions and renewals</b>	<b>Impairment and disposal</b>	<b>Balance at Sept. 30, 2019</b>
Chateau Fort	\$ 228,227	\$ 1,484	\$ (229,711)	-
Richardson	73,446	-	(73,446)	-
Bullion	44,155	250	(44,405)	-
Apollo	167,468	932	-	168,400
Admiral	42,367	-	-	42,367
Atlas	148,327	3,317	-	151,644
Lac Fabien	-	92,630	-	92,630
Virgin River	1	-	(1)	-
	<b>\$ 703,991</b>	<b>\$ 98,613</b>	<b>\$ (347,563)</b>	<b>\$ 455,041</b>

## Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

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### 4. Exploration and evaluation assets (continued)

The following is a summary of exploration and evaluation expenditures:

*For the year ended September 30, 2018*

	Chateau Fort	Richardson	Apollo	Atlas	Admiral	Bullion	Guercheville	Virgin River	General	Total
Data compilation and planning	\$ 2,421	\$ -	\$ 1,992	\$ 848	\$ 391	\$ -	\$ 5,758	\$ -	\$ 6,609	\$ 18,019
Drilling	-	-	-	-	-	-	96,099	-	-	96,099
Geological	250	9,663	6,067	4,115	-	5,342	-	-	19,250	44,687
Geochemical	-	-	65,075	50,376	-	-	-	-	-	115,451
Geophysical	-	-	-	-	25,000	-	-	-	-	25,000
Ground Stripping	-	2,339	-	-	-	3,773	-	-	-	6,112
Exploration ITC refund*	(24,218)	(14,731)	(19)	-	-	(15,547)	-	-	-	(54,515)
<b>Total exploration expenditures</b>	<b>\$ (21,547)</b>	<b>\$ (2,729)</b>	<b>\$ 73,115</b>	<b>\$ 55,339</b>	<b>\$ 25,391</b>	<b>\$ (6,432)</b>	<b>\$ 101,857</b>	<b>\$ -</b>	<b>\$ 25,859</b>	<b>\$ 250,853</b>

\*Exploration input tax credits ("ITC") are received from the Quebec government for qualifying exploration work. Expenditures incurred to satisfy flow through share issuance does not qualify for the the ITC.

## Tarku Resources Ltd.

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### 4. Exploration and evaluation assets (continued)

*For the year ended September 30, 2019*

	Chateau Fort	Richardson	Apollo	Atlas	Admiral	Bullion	Guercheville	Virgin River	General	Total
Data compilation and planning	\$ -	\$ -	\$ 428	\$ -	\$ 4,685	\$ -	\$ -	\$ -	\$ -	\$ 5,113
Drilling	-	-	-	-	133,771	-	-	-	-	133,771
Geological	-	-	-	-	2,572	-	-	-	-	2,572
Geochemical	-	-	-	-	-	-	-	-	-	-
Geophysical	-	-	22,000	5,500	-	-	-	-	-	27,500
Ground Stripping	-	-	-	-	-	-	-	-	-	-
Exploration ITC refund*	(462)	(5,332)	(34,528)	(24,748)	-	(3,112)	-	-	-	(68,182)
<b>Total exploration expenditures</b>	<b>\$ (462)</b>	<b>\$ (5,332)</b>	<b>\$ (12,100)</b>	<b>\$ (19,248)</b>	<b>\$ 141,028</b>	<b>\$ (3,112)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,774</b>

\*Exploration input tax credits ("ITC") are received from the Quebec government for qualifying exploration work. Expenditures incurred to satisfy flow through share issuance does not qualify for the the ITC.

# Tarku Resources Ltd.

## Notes to the Consolidated Financial Statements

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### 5. Share capital

#### (a) Authorized

Unlimited common shares with no par value

#### Issued

- (i) On February 21, 2018, the Company completed a private placement for gross proceeds of \$321,000 as follows: issued 3,900,000 non-flow-through units at a price of \$0.05 per unit and 1,800,000 flow-through common shares at a price of \$0.07 per flow-through share. Each non-flow through unit consists of one non-flow-through common share and one-half of a common share purchase warrant. Each full warrant will entitle the holder to purchase one common share of the Company at a price of \$0.10, expiring February 21, 2020. In connection with the flow-through portion of the financing completed, a total of \$36,000 (\$0.02 per share) was allocated as a flow-through premium liability (note 5(e)). No value was attributed to the warrant component of the units sold. The Company incurred share issue costs of \$24,133.
- (ii) On November 23, 2018, the Company closed a private placement for gross proceeds of \$283,550. The private placement consisted of 7,250,000 non-flow through units and 4,618,331 flow-through shares. Each non-flow through unit consisted of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.05 per common share for a period of eighteen months, expiring on May 23, 2021. In connection with the flow-through portion of the financing completed, a total of \$46,183 (\$0.01 per share) was allocated as a flow-through premium liability. No value was attributed to the warrant component of the units sold. The Company incurred share issue costs of \$17,615.
- (iii) On February 27, 2019, 1,500,000 common shares were issued at a fair value of \$67,500 (\$0.045 per share) to non-arm's length vendors, in total, pursuant to a property option agreement in respect of the Lac Fabien project, Quebec (note 4).

#### (b) Stock option Plan

The Company has a stock option plan (the "Plan") whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the Plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding number of common shares. Options granted under the Plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities. Options granted under the Plan are subject to vesting terms determined by the board.

A summary of the changes to outstanding and exercisable stock options during the years ended September 30, 2019 and 2018 is presented below.

	September 30, 2019		September 30, 2018	
	Options	Price	Options	Price
Beginning of year	2,750,000	\$ 0.10	2,750,000	\$ 0.10
Options granted	3,600,000	0.10	-	-
<b>End of year</b>	<b>6,350,000</b>	<b>\$ 0.10</b>	<b>2,750,000</b>	<b>\$ 0.10</b>

As at September 30, 2019, the weighted average remaining life of stock options is 3.42 years (September 30, 2018 – 3.07).



## Tarku Resources Ltd.

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### 5. Share capital (continued)

On March 13, 2019, the board of directors of the Corporation approved the grant of 3,600,000 stock options pursuant to the Plan. 3,600,000 of the options were granted to directors and executive officers with the balance granted to consultants and the advisory board. The options are exercisable at \$0.10 per share, vest immediately and, if not exercised, expire March 13, 2024, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange.

The value of options issued on March 13, 2019, using the Black-Scholes option pricing model, was \$144,705 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of 1.65%, expected life of 5 years, annualized volatility 158.87%, and dividend rate of nil.

#### (c) Warrants

During the years ended September 30, 2019 and 2018, the Company had the following warrant activities:

	Number of Warrants	Exercise Price	Weighted Avg. Exercise Price
Balance, September 30, 2017	17,347,648		\$0.10
Issued	1,950,000	\$0.10	
Balance, September 30, 2018	19,297,648		\$0.10
Issued	3,625,000	\$0.05	
<b>Balance, September 30, 2019</b>	<b>22,922,648</b>		<b>\$0.09</b>

At September 30, 2019, the following table summarizes information about warrants outstanding:

Total issued and outstanding	Warrants Outstanding	Expiry Date	Exercise Price
	1,950,000	Feb 21, 2020	\$0.10
	1,935,000	April 18, 2020 <sup>b</sup>	\$0.08
	7,104,000	Jan 21, 2020 <sup>a</sup>	\$0.10
	900,000	Jan 21, 2020 <sup>a</sup>	\$0.10
	3,100,000	Jan 21, 2020 <sup>a</sup>	\$0.10
	1,935,000	April 18, 2020 <sup>b</sup>	\$0.08
	3,266,648	July 20, 2020	\$0.10
	1,042,000	Sept 11, 2020	\$0.10
	3,625,000	May 23, 2021	\$0.05
<b>Balance, September 30, 2019</b>	<b>22,922,648</b>		<b>\$0.09</b>

## Tarku Resources Ltd.

### Notes to the Consolidated Financial Statements

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#### 5. Share capital (continued)

<sup>a</sup> On June 5, 2018, the Company extended these warrants until January 21, 2020. The Company used the Black-Scholes option pricing model to fair value the warrant extension (recorded as share-based compensation expense), which was estimated to be \$10,400. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 140.39%, and a risk free rate of 1.93%.

<sup>b</sup> On March 18, 2019, the Company extended these warrants until April 18, 2020.

(d) *Escrow shares*

At September 30, 2019 and 2018, no common shares were held in escrow.

(e) *Other income on settlement of flow-through premium liability*

During the year ended September 30, 2019, the Company closed a flow-through financing and recorded a total premium received on flow-through shares in the amount of \$46,183 (September 30, 2018 - \$36,000), which was recorded as a liability to be reversed to profit and loss as the eligible expenditures were incurred. As at September 30, 2019, the Company had reduced the liability by \$60,650 (September 30, 2018 - \$30,525) (based on expenditures incurred) to \$2,933 (September 30, 2018 - \$17,400) and accordingly, had recorded other income in the same amount.

#### 6. Commitments and contingencies

As of September 30, 2019, the Company had \$1,100 (September 30, 2018 - \$17,600) in term deposits with a Canadian financial institution for the guarantee of business credit cards.

#### 7. Related party transactions

The Company had the following related party transactions during the year ended September 30, 2019:

- (a) An officer and director of the Company provided consulting services to the Company. Fees incurred during the year were \$96,000 (2018 - \$86,400). At September 30, 2019, \$83,497 (September 30, 2018 - \$18,879) is recorded in trade and other payables.
- (b) A former officer and director of the Company provided consulting services to the Company. Fees incurred during the period were \$nil (2018 - \$40,000). At September 30, 2019, \$nil (September 30, 2018 - \$nil) is recorded in trade and other payables.
- (c) An officer and director of the Company provided consulting services to the Company. Fees incurred during the period were \$61,440 (2018 - \$61,440). At September 30, 2019, \$34,220 (September 30, 2018 - \$5,370) is recorded in trade and other payables.
- (d) A director of the Company provided exploration services to the Company. Geological consulting fees and wages incurred or accrued during the period were \$53,500 (2018 - \$86,000). At September 30, 2019, \$4,599 (September 30, 2018 - \$1,883) is recorded in trade and other payables.

## Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

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### 7. Related party transactions (continued)

Key Management Compensation:

Year Ended September 30,	2019	2018
Consulting fees	\$ 161,440	\$ 197,840
Administration expense	27,596	-
Exploration expense	21,904	86,000
Share-based compensation to directors and officers	144,705	-
	<u>\$ 355,645</u>	<u>\$ 283,840</u>

### 8. Segmented information

The Company operates in one operating segment, being the exploration of mineral properties. The Company's exploration and evaluation assets by geographic location are as follows:

	September 30, 2019	September 30, 2018
Quebec, Canada	\$ 455,041	\$ 703,990
Saskatchewan, Canada	-	1
	<u>\$ 455,041</u>	<u>\$ 703,991</u>

### 9. Capital management

The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended September 30, 2019. The Company was not subject to any externally imposed capital requirements.

# Tarku Resources Ltd.

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### 10. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

*Credit Risk* - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

*Liquidity Risk* – The Company ensures that there is sufficient capital in order to meet short term business requirements.

*Interest rate risk* – In respect to the Company's financial assets, the interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents. For the year ended September 30, 2019, every 1% fluctuation in interest rates up or down would have had little impact on net loss.

*Commodity price risk* – The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

September 30, 2019	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 62,643	\$ -	\$ -	\$ 62,643

*Fair Value* - The Company has various financial instruments comprised of cash and cash equivalents, trade and other receivables and trade and other payables.

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

**Level 1** – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2** – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

**Level 3** – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

## Tarku Resources Ltd.

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 11. Income taxes

- (a) For the years ended September 30, 2019 and 2018, a reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2019	2018
Loss before income taxes for the year	\$ (827,171)	\$ (799,521)
Statutory tax rate	26.50%	26.00%
Income tax recovery	(220,000)	(214,000)
Change in statutory and other	(17,000)	(11,000)
Permanent differences	23,000	(4,000)
Impact of flow-through shares	35,000	10,000
Share issue costs	(5,000)	(6,000)
Adjustment to prior year provision versus statutory tax returns and expiry of non-capital losses	37,000	18,000
Unrecognized deductible temporary differences	147,000	207,000
Deferred income tax expense (recovery)	\$ -	\$ -

- (b) The component of the Company's deferred income tax asset is a result of the origination and reversal of temporary differences and is comprised of the following:

	September 30, 2019	September 30, 2018
Exploration and evaluation assets	\$ 156,000	\$ 91,000
Share issue costs	15,000	18,000
Non-capital losses carried forward	705,000	620,000
Deferred tax assets	876,000	729,000
Unrecognized deferred tax assets	(876,000)	(729,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Corporation's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

As at September 30,	2019	Expiry Date Range	2018	Expiry Date Range
Exploration and evaluation assets	\$ 590,000	No expiry date	\$ 344,000	No expiry date
Share issue costs	\$ 56,000	2040 to 2043	\$ 68,000	2039 to 2042
Non-capital losses available for future period	\$ 2,663,000	2031 to 2039	\$ 2,343,000	2031 to 2038

Tax attributes are subject to review, and potential adjustment, by tax authorities.

## **Tarku Resources Ltd.**

Notes to the Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### **12. Supplemental cash flow information**

#### Non-cash investing and financing activities

During the year ended September 30, 2018, the Company issued;

- 25,000 common shares with a value of \$1,250 pursuant to a mineral claims acquisition agreement.
- 1,800,000 flow-through shares resulting in a flow-through premium of \$36,000.

During the year ended September 30, 2019, the Company issued;

- 1,500,000 common shares with a value of \$67,500 pursuant to a mineral claims option agreement.
- 4,618,331 flow-through shares resulting in a flow-through premium of \$46,183
- During the year ended September 30, 2019 the Company had accounts payable of \$76,662 included in exploration and evaluation assets.