



**Condensed Consolidated Interim Financial Statements**

December 31, 2019

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited interim financial statements have been prepared by management.

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

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

	December 31, 2019 (Unaudited)	September 30, 2019 (Audited)
<b>Current</b>		
Cash and cash equivalents	\$ 71,948	\$ 62,643
Trade and other receivables	632	9,257
	72,580	71,900
<b>Non-current</b>		
Exploration and evaluation assets (note 3)	455,041	455,041
<b>Total assets</b>	<b>\$ 527,621</b>	<b>\$ 526,941</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 6)	\$ 291,598	\$ 244,599
Flow-through premium liability (note 4)	-	2,933
	291,598	247,532
<b>Equity</b>		
Share capital (note 4)	4,075,380	4,075,380
Contributed surplus	335,441	335,441
Deficit	(4,174,798)	(4,131,412)
	236,023	279,409
<b>Total liabilities and equity</b>	<b>\$ 527,621</b>	<b>\$ 526,941</b>

**Nature of business and continuance of operations (note 1)**  
**Events after the reporting period (note 12)**

**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.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)**

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<b>For the Three months ended December 31,</b>	<b>2019</b>	<b>2018</b>
<b>Expenses</b>		
Administrative expenses (note 6)	\$1,356	\$15,767
Consulting fees (note 6)	30,360	39,360
Exploration costs (notes 3 and 6)	9,000	22,640
Investor relations expenses	-	10,349
Listing and filing fees	903	1,530
Professional fees	4,700	1,830
	(46,319)	(91,476)
Other income – disposal of exploration and evaluation asset (note 3)	-	2,499
Other income - flow-through premium (note 4)	2,933	6,253
<b>Loss and comprehensive loss for the period</b>	<b>(\$43,386)</b>	<b>(\$82,724)</b>
<b>Basic and diluted loss per common share</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>76,148,797</b>	<b>67,736,472</b>

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

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

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<b>For the Three months ended December 31,</b>	<b>2019</b>	<b>2018</b>
<u>Operating activities</u>		
Loss for the period	\$(43,386)	\$ (82,724)
Adjustments:		
Other income – disposal of exploration and evaluation assets	-	(2,499)
Other income - flow-through premium	(2,933)	(6,253)
Changes in non-cash working capital items:		
Trade and other receivables	8,625	15,508
Trade and other payables	46,999	8,719
	<u>9,305</u>	<u>(67,249)</u>
<u>Financing activities</u>		
Cash received from share issuance	-	283,550
Share issue costs	-	(17,615)
	<u>-</u>	<u>265,935</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	-	(2,126)
	<u>-</u>	<u>374</u>
(Decrease) increase in cash and cash equivalents	9,305	199,060
Cash and cash equivalents, beginning of period	<u>62,643</u>	<u>57,889</u>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 71,948</b>	<b>\$ 256,949</b>
Cash and Cash Equivalents consists of:		
Cash	\$ 70,848	\$ 255,849
Term Deposit	1,100	1,100
	<u>\$ 71,948</u>	<u>\$ 256,949</u>

**Supplemental cash flow information (Note 11)**

*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, 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)
Net loss and comprehensive loss	-		-	-	(82,724)	(82,724)
<b>Balance, December 31, 2018</b>	<b>74,648,797</b>	<b>\$</b>	<b>4,007,880</b>	<b>\$ 190,736</b>	<b>\$ (3,386,965)</b>	<b>\$ 811,651</b>

	Number of Common Shares		Share Capital	Contributed Surplus	Deficit	Equity
<b>Balance, September 30, 2019</b>	<b>76,148,797</b>	<b>\$</b>	<b>4,075,380</b>	<b>\$ 335,441</b>	<b>\$ (4,131,412)</b>	<b>\$ 279,409</b>
Net loss and comprehensive loss	-		-	-	(43,386)	(43,386)
<b>Balance, December 31, 2019</b>	<b>76,148,797</b>	<b>\$</b>	<b>4,075,380</b>	<b>\$ 335,441</b>	<b>\$ (4,174,798)</b>	<b>\$ 236,023</b>

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

# **Tarku Resources Ltd.**

## Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(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 December 31, 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 the first three months of fiscal 2020 and fiscal 2019 of \$43,386 and \$827,171 with working capital deficiencies of \$219,019 and \$175,632, 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 period ended December 31, 2019 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, has been omitted or condensed.

# Tarku Resources Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

### 2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The same accounting policies and methods of computation were followed in the preparation of these condensed interim financial statements as were followed in the preparation and described in Note 2 of the annual audited financial statements as at and for the year ended September 30, 2019. Accordingly, these condensed interim financial statements for the three month periods ended December 31, 2019 and 2018 should be read together with the annual financial statements as at and for the year ended September 30, 2019.

These financial statements were authorized for issue by the Board of Directors on February 6, 2020.

(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

### 3. 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.

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);

## **Tarku Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

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

(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 period ended December 31, 2019 the Company incurred \$nil (September 30, 2019 - \$nil) in exploration expenditures in connection with this project and received \$nil (September 30, 2019 - \$462) in exploration income tax credits ("ITCs") in connection with previous year's exploration expenditures. In addition, the Company has recorded a \$nil (September 30, 2019 - \$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 period ended December 31, 2019 the Company incurred \$nil (September 30, 2019 - \$nil) in exploration expenditures and received \$nil (September 30, 2019 - \$5,332) in exploration ITCs in connection with previous years exploration expenditures. In addition, the Company has recorded a \$nil (September 30, 2019 - \$73,446) impairment related to this property.

#### **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 period ended December 31, 2019 the Company incurred \$nil (September 30, 2019 - \$nil) in exploration expenditures and received \$nil (September 30, 2019 - \$3,112) in exploration ITCs in connection with previous years exploration expenditures. In addition, the Company has recorded a \$nil (September 30, 2019 - \$44,405) impairment related to this property.



## **Tarku Resources Ltd.**

### Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

##### **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 period ended December 31, 2019 the Company incurred \$nil (September 30, 2019 - \$22,428) in exploration expenditures in connection with this project and received \$nil (September 30, 2019 - \$34,528) 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 period ended December 31, 2019 the Company incurred \$9,000 (September 30, 2019 - \$141,028) 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 period ended December 31, 2019 the Company incurred \$nil (September 30, 2019 - \$5,500) in exploration expenditures in connection with this project and received \$nil (September 30, 2019 - \$24,748) in exploration ITCs in connection with previous years exploration expenditures.

## **Tarku Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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### **3. 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 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 period ended December 31, 2019 the Company incurred \$nil (September 30, 2019 - \$nil) in exploration expenditures in connection with this project.

## Tarku Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

##### 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);

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 period ended December 31, 2019 the Company incurred \$nil (2019 - \$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.

## Tarku Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

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

<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>

<b>Projects</b>	<b>Balance at Sept. 30, 2019</b>	<b>Acquisitions and renewals</b>	<b>Impairment and disposal</b>	<b>Balance at Dec. 31, 2019</b>
Chateau Fort	\$ -	\$ -	-	-
Richardson	-	-	-	-
Bullion	-	-	-	-
Apollo	168,400	-	-	168,400
Admiral	42,367	-	-	42,367
Atlas	151,644	-	-	151,644
Lac Fabien	92,630	-	-	92,630
Virgin River	-	-	-	-
	<b>\$ 455,041</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 455,041</b>

## Tarku Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

The following is a summary of exploration and evaluation expenditures:

*For the year ended September 30, 2019*

	Chateau Fort	Richardson	Apollo	Atlas	Admiral	Bullion	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>\$ 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 Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

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

*For the period ended December 31, 2019*

	Chateau Fort	Richardson	Apollo	Atlas	Admiral	Bullion	Guercheville	Virgin River	General	Total
Data compilation and planning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Drilling	-	-	-	-	-	-	-	-	-	-
Geological	-	-	-	-	9,000	-	-	-	-	9,000
Geochemical	-	-	-	-	-	-	-	-	-	-
Geophysical	-	-	-	-	-	-	-	-	-	-
Ground Stripping	-	-	-	-	-	-	-	-	-	-
Exploration ITC refund*	-	-	-	-	-	-	-	-	-	-
<b>Total exploration expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,000</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 Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

### 4. Share capital

#### (a) Authorized

Unlimited common shares with no par value

#### Issued

- (i) 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.
- (ii) 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 periods ended December 31, 2019 and September 30, 2019 is presented below.

	December 31, 2019		September 30, 2019	
	Options	Price	Options	Price
Beginning of period	6,350,000	\$ 0.10	2,750,000	\$ 0.10
Options granted	-	-	3,600,000	0.10
Options cancelled	(750,000)	0.10	-	-
<b>End of period</b>	<b>5,600,000</b>	<b>\$ 0.10</b>	<b>6,350,000</b>	<b>\$ 0.10</b>

As at December 31, 2019, the weighted average remaining life of stock options is 3.35 years (September 30, 2019 – 3.42).

## Tarku Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars)

#### 4. 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 period ended December 31, 2019 and September 30, 2019, the Company had the following warrant activities:

	Number of Warrants	Exercise Price	Weighted Avg. Exercise Price
Balance, September 30, 2018	19,297,648		\$0.10
Issued	3,625,000	\$0.10	
<b>Balance, September 30, 2019 and December 31, 2019</b>	<b>22,922,648</b>		<b>\$0.09</b>

At December 31, 2019, the following table summarizes information about warrants outstanding:

Total issued and outstanding	Warrants Outstanding	Expiry Date	Exercise Price
	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
	1,950,000	Feb 21, 2020	\$0.10
	1,935,000	April 18, 2020 <sup>b</sup>	\$0.08
	3,625,000	May 23, 2020	\$0.05
	3,266,648	July 20, 2020	\$0.10
	1,042,000	Sept 11, 2020	\$0.10
<b>Balance, December 31, 2019</b>	<b>22,922,648</b>		<b>\$0.09</b>



## **Tarku Resources Ltd.**

### Notes to the Condensed Consolidated Interim Financial Statements

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#### **4. 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 December 31, 2019 and September 30, 2019, 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, which was recorded as a liability to be reversed to profit and loss as the eligible expenditures were incurred. As at December 31, 2019, the Company had reduced the liability by \$2,933 (September 30, 2019 - \$60,650) (based on expenditures incurred) to \$nil (September 30, 2019 - \$2,933) and accordingly, had recorded other income in the same amount.

#### **5. Commitments and contingencies**

As of December 31, 2019, the Company had \$1,100 (September 30, 2019 - \$1,100) in term deposits with a Canadian financial institution for the guarantee of business credit cards.

#### **6. Related party transactions**

The Company had the following related party transactions during the period ended December 31, 2019:

- (a) An officer and director of the Company provided consulting services to the Company. Fees incurred during the year were \$24,000 (2019 - \$24,400). At December 31, 2019, \$111,090 (September 30, 2019 - \$83,497) is recorded in trade and other payables.
- (b) An officer and director of the Company provided consulting services to the Company. Fees incurred during the period were \$15,360 (2019 - \$15,360). At December 31, 2019, \$50,330 (September 30, 2019 - \$34,220) is recorded in trade and other payables.
- (c) A director of the Company provided exploration services to the Company. Geological consulting fees and wages incurred or accrued during the period were \$nil (2019 - \$13,500). At December 31, 2019, \$4,599 (September 30, 2019 - \$4,599) is recorded in trade and other payables.

## Tarku Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

#### 6. Related party transactions (continued)

Key Management Compensation:

Three months ended December 31,	2019	2018
Consulting fees	\$ 30,360	\$ 39,360
Administration expense	-	11,424
Exploration expense	9,000	2,076
	\$ 39,360	\$ 52,860

#### 7. 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:

	December 31, 2019	September 30, 2019
Quebec, Canada	\$ 455,041	\$ 455,041
Saskatchewan, Canada	-	-
	\$ 455,041	\$ 455,041

#### 8. 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 period ended December 31, 2019. The Company was not subject to any externally imposed capital requirements.

# Tarku Resources Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

### 9. 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 period ended December 31, 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.

December 31, 2019	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 71,948	\$ -	\$ -	\$ 71,948

*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 Condensed Consolidated Interim Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

#### 10. Income taxes

The Corporation has unused tax credits and unused tax losses that have not been included on the statement of financial position as follows:

<b>As at September 30,</b>	<b>2019</b>	<b>Expiry Date Range</b>	<b>2018</b>	<b>Expiry Date Range</b>
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.

#### 11. Supplemental cash flow information

##### Non-cash investing and financing activities

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.

#### 12. Events after the reporting period

On February 3, 2020, the Company announced a non-brokered private placement of up to 9,333,334 units. Each unit consists of one common share and one common share purchase warrant priced, on a post consolidated basis, at \$0.075 per unit. The warrants are exercisable for a period of 24 months from closing at a post consolidated exercise price of \$0.10 each.

On February 7, 2020, the Company will consolidate its share capital on a 1 for 6.5 basis. As a result the Company's shares issued and outstanding is 11,715,197. The Company's warrants and options have been adjusted on the same basis with proportionate adjustments being made to the exercise prices.