



**Condensed Consolidated Interim Financial Statements**

March 31, 2021

(Expressed in Canadian Dollars)

**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.

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

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	March 31, 2021	September 30, 2020
<b>Current</b>		
Cash and cash equivalents	\$ 987,484	\$ 512,672
Trade and other receivables	133,108	31,139
Prepaid	282,717	126,317
	1,403,309	670,128
<b>Non-current</b>		
Exploration and evaluation assets (note 3)	1,118,770	363,072
<b>Total assets</b>	<b>\$ 2,522,079</b>	<b>\$ 1,033,200</b>

**Liabilities****Current**

Trade and other payables (note 6)	\$ 185,618	\$ 134,854
	185,618	134,854

**Equity**

Share capital (note 4)	7,069,975	5,118,692
Contributed surplus	1,298,354	360,484
Deficit	(6,031,868)	(4,580,830)
	2,336,461	898,346
<b>Total liabilities and equity</b>	<b>\$ 2,522,079</b>	<b>\$ 1,033,200</b>

**Nature of business and continuance of operations (note 1)****Events after the reporting period (note 11)****APPROVED ON BEHALF OF THE BOARD****"Julien Davy"**

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**President, CEO & Director****"Kyle Appleby"**

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**CFO & Director**

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

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**Tarku Resources Ltd.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)****For the three and six months ended March 31, 2021 and March 31, 2020****(Expressed in Canadian Dollars)**

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	Three months ended March 31,		Six months ended March 31	
	2021	2020	2021	2020
<b>Expenses</b>				
Administrative expenses	\$13,514	\$ 7,004	\$31,096	\$ 8,360
Consulting fees (note 6)	164,791	17,120	335,281	47,480
Exploration costs (notes 3 and 6)	300,319	12,000	468,867	21,000
Investor relations expenses	20,050	1,289	35,996	1,289
Listing and filing fees	17,692	16,719	53,870	17,622
Professional fees	8,739	23,792	23,588	28,492
Share-based compensation (notes 4 and 6)	-	-	502,400	-
	(525,105)	(77,924)	(1,451,098)	(124,243)
Impairment of exploration and evaluation assets	-	(93,869)		(93,869)
Loss on foreign exchange	259	-	60	-
Other income - flow-through premium (note 4)	-	-	-	2,933
<b>Loss and comprehensive loss for the period</b>	<b>\$(524,846)</b>	<b>\$(171,793)</b>	<b>\$(1,451,038)</b>	<b>\$ (215,179)</b>
<b>Basic and diluted loss per common share</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>	<b>\$(0.03)</b>	<b>\$0.02</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>53,211,929</b>	<b>11,715,197</b>	<b>49,206,303</b>	<b>11,715,200</b>

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

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

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<b>For the six months ended March 31,</b>	<b>2021</b>	<b>2020</b>
<u>Operating activities</u>		
Loss for the period	\$ (1,451,038)	\$ (215,179)
Adjustments:		
Other income - flow-through premium	-	(2,933)
Other income – impairment of exploration and evaluation assts		93,869
Share-based compensation	502,400	-
Changes in non-cash working capital items:		
Prepaid	(156,400)	-
Trade and other receivables	(101,969)	1,597
Trade and other payables	50,764	104,137
	<u>(1,156,243)</u>	<u>(18,509)</u>
<u>Financing activities</u>		
Exercise of warrants	36,550	-
Cash received from share issuance	2,500,000	-
Share issue costs	(149,797)	-
	<u>2,386,753</u>	<u>-</u>
<u>Investing activities</u>		
Additions to exploration and evaluation assets, net of ITCs received	(755,698)	-
	<u>(755,698)</u>	<u>-</u>
Increase in cash and cash equivalents	474,812	(18,509)
Cash and cash equivalents, beginning of period	512,672	62,643
<b>Cash and cash equivalents, end of period</b>	<b>\$ 987,484</b>	<b>\$ 44,134</b>
Cash and Cash Equivalents consists of:		
Cash	\$ 987,484	\$ 43,034
Term Deposit	-	1,100
	<u>\$ 987,484</u>	<u>\$ 44,134</u>

**Supplemental cash flow information (Note 10)**

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

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

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	Shares	Capital	Surplus	Deficit	Equity
Balance, September 30, 2019	11,715,197	\$ 4,075,380	\$ 335,441	\$ (4,131,412)	\$ 279,409
Net loss and comprehensive loss	-	-	-	(215,179)	(215,179)
Balance, March 31, 2020	11,715,197	\$ 4,075,380	\$ 335,441	\$ (4,346,591)	\$ 64,230
Balance, September 30, 2020	28,074,038	\$ 5,118,692	\$ 360,484	\$ (4,580,830)	\$ 898,346
Private placement	25,000,000	2,140,100	359,900	-	2,500,000
Share issue costs	-	(225,367)	75,570	-	(149,797)
Exercise of warrants	430,000	36,550	-	-	36,550
Share based compensation	-	-	502,400	-	502,400
Net loss and comprehensive loss	-	-	-	(1,451,038)	(1,451,038)
Balance, March 31, 2021	53,504,038	\$ 7,069,975	\$ 1,298,354	\$ (6,031,868)	\$ 2,336,461

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

## **Tarku Resources Ltd.**

### Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(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 Arizona, U.S.A, and the province of Quebec. The Company's corporate office is located at Suite 602, 224 4th Ave S., Saskatoon, Saskatchewan. The Company shares are listed on the TSX Venture Exchange under the symbol TKU, the OTCQB under the symbol TRKUF and the Frankfurt stock exchange under the symbol 7TK.

These condensed consolidated interim financial statements ("financial statements") have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company 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.

On February 5, 2020, the Company consolidated its share capital on a 6.5 to 1 basis. These consolidated financial statements reflect the share consolidation. All per share amounts have been adjusted retrospectively except where shares were issued subsequent to the share consolidation.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

The Company's financial statements for the period ended March 31, 2021 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.

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, 2020. Accordingly, these condensed interim financial statements for the three and six month periods ended March 31, 2021 and March 31, 2020 should be read together with the annual financial statements as at and for the year ended September 30, 2020. These financial statements were authorized for issue by the Board of Directors on May 26, 2021.

##### **(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.

## Tarku Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

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### 2. Basis of preparation (continued)

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

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") which 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 Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

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### **3. Exploration and evaluation assets**

#### **Silver Strike project, Arizona**

On October 12, 2020, the Company signed an earn-in and joint venture agreement with arm's length individuals, to earn up to a 75% interest over 3 years in the project by funding project expenditures of up to US\$3,000,000 million as follows:

- Tarku will acquire 25% of the Property after spending US\$1,000,000 in exploration expenses within the first year of earn-in period
- Tarku will acquire an additional 26% (total of 51%) of the Property after spending an additional US\$1,000,000 in exploration expenses and the production of a 43-101 report on the Property within the first 2 years of earn-in period
- Tarku will acquire an additional 24% (total of 75%) of the Property after spending an additional US\$1,000,000 for a cumulative US\$ 3,000,000 in exploration expenses within the first 3 years of earn-in period.

At the end of this Earn-in Period, the Vendors and Tarku will become JV partners on the Property, 75% Tarku, 25% the Vendors. Should the Vendors elect to dispose of their remaining interest, Tarku will keep a Right of First Refusal. The Transaction is an arm's length transaction

Upon completion of the Definitive Agreement, Tarku will issue 3,000,000 common shares to the Vendors in consideration for the Projects (see subsequent event note). The shares will be subject to resale restrictions of 4 equal period of 6 month each and a right of first refusal will allow Tarku the opportunity to place these shares with existent shareholders at prevailing market price.

At each anniversary date over the 3 years, Tarku will pay US\$175,000 to the vendors of which a minimum of US\$50,000 will be a cash payment and US\$125,000 will be paid either in shares or in cash at the Companies discretion. In addition, the signing of this agreement, also allows Tarku to acquire additional 33 patented claims in the historical area of Tombstone under agreement between third parties and the Vendors, namely the Rohe, Corkran, and Turner Options (The "Options"). These agreements are separate and independent from the Unpatented Claims Agreement. These Options require various cash payments with a total cost of US\$ 700,000. The payments are spread out until July 2025 for the Rohe Option, until October 2021 for the Corkran Option, and July 2023 for the Turner Option. Tarku will also issue 50,000 shares for the Corkran Option. At the end of each Option acquisition, the patented claims will be added to the above Unpatented Claim Agreement to form the 75% Tarku, 25% Vendor JV Partnership..

#### **Chateau Fort gold project, Quebec**

The Company owns 100% of the Chateau Fort gold project and the right to buy down the royalty of 1% for \$500,000.

During the six months ended March 31, 2021 and the year ended September 30, 2020, the Company incurred no exploration expenditures in connection with this project. During fiscal 2020 the Company recorded a \$4,620 (fiscal 2019 -\$229,711) impairment related to this property.

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

The Company owns 100% of the Richardson gold project located 20 kilometers north-northeast of Chibougamau, Quebec.

During the six months ended March 31, 2021 and the year ended September 30, 2020 the Company incurred no exploration expenditures on this project.



## **Tarku Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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(Expressed in Canadian dollars)

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

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

The Company owns 100% of the Bullion gold project located 25 kilometers north-northeast of Chibougamau, Quebec.

During the six months ended March 31, 2021 and the year ended September 30, 2020 the Company incurred no exploration expenditures on this project. In addition, as at September 30, 2019, the Company recorded a \$44,405 impairment related to this property.

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

The Company owns 100% of the Apollo gold project located 50 kilometers east from Matagami, Quebec.

During the six months ended March 31, 2021, the Company incurred \$90,460 (September 30, 2020 - \$13,333) in exploration expenditures in connection with this project and received \$nil (September 30, 2020 - \$7,546) in exploration ITCs in connection with previous years exploration expenditures.

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

The Company owns 100% of the Admiral gold project located 25 kilometers east from Matagami, Quebec.

During the six months ended March 31, 2021, the Company incurred \$9,000 (September 30, 2020 - \$22,334) in exploration expenditures in connection with this project and received \$nil (September 30, 2020 - \$3,788) in exploration ITCs in connection with previous years exploration expenditures.

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

The Company owns 100% of the Atlas gold project located 50 kilometers east from Matagami, Quebec.

During the six months ended March 31, 2021, the Company incurred \$9,000 (September 30, 2020 - \$13,333) in exploration expenditures in connection with this project and received \$nil (September 30, 2020 - \$1,848) in exploration ITCs in connection with previous years exploration expenditures.

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

The Company maintains 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 Richardson, Bullion, Apollo, Admiral and Atlas gold projects are subject to the following:

- 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.
- a 1% NSR in favour of Benoit Lafrance, a former director of the Company; half of which can be bought back by the Company for \$500,000.

**Tarku Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

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

The following is a summary of changes to exploration and evaluation assets for the six months ended March 31, 2021 and the year ended September 30, 2020:

Projects	Balance at September 30, 2020	Acquisitions and renewals	Impairment and disposal	Balance at March 31, 2021
Silver Strike	\$ -	\$ 755,698	\$ -	\$ 755,698
Chateau Fort	-	-	-	-
Apollo	168,400	-	-	168,400
Admiral	43,028	-	-	43,028
Atlas	151,644	-	-	151,644
Lac Fabien	-	-	-	-
	\$ 363,072	\$ 755,698	\$ -	\$ 1,118,770

Projects	Balance at September 30, 2019	Acquisitions and renewals	Impairment and disposal	Balance at September 30, 2020
Chateau Fort	\$ -	\$ 4,620	\$ (4,620)	\$ -
Apollo	168,400	-	-	168,400
Admiral	42,367	661	-	43,028
Atlas	151,644	-	-	151,644
Lac Fabien	92,630	1,240	(93,870)	-
	\$455,041	\$ 6,521	\$(98,490)	\$363,072

The following is a summary of exploration and evaluation expenditures:

For the six months ended March 31, 2021

	Apollo	Atlas	Admiral	Silver Strike	Total
Project management	\$ 9,000	\$ 9,000	\$ 9,000	\$ 63,407	\$ 90,407
Drilling and field programs	-	-	-	245,862	245,862
Compilation and planning	-	-	-	2,340	2,340
Geological consulting	7,465	-	-	35,973	43,438
Aerial Survey	77,995	-	-	8,825	86,820
<b>Total exploration expenditures</b>	\$ 90,460	\$ 9,000	\$ 9,000	\$ 356,407	\$ 468,867

## Tarku Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

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

For six months ended March 31, 2020

	<b>Apollo</b>	<b>Atlas</b>	<b>Admiral</b>	<b>Total</b>
Geological	\$ 4,000	\$ 4,000	\$ 13,000	\$ 21,000
<b>Total exploration expenditures</b>	<b>\$ 4,000</b>	<b>\$ 4,000</b>	<b>\$ 13,000</b>	<b>\$ 21,000</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 ITC.

### 4. Share capital

#### (a) Authorized

Unlimited common shares with no par value

#### Issued

- (i) On May 28, 2020, the Company issued 2,879,916 shares with a fair value of \$172,795 to settle \$198,714 of accounts payables.
- (ii) On June 15, 2020, the Company issued 1,400,468 shares with a fair value of \$105,035 to settle \$86,129 of accounts payables.
- (iii) On August 14, 2020, the Company closed a private placement for gross proceeds of \$785,100. The private placement consisted of 12,078,457 non-flow through units. Each non-flow through unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.085 per common share for a period of twenty-four months, expiring on August 13, 2022. No value was attributed to the warrant component of the units sold. The Company incurred share issue costs of \$19,618.
- (iv) On October 30, 2020, the Company closed a private placement for gross proceeds of \$2,500,000. The private placement consisted of 25,000,000 non-flow through units. Each non-flow through unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.15 per common share for a period of twenty-four months, expiring on October 30, 2022. The warrants were valued at \$359,900 using the Black-Scholes option pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate of 0.28%, expected life of 2 years, annualized volatility 162%, and dividend rate of nil. The Company paid \$150,905 in cash as a commission and issued 1,312,500 finders’ warrants, exercisable at \$0.15 per common share until October 30, 2022. The finders’ warrants were valued at \$75,569 using the Black-Scholes option pricing model with the same assumptions.
- (v) During the six months ended March 31, 2021, 430,000 warrants were exercised for proceeds of \$36,550.

## Tarku Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

#### 4. Share capital (continued)

##### (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 six months ended March 31, 2021 and the year ended September 30, 2020 is presented below.

	March 31, 2021		September 30, 2020	
	Options	Weighted Ave Price	Options	Weighted Ave Price
Beginning of period	1,594,611	\$ 0.10	976,923	\$ 0.10
Options granted	3,200,000	0.17	810,000	0.11
Options cancelled	(292,305)	0.10	(192,312)	0.10
End of period	4,502,306	\$ 0.11	1,594,611	\$ 0.10

As at March 31, 2021, the weighted average remaining life of stock options is 4.32 years (September 30, 2020 – 3.52).

On April 21, 2020 the board passed a resolution (approved by the shareholders May 25, 2020 at the AGM), the exercise price of all 784,611 existing options (granted March 13, 2019) were repriced from \$0.65 to \$0.10.

On July 30, 2020, the board of directors of the Company approved the grant of 810,000 stock options pursuant to the Plan. 810,000 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 \$0.11 per share, vest immediately and, if not exercised, expire July 30, 2025, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange.

The value of options issued on July 30, 2020, using the Black-Scholes option pricing model, was \$78,570 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 0.26%, expected life of 5 years, annualized volatility 158.94%, and dividend rate of nil.

On November 11, 2020, the board of directors of the Company approved the grant of 3,200,000 stock options pursuant to the Plan. 2,500,000 of the options were granted to directors and executive officers with the balance granted to consultants. The options are exercisable at \$0.17 per share, vest immediately and, if not exercised, expire November 11, 2025, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange.

**Tarku Resources Ltd.**

## Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

**4. Share capital (continued)**

The value of options issued on November 11, 2020, using the Black-Scholes option pricing model, was \$502,400 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 0.39%, expected life of 5 years, annualized volatility 158.79%, and dividend rate of nil.

*(b) Warrants*

During the six months ended March 31, 2021 and the year ended September 30, 2020, the Company had the following warrant activities:

	Number of Warrants	Exercise Price	Weighted Average Exercise Price
Balance, September 30, 2019	3,526,561		\$ 0.590
Expired	(2,671,177)	\$ 0.65	
Expired	(297,692)	\$ 0.52	
Expired	(557,692)	\$ 0.33	
Issue	12,078,456	\$ 0.09	
Balance, September 30, 2020	12,078,456		\$ 0.085
Issue	13,812,500	\$ 0.15	
Exercised	(430,000)	\$ 0.085	
Balance, December 31, 2020	25,460,956		\$ 0.12

At March 31, 2021, the following table summarizes information about warrants outstanding:

Total issued and outstanding	Warrants Outstanding	Expiry Date	Exercise Price
	11,648,456	Aug 13, 2022	\$0.085
	13,812,500	Oct 30, 2022	\$0.150
<b>Balance, March 31, 2021</b>	<b>25,460,956</b>		<b>\$0.120</b>

*(c) Escrow shares*

At March 31, 2021, nil (2020 – nil) common shares were held in escrow.

*(d) 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 September 30, 2020, 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.

## Tarku Resources Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

#### 5. Commitments and contingencies

As of March 31, 2021, the Company had \$nil (September 30, 2020 - \$1,140) 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 six months ended March 31, 2021 and March 31, 2020:

- (a) The Chief Executive Officer and director of the Company provided consulting services to the Company. Fees incurred during the period were \$84,000 (2020 - \$48,000). At March 31, 2021, \$16,096 (September 30, 2020 - \$81,619) is recorded in trade and other payables.
- (b) The Financial Officer and director of the Company provided consulting services to the Company. Fees incurred during the period were \$18,000 (2020 - \$nil). At March 31, 2021, \$4,200 (September 30, 2020 - \$nil) is recorded in trade and other payables.
- (c) The former Chief Financial Officer and director of the Company provided consulting services to the Company. Fees incurred during the period were \$12,240 (2019 - \$30,720). At March 31, 2021, \$nil (September 30, 2020 - \$12,840) is recorded in trade and other payables.
- (d) A director of the Company provided geological consulting services to the Company. Fees incurred during the period were \$8,000 (2020 - \$nil). At March 31, 2021 and September 30, 2020, \$nil is recorded in trade and other payables.

#### Key Management Compensation:

Six months ended March 31,	2021	2020
Consulting fees	\$ 42,240	\$ 57,720
Exploration expense	80,000	21,000
Share-based compensation to directors and officers	392,500	-
	\$ 514,740	\$ 78,720

#### 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:

	March 31, 2021	September 30, 2020
Arizona, U.S.A	\$ 755,698	\$ -
Quebec, Canada	363,072	363,072
	\$ 1,118,770	\$ 363,072

## **Tarku Resources Ltd.**

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

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### **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 six months ended March 31, 2021. The Company was not subject to any externally imposed capital requirements.

### **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 six months ended March 31, 2021, 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.

## Tarku Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

March 31, 2021

(Expressed in Canadian dollars)

### 9. Financial risk management (continued)

March 31, 2021	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 987,484	\$ -	\$ -	\$ 987,484

**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.

### 10. Supplemental cash flow information

#### Non-cash investing and financing activities

During the six months ended March 31, 2021, the Company issued;  
The Company issued broker warrants with a prescribed value of \$75,570.

During the year ended September 30, 2020, the Company issued;

- 2,879,936 common shares with a value of \$172,795 to settle debt in the amount of \$198,714 pursuant to a shares for debt settlement agreement.
- 1,400,468 shares with a fair value of \$105,035 to settle debt in the amount of \$86,129 pursuant to a shares for debt settlement agreement.
- Of the 3,526,561 warrants that expired, 801,330 carried a historical value, resulting in a fair value reversal of \$53,526.
- During the year ended September 30, 2020, \$76,662 in exploration and evaluation assets that were included in accounts payable were settled, amongst other debt, through the issuance of shares, resulting in a loss on settlement of \$18,906.

### 11. Events after the reporting period

On April 30, 2021, 3,000,000 common shares were issued in accordance with the silver strike project agreement.