



**Damara Gold Corp.**

**Consolidated Financial Statements**

**July 31, 2019 and 2018**

**Expressed in Canadian Dollars**

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**DAMARA GOLD CORP.**  
**Years ended July 31, 2019 and 2018**  
(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF DAMARA GOLD CORP.

#### *Opinion*

We have audited the consolidated financial statements of Damara Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' 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, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 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 *Auditors' 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 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$221,622 during the year ended July 31, 2019 and, as of that date, the Company's accumulated deficit was \$33,026,132. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Other Information*

Management is responsible for the other information. The other information comprises of 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements based on 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 auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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.

#### *Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Sukhjit Gill.

*Smythe LLP*

**Chartered Professional Accountants**

**Vancouver, British Columbia  
November 14, 2019**

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**DAMARA GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As at July 31  
Expressed in Canadian Dollars

	Note	2019	2018
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 80,524	\$ 339,261
Prepays		394	5,415
Receivables	6	22,783	12,097
<b>Total Assets</b>		<b>\$ 103,701</b>	<b>\$ 356,773</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current			
Trade and other payables	7,11	\$ 18,290	\$ 49,740
<b>Shareholders' Equity</b>			
Share Capital	8	31,692,281	31,692,281
Contributed surplus		1,419,262	1,419,262
Deficit		(33,026,132)	(32,804,510)
<b>Total Shareholders' Equity</b>		<b>85,411</b>	<b>307,033</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 103,701</b>	<b>\$ 356,773</b>

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy  
Lawrence Nagy, Director

/s/ William Yeoman  
William Yeoman, Director

See notes to consolidated financial statements.

**DAMARA GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
For the years ended July 31  
Expressed in Canadian Dollars

	Note	2019	2018
<b>Expenses</b>			
Administrative and general	10	\$ 221,622	\$ 186,466
Property investigation costs		-	2,765
Total expenses		(221,622)	(189,231)
<b>Other income and expenses</b>			
Gain on sale of marketable securities	5	-	220,478
Gain on settlement of debt	7	-	10,169
Income (loss) before income tax		(221,622)	41,416
Deferred income tax		-	(28,663)
<b>Net income (loss) for the year</b>		<b>(221,622)</b>	<b>12,753</b>
<b>Other comprehensive loss</b>			
Realized fair value gain on marketable securities		-	(220,478)
Deferred income tax		-	28,663
Total other comprehensive loss		-	(191,815)
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (221,622)</b>	<b>\$ (179,062)</b>
<b>Income (loss) per share for the year - basic and diluted</b>	12	<b>\$ (0.01)</b>	<b>\$ 0.00</b>

See notes to consolidated financial statements.

**DAMARA GOLD CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended July 31, 2019 and 2018

Expressed in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance July 31, 2017		21,312,579	\$ 31,450,030	\$ 1,419,262	\$ 191,815	\$ (32,817,263)	\$ 243,844
Net income for the year		-	-	-	-	12,753	12,753
Available-for-sale-investment		-	-	-	(220,478)	-	(220,478)
Units issued for cash	8	5,000,000	250,000	-	-	-	250,000
Share issue costs		-	(7,749)	-	-	-	(7,749)
Deferred income tax		-	-	-	28,663	-	28,663
Balance July 31, 2018		26,312,579	\$ 31,692,281	\$ 1,419,262	\$ -	\$ (32,804,510)	\$ 307,033
Net loss for the year		-	-	-	-	(221,622)	(221,622)
Balance July 31, 2019		26,312,579	\$ 31,692,281	\$ 1,419,262	\$ -	\$ (33,026,132)	\$ 85,411

See notes to consolidated financial statements.

**DAMARA GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended July 31  
Expressed in Canadian Dollars

	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Net income (loss) for the year	\$	(221,622)	\$ 12,753
Items not affecting cash			
Realized gain on sale of marketable securities		-	(220,478)
Gain on settlement of debt		-	(10,169)
Deferred income tax expense		-	28,663
Changes in non-cash working capital			
Receivables		(10,686)	(10,789)
Prepaid expenses and advances		5,021	(5,415)
Trade and other payables		(31,450)	(137,305)
<b>Cash used in operating activities</b>		<b>(258,737)</b>	<b>(342,740)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of marketable securities	5	-	451,978
<b>Cash provided by investing activities</b>		<b>-</b>	<b>451,978</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of loans		-	(15,000)
Proceeds from private placement	8	-	250,000
Share issue costs		-	(7,749)
<b>Cash provided by financing activities</b>		<b>-</b>	<b>227,251</b>
<b>Increase (decrease) in cash during the year</b>		<b>(258,737)</b>	<b>336,489</b>
<b>Cash beginning of year</b>		<b>339,261</b>	<b>2,772</b>
<b>Cash end of year</b>	<b>\$</b>	<b>80,524</b>	<b>\$ 339,261</b>

Supplemental Disclosure with Respect to Cash Flows (Note 14)

See notes to consolidated financial statements.

## **DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
For the Years Ended July 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS**

Damara Gold Corp. (“Damara” or the “Company”) was incorporated on August 1, 1989 under the *Business Corporations Act* of British Columbia as Solomon Resources Limited. On September 30, 2014, the Company changed its name to Damara Gold Corp. Effective October 1, 2014 the Company commenced trading on the TSX Venture Exchange (the “Exchange”) under the symbol “DMR” as a Tier 2 issuer.

The Company is in the business of identifying and acquiring prospective and under-explored gold properties worldwide. The Company’s corporate head office is at Suite 335 – 1632 Dickson Ave, Kelowna, BC V1Y 7T2.

### **2. BASIS OF PREPARATION AND GOING CONCERN**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on November 14, 2019.

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair value are discussed in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

The consolidated financial statements are presented in Canadian dollars (“CDN”), which is also the Company’s and its subsidiaries functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### **Going Concern**

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net loss of \$221,622 for the year ended July 31, 2019 (2018 - \$12,753 income) and has accumulated a deficit of \$33,026,132 (July 31, 2018 - \$32,804,510) since inception.

The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company’s operating and mineral property commitments as they come due and to finance which has been funded primarily by the issuance of equity. The Company’s ability to continue its operations is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs in the future. Although the Company has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which casts significant doubt about the Company’s ability to continue as a going concern.

No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

**DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
For the Years Ended July 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and subsidiaries that were held in prior years that are no longer active and were dissolved. All prior year significant intercompany balances and transactions were eliminated on consolidation.

**Foreign Currency Transactions**

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are measured at historical cost and continue to be carried at the exchange rate at the date of the transaction. Revenues and expenses are translated at the rate of exchange on the transaction date. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

**Mineral Exploration and Evaluation Expenditures****Pre-exploration Costs**

Pre-exploration costs are expensed in the year in which they are incurred.

**Acquisition Costs**

The fair value of all consideration paid to acquire an exploration and evaluation asset is capitalized, including amounts arising under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants. The fair value of common shares issued is based on recent market prices on the date of issue. The fair value of share purchase warrants issued is valued using the Black-Scholes option pricing model.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property will be considered to be a mine under development and will be classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

**Impairment of Non-Financial Assets**

Impairment tests on non-financial assets, including exploration and evaluation assets, are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

**DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
 For the Years Ended July 31, 2019 and 2018  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Financial Instruments**

The Company adopted the new accounting standard IFRS 9 *Financial Instruments* (“IFRS 9”) effective August 1, 2018 using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended July 31, 2018 is presented under IAS 39 *Financial Instruments: recognition and measurement* (“IAS 39”). There were no changes to the carrying value of any of the Company’s financial assets or liabilities as a result of this new accounting standard.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial Asset/Liabilities</b>	<b>Original Classification IAS 39</b>	<b>New Classification IFRS 9</b>
Cash	Fair value through Profit or loss (“FVTPL”)	FVTPL
Available-for-sale-investment	Fair value through other comprehensive income (“FVOCI”)	FVTPL
Trade and other payables	Other financial liabilities	Amortized cost

**Financial Assets**

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

**De-recognition**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

**Impairment**

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
For the Years Ended July 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Financial Instruments (cont'd)**Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

Fair Value Hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

**Provisions**

Provisions are recognized as liabilities when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**Rehabilitation Provision**

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites. The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability-specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. As at July 31, 2019 and 2018, the Company had recognized no rehabilitation provisions.

**DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
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(Expressed in Canadian Dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by year-end.

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 an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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 year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**Share Capital**

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital.

**Earnings/Loss per 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 year. 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 shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

**Share-based Payments**

The fair value, at the grant date, of equity-settled share awards is charged to profit or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the equity-settled employee benefits reserve. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model, which considers the following factors:

**DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
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(Expressed in Canadian Dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Share-based Payments (cont'd)**

- Exercise price
- Expected life
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Dividend yield

For equity-settled share-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. 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 behavioral considerations.

**Future Accounting Pronouncements***IFRS 16 Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

This standard is applicable to the Company's annual period beginning on August 1, 2019. Management does not anticipate any impact the adoption of this standard may have.

*Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)*

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for the Company's annual period beginning on August 1, 2019.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these consolidated financial statements are discussed below.

**DAMARA GOLD CORP.**

Notes to Consolidated Financial Statements  
For the Years Ended July 31, 2019 and 2018  
(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)****Critical Judgments***Going Concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**5. AVAILABLE-FOR-SALE INVESTMENT**

During the year ended July 31, 2018, the Company closed the sale of 9,039,560 common shares of Osino Resources Corp. at a price of \$0.05 per share for gross proceeds of \$451,978 to arms-length purchasers and recorded a gain on sale of \$220,478 and reducing other comprehensive income to \$Nil.

**6. RECEIVABLES**

Receivables include input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada as follows:

	<b>July 31 2019</b>	<b>July 31 2018</b>
GST receivable	\$ 1,783	\$ 12,097
Other	21,000	-
	<b>\$ 22,783</b>	<b>\$ 12,097</b>

**7. TRADE AND OTHER PAYABLES**

	<b>July 31 2019</b>	<b>July 31 2018</b>
Trade payables	\$ 15,627	\$ 32,863
Due to related parties - Note 11	2,663	16,877
Total	<b>\$ 18,290</b>	<b>\$ 49,740</b>

During the year ended July 31, 2018 the Company settled trade payables with a third-party vendor resulting in a gain on settlement of debt of \$10,169.

**8. SHARE CAPITAL****(a) Authorized Share Capital**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

**(b) Common Shares**

There were no shares issued during the year ended July 31, 2019.

During the year ended July 31, 2018 the Company issued the following:

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**8. SHARE CAPITAL (cont'd)****(b) Common Shares (cont'd)**

On August 31, 2017 the Company completed a non-brokered private placement (the "Placement") for 5,000,000 units (the "Unit") at a price of \$0.05 per Unit for gross proceeds of \$250,000. Each Unit consists of one common share and one common share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.10 until August 31, 2020.

**(c) Share Purchase Warrants**

The following is a summary of changes in warrants from July 31, 2017 to July 31, 2019:

	<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2017	5,957,351	\$0.15	\$0.15
Issued	5,000,000	\$0.10	\$0.10
<b>Balance at July 31, 2018 and July 31, 2019</b>	<b>10,957,351</b>		<b>\$0.13</b>

As at July 31, 2019 the share purchase warrants have a weighted average remaining contractual life of 1.34 (July 31, 2018 – 2.34) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Warrants</b>
January 18, 2021	\$0.15	1,475,000
March 2, 2021	\$0.15	4,482,351
August 31, 2020	\$0.10	5,000,000
<b>Total</b>		<b>10,957,351</b>

**9. SHARE-BASED PAYMENTS****(a) Option Plan Details**

The Company has an incentive stock option plan (the "Plan") that allows it to grant share purchase options to its employees, directors, consultants and management company employees. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the Exchange (currently \$0.05). The Plan allows for a maximum of 10% of outstanding shares to be issued under the Plan. The Plan is subject to annual shareholder approval.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or management company employee, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of the death of an optionee, the options terminate at the earlier of twelve months after the date of death and the expiration of the option period. Vesting of options is determined by the Board of Directors at the time the options are granted. Options issued to consultants providing investor relations activities must vest in stages over twelve months with no more than one-quarter of the options vesting in any three-month period.

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**9. SHARE-BASED PAYMENTS (cont'd)****(a) Option Plan Details (cont'd)**

Stock option activity from July 31, 2018 to July 31, 2019 was as follows:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable
27-Jul-16	27-Jul-21	\$0.05	1,425,000	-	(275,000)	1,150,000	1,150,000
Weighted Average Exercise Price			\$0.05	-	\$0.05	\$0.05	\$0.05
Weighted Average Life Remaining (years)			2.99	-	-	1.99	1.99

Stock option activity from July 31, 2017 to July 31, 2018 was as follows:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable
13-Dec-12	13-Dec-17	\$1.00	30,000	-	(30,000)	-	-
27-Jul-16	27-Jul-21	\$0.05	1,600,000	-	(175,000)	1,425,000	1,425,000
			1,630,000	-	(205,000)	1,425,000	1,425,000
Weighted Average Exercise Price			\$0.07	-	\$0.19	\$0.05	\$0.05
Weighted Average Life Remaining (years)			3.93	-	-	2.99	2.99

**(b) Fair Value of Options Granted During the Year**

There were no options granted during the years ended July 31, 2019 and 2018.

**10. ADMINISTRATIVE AND GENERAL EXPENSES**

	Note	Years Ended July 31	
		2019	2018
Accounting and legal		\$ 61,407	\$ 36,998
Consulting	11	97,175	107,700
Website, shareholder communication		8,044	3,121
Exchange loss		-	831
Office and administration fees	11	18,170	16,228
Regulatory fees		18,402	5,913
Rent	11	14,299	9,046
Transfer agent fees		4,125	5,660
Travel		-	969
		\$ 221,622	\$ 186,466

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**11. RELATED PARTY TRANSACTIONS****(a) Key Management Compensation**

	July 31 2019	July 31 2018
Key management personnel compensation comprised:		
Consulting fees	\$97,175	\$105,025
Administration	6,438	2,675
	<b>\$103,613</b>	<b>\$107,700</b>

- (i) Consulting fees of \$60,000 (2018 - \$65,000) were paid and/or accrued to 43983 Yukon Inc. ("43983") a company, controlled by Lawrence Nagy, Chief Executive Officer, of the Company.
- (ii) Consulting fees of \$37,175 (2018 - \$40,025) were paid and/or accrued to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Chief Financial Officer of the Company.
- (iii) Administrative fees of \$6,438 (2018 - \$2,675) were paid and/or accrued to Minco in relation to providing administrative and accounting services.

**(b) Rent**

The Company currently pays Golden Ridge Resources Ltd. (a company with common directors and officers) rent and expenses on a month to month basis for shared offices space for total rent of \$14,299 (2018 - \$Nil).

**(c) Related Party Liabilities**

Amounts due to:	Service for:	July 31 2019	July 31 2018
Minco	Consulting Fees	\$1,575	\$6,090
Minco	Expenses	679	679
43983	Expenses	409	-
Golden Ridge Resources Ltd. <sup>1</sup>	Rent & Expenses	-	10,108
<b>Total related party payables</b>		<b>\$2,663</b>	<b>\$16,877</b>

<sup>1</sup> Rent and expenses incurred on behalf of the Company for shared office space and administrative personnel expenses. These amounts are non-interest-bearing and due on demand.

**12. INCOME (LOSS) PER SHARE**

Basic income (loss) per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

	July 31 2019	July 31 2018
Net income (loss) attributable to ordinary shareholders	(\$221,622)	\$12,753
Weighted average number of common shares	26,312,579	25,887,921
<b>Basic and diluted income (loss) per share</b>	<b>(\$0.01)</b>	<b>\$0.00</b>

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**13. INCOME TAXES**

The Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Available to	Amount
2025	\$ 1,361,000
2026	358,000
2027	161,000
2029	828,000
2030	185,000
2031	535,000
2032	481,000
2033	616,000
2034	130,000
2035	333,000
2037	125,000
2038	71,000
2039	225,000
	<u>\$ 5,409,000</u>

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of July 31 are as follows:

	2019	2018
Non-capital losses carried forward	\$ 5,409,581	\$ 4,715,889
Excess of tax value over carrying value of mineral properties	3,747,502	3,747,502
Investment tax credits	160,085	160,085
Cumulative eligible capital	115,905	115,905
Share issue costs and other	6,623	9,674
<u>Unrecognized deductible temporary differences</u>	<u>\$ 9,439,696</u>	<u>\$ 8,749,055</u>

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2018 – 26.5%) to income before income taxes.

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**13. INCOME TAXES (cont'd)**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2019	2018
Income (loss) before income tax	\$ (221,622)	\$ 12,753
Statutory income tax rate	27.00%	26.50%
Income tax recovery computed at statutory tax rate	(59,838)	3,380
Items not deductible for income tax purposes		(21,515)
Effect of change in tax rates	11,790	(86,559)
Unused tax losses and tax offsets not recognized	128,523	133,357
Under (over) provided in prior years	(80,475)	-
Unrecognized benefit of deferred income tax assets	-	-
Income tax recovery	\$ -	\$ 28,663

**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the year ended July 31, 2019 and 2018 the following transactions were excluded from the consolidated statements of cash flows:

The Company settled trade payables with an arm's length vendor in the amount of \$Nil (2018 - \$17,859) for payment of \$Nil (2018 - \$7,690), recording a \$Nil (2018 - \$10,169) gain on the settlement.

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

**General Objectives, Policies and Processes**

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

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**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)****General Objectives, Policies and Processes (cont'd)**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of interest rate and commodity price risk.

**Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and non-interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash and guaranteed investment certificates are subject to floating interest rates.

As at July 31, 2019, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

**Commodity Price Risk**

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

**Foreign Exchange Risk**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and receivables. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand and receivables are entered into with credit-worthy counterparties.

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**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)****General Objectives, Policies and Processes (cont'd)**Credit Risk (cont'd)

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to endeavour that it will have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. However, circumstances may arise where the Company is unable to meet those goals. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company endeavours not to maintain any trade payables beyond a 30-day period to maturity.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for receivables, and trade and other payables approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash and cash equivalents and marketable securities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**16. CAPITAL MANAGEMENT**

The Company monitors its common shares, warrants and stock options as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended July 31, 2019.