



Baru Gold Corp.

August 31, 2021

Consolidated Financial Statements

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Baru Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Baru Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$4,069,939 during the year ended August 31, 2021 and, as of that date, the Company had an accumulated deficit of \$98,322,658. As stated in Note 1, these events and conditions indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

December 23, 2021

BARU GOLD CORPORATION

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	August 31, 2021	August 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,932,859	\$ 566,380
Receivables (note 3)	22,222	31,113
Prepays and advances (note 4)	552,301	80,828
	2,507,382	678,321
Non-current assets:		
Right-of-use asset (note 8)	9,080	36,319
Exploration and evaluation assets (note 5)	4,030,429	2,550,917
	\$ 6,546,891	\$ 3,265,557
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,403,093	\$ 1,953,796
Loans payable (note 6)	-	161,967
Due to related parties (note 7)	13,087	611,706
Lease liability (note 8)	10,008	27,107
	1,426,188	2,754,576
Non-current liabilities:		
Lease liability (note 8)	-	11,009
Total Liabilities	1,426,188	2,765,585
Shareholders' equity:		
Share capital (note 9)	81,756,939	75,301,636
Reserves (note 10)	21,686,422	19,451,055
Deficit	(98,322,658)	(94,252,719)
	5,120,703	499,972
	\$ 6,546,891	\$ 3,265,557

Nature of operations and going concern (note 1)

Subsequent events (note 17)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Terry Filbert" Director

"R. Scott Chaykin" Director

BARU GOLD CORPORATION

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended August 31, 2021	Year ended August 31, 2020
General and administrative expenses:		
Amortization (note 8)	\$ 27,239	\$ 27,239
Consulting fees	241,480	222,513
Directors' fees (note 7)	87,479	90,000
Foreign exchange loss (gain)	57,455	(24,683)
Interest expense	3,756	48,288
Investor relations	280,516	70,764
Management fees (note 7)	519,288	322,992
Office and administration	240,080	251,595
Professional fees (note 7)	195,748	135,916
Rent	25,048	43,100
Share based payments (note 10)	2,302,721	128,909
Transfer agent and regulatory fees	70,381	37,820
Travel and accommodation	33,129	20,870
Total general and administrative expenses	(4,084,320)	(1,375,323)
Loss on extinguishment of debt (note 9)	-	(828,764)
Gain on extinguishment of accounts payable	14,381	278,262
Loss and comprehensive loss for the year	\$ (4,069,939)	\$ (1,925,825)
Basic and diluted loss per common share (note 11)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	174,795,172	99,395,850

See accompanying notes to the consolidated financial statements.

BARU GOLD CORPORATION

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Commitment to Issue Shares	Reserves	Deficit	Shareholders' Equity (Deficiency)
Balance, August 31, 2019	84,318,200	\$ 72,022,973	\$ 374,372	\$ 19,325,152	\$(92,326,894)	\$ (604,397)
Private placements	9,580,941	410,333	-	-	-	410,333
Share issuance costs	-	(6,942)	-	785	-	(6,157)
Warrants and Finders' warrants exercised	8,254,000	778,342	-	(3,791)	-	774,551
Debt settlements	25,759,583	2,096,930	(374,372)	-	-	1,722,558
Share based payments	-	-	-	128,909	-	128,909
Loss for the year	-	-	-	-	(1,925,825)	(1,925,825)
Balance, August 31, 2020	127,912,724	75,301,636	-	19,451,055	(94,252,719)	499,972
Private placements	29,333,331	4,400,000	-	-	-	4,400,000
Share issuance costs	-	(57,832)	-	-	-	(57,832)
Warrants and Finders' warrants exercised	21,633,175	1,998,430	-	(16,374)	-	1,982,056
Options exercised	1,274,500	114,705	-	(50,980)	-	63,725
Share based payments	-	-	-	2,302,721	-	2,302,721
Loss for the year	-	-	-	-	(4,069,939)	(4,069,939)
Balance, August 31, 2021	180,153,730	\$ 81,756,939	\$ -	\$ 21,686,422	\$(98,322,658)	\$ 5,120,703

See accompanying notes to the consolidated financial statements.

BARU GOLD CORPORATION

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended August 31, 2021	Year ended August 31, 2020
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (4,069,939)	\$ (1,925,825)
Items not involving cash:		
Amortization	27,239	27,239
Interest expense	3,532	19,125
Loss on settlement of debt	-	828,764
Foreign exchange	(3,468)	(2,271)
Gain on extinguishment of accounts payable	(14,381)	(278,262)
Share based payments	2,302,721	128,909
Changes in non-cash operating working capital items:		
Receivables	8,891	(22,659)
Prepays and advances	(471,473)	(22,093)
Accounts payable and accrued liabilities	(408,794)	360,230
Due to related parties	(598,619)	656,034
	(3,224,291)	(230,809)
Investing activities:		
Exploration and evaluation assets	(1,593,572)	(606,638)
	(1,593,572)	(606,638)
Financing activities:		
Private placements	4,400,000	1,184,884
Share issuance costs	(57,832)	(6,157)
Warrants and finders' warrants exercised	1,982,056	-
Options exercised	63,725	-
Loan proceeds	-	203,411
Loan repayments	(172,953)	(9,200)
Lease payments	(30,654)	(30,939)
	6,184,342	1,341,999
Change in cash and cash equivalents	1,366,479	504,552
Cash and cash equivalents, beginning	566,380	61,828
Cash and cash equivalents, end	\$ 1,932,859	\$ 566,380
Cash and cash equivalents are comprised of:		
Cash	\$ 1,898,359	\$ 531,880
Cash equivalents	34,500	34,500
	\$ 1,932,859	\$ 566,380

Supplemental disclosure with respect to cash flows (note 14)
See accompanying notes to the consolidated financial statements.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

1. Nature of operations and going concern

Baru Gold Corporation (“the Company”) was incorporated under the laws of British Columbia and is in the process of exploring its exploration and evaluation assets in Indonesia. The address of the Company’s corporate office and principal place of business is Suite 900 - 1021 West Hastings St, Vancouver, British Columbia, Canada. Effective October 20, 2020, the Company’s name was changed from East Asia Minerals Corporation to Baru Gold Corp.

The Company’s exploration and evaluation assets are in Indonesia. The Company also has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing, permits to explore, develop, and achieve future profitable production activity from its exploration and evaluation assets or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. During the year ended August 31, 2021, the Company had a net loss and comprehensive loss of \$4,069,939 and had an accumulated deficit of \$98,322,658 as of August 31, 2021. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

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, have 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 results of operations currently.

The consolidated financial statements were authorized for issue on December 23, 2021 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) effective as of August 31, 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the reporting currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards (“IAS”) 21.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in Canada (Sangihe Gold Corporation), Indonesia (PT. East Asia Minerals Indonesia), Hong Kong (Sangihe Gold HK Limited and East Asia Minerals HK Limited), Netherlands and Mongolia (EAM Teshig LLC and EAM Exploration LLC) and Indonesia (70% owned PT. Tambang Mas Sangihe). All Netherlands entities have been inactive since inception. All inter-company transactions and accounts have been eliminated upon consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may vary from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to but are not limited to, the following:

- Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company’s future operating results or on other components of shareholders’ equity (deficiency).

Critical accounting judgments are accounting policies that have been identified as being complex or involved subjective judgments or assessments and include:

- Recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable reserves, evaluation of permitting and environmental issues and local support for the project.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

- Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits and funds held in trust by lawyers. Cash equivalents include short-term highly liquid investments with original maturities or restrictions of three months or less at the date of purchase that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which the entity operates and is determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the year.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Exploration and evaluation assets

Exploration and evaluation expenditures incurred before the Company has obtained legal rights to explore an area of interest are expensed as incurred. All costs related to the acquisition, exploration and evaluation of mineral properties incurred after the acquisition of legal rights to explore are capitalized by property. Mineral properties acquired from entities under common control are recorded at the same carrying value which the common control entity carried the mineral properties at. If economically recoverable ore reserves are determined to exist, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that asset is written down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Exploration and evaluation assets (cont'd)

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to explore and complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties or by sale.

Once technical feasibility and commercial viability of a mineral property has been established, the property is considered to be a development property and is classified as mine development assets in property, plant and equipment. The carrying value of the mineral property is tested for impairment before the expenditures are transferred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Impairment of long-lived assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Share-based payments

Stock option plan

The Company makes periodic grants of share-based awards to selected directors, officers, employees and others providing a similar service.

The fair value of the equity-settled awards is determined at the date of the grant using the Black-Scholes option pricing model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of loss and comprehensive loss with a corresponding entry within equity, against the reserve for equity settled share-based transactions. No expense is recognized for awards that do not ultimately vest.

Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to reserves. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of reserve, is credited to share capital.

Restricted share unit plan

The Company has a restricted share unit plan (the "RSU Plan") for its directors and executive officers. RSUs are classified as equity settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company recognizes the expense based on the quoted market price of the Company's common shares at the grant date and a corresponding increase in equity for the eventual redemption when the RSUs are issued.

Loss per share

Loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding for the reporting period. For diluted earnings per share, dilutive effect is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

The basic loss per share figure has been calculated using the weighted average number of common shares outstanding during the respective period. Diluted loss per share is equal to basic loss per share as the effect of outstanding options and warrants is anti-dilutive.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are generally measured at fair value except for transactions between entities which are under common control, which are recorded at the carrying value of the related party transaction.

Decommissioning and restoration provision

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows, based on engineering and environmental reports prepared by third party industry specialists, discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgements and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore its exploration and evaluation assets. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive (loss) income (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company classifies its financial instruments as follows:

Financial assets/ liabilities	IFRS 9 Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company’s own credit risk will be recognized in other comprehensive income (loss).

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

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 statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

2. Significant accounting policies (cont'd)

Leases (cont'd)

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

3. Receivables

	August 31, 2021		August 31, 2020	
GST receivable	\$	6,011	\$	14,900
Other receivables		16,211		16,213
Total receivables	\$	22,222	\$	31,113

4. Prepaids and advances

During the year ended August 31, 2021, the Company recorded \$552,301 (2020 - \$80,828) in prepaids:

- \$112,301 (2020 - \$80,828) were recorded for investor relations and marketing advances; and
- \$440,000 (2020 - \$Nil) were recorded for advance to a legal firm for listing of shares of a subsidiary on the stock market in Indonesia.

5. Exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its property is in good standing.

The exploration and evaluation assets in which the Company has an interest are located in Indonesia and the Company is therefore relying on title opinions by legal counsel who are basing such opinions on the laws of Indonesia.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

5. Exploration and evaluation assets (cont'd)

During fiscal 2006, the Company entered into a Memorandum of Understanding with certain Indonesian companies on exploration and evaluation assets (known as the Sangihe project) located in Indonesia. The Company has a 70% interest in the Sangihe project at August 31, 2021.

The Company has agreed to fund 100% of the exploration and development and operating expenditures of the exploration and evaluation assets up to and including the costs of any feasibility studies, after which all parties are to fund their proportionate share, or have their interest diluted.

The Company's exploration and evaluation assets consist of:

	Sangihe property (Indonesia)
Balance, August 31, 2019	\$ 1,992,551
Geology	203,722
Office and supplies	1,373
Professional fees	129,023
Travel	3,857
Technical reports	61,916
Tenement costs	158,475
Total additions	558,366
Balance, August 31, 2020	2,550,917
Drilling	23,632
Geology	76,969
Office and supplies	87,189
Professional fees	468,337
Travel	82,844
Technical reports	98,758
Tenement costs	315,044
Wages	326,739
Total additions	1,479,512
Balance, August 31, 2021	\$ 4,030,429

The Sangihe Project is located on the island of Sangihe, Indonesia. Certain foreign companies and foreign Indonesian joint venture companies exploring natural resources in Indonesia normally conduct their activities under Indonesian incorporated foreign investment joint venture companies, which are regulated by terms and conditions contained in a contract commonly referred to as the Contract of Work ("CoW Agreement"). A CoW Agreement is a legally binding contract between the Government of the Republic of Indonesia and a foreign-investment joint venture company, which is specifically incorporated to hold the title of the CoW area ("CoW Company"). In the CoW agreement, the Indonesian government grants the CoW Company the exclusive right to explore and mine mineral deposits that may exist in the contract area. The CoW Agreement covers comprehensive terms of engagement such as the various stages of exploration from general geological survey and exploration and bankable feasibility study to mining, royalty and taxes, employment, corporate social responsibilities, and environmental protection.

During the year ended August 31, 2021, the Ministry of Energy and Mineral Resources (the "Ministry") was named a Defendant at Jakarta Administrative Court to annul the production license granted by the Ministry. The Company applied as Intervening Defendant to protect its interest in the Sangihe Project and contest the plaintiff's claim.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

6. Loans payable

During the year ended August 31, 2021, the Company received loan proceeds of \$nil (2020 - \$203,411) from related parties. The Company accrued interest of \$986 (2020 - \$9,014) on the loans payable.

During the year ended August 31, 2020, the Company repaid \$9,200 of loans, settled \$129,470 of loans through the issuance of 2,418,750 shares.

During the year ended August 31, 2021, the Company repaid the remaining loans and interest in full.

7. Related party transactions

Compensation and payments to key management personnel was as follows:

	Years ended August 31,	
	2021	2020
Fees and short-term benefits - management	\$ 519,288	\$ 322,992
Fees and short-term benefits - directors	87,479	90,000
Fees and short-term benefits - professional	-	51,700
Share-based payments	1,548,582	94,393
	\$ 2,155,349	\$ 559,085

During the year ended August 31, 2020, the Company settled \$762,832 of debt to non-arm's length parties by issuing 14,217,573 shares.

As of August 31, 2021, \$13,087 (2020 - \$611,706) is due to directors and officers of the Company as accounts payable. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

As of August 31, 2021, \$nil (2020 - \$161,967) is due to directors and officers of the Company as loans payable and \$nil (2020 - \$9,014, in interest payable). During the year ended August 31, 2021, the Company repaid the loans and interest in full.

The Company entered into Executive Services Agreements (the "Agreements") with the CEO, CFO and COO (the "Executives") for the provision of management services. The provision of the services shall continue until December 31, 2023 and extendable by a period of one year, unless otherwise terminated.

The CEO is eligible for an annual bonus paid based on certain targets set out by the Board. The bonus will be at least equal to the total annual salary to be paid for year for that year. If these targets are not achieved in its respective year, it will be deemed earned and the bonus paid once the target is achieved.

Should the parties be subject to termination without just cause, the Agreements will be terminated in no less than one month's prior notice, and the Company will be required to pay two times the base salary at the time of termination and replacement costs equal to 24 months of any health, welfare, pension, life insurance and disability insurance benefits.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

7. Related party transactions (cont'd)

Should the Company be subject to a change of control and terminate any of the Agreements, the Agreements will be terminated in no less than one month's prior notice, and the Company will be required to pay two times the base salary at the time of termination, replacement costs equal to 48 months of any health, welfare, pension, life insurance and disability insurance benefits, bonus payment of not less than an amount two times the average of the last three annual bonus/incentive payments paid, and \$1,000,000 every year the executive has represented the Company as CEO, or \$500,000 every year the executive has represented the Company as CFO or COO. The severance payments relating to the \$1,000,000 and \$500,000 may be converted into shares of the Company at a 20% discount to the closing share price on the 15th day after the termination date, or TSX-V approval.

8. Right-of-use asset and lease liability

The Company has entered a contractual arrangement to lease a vehicle for 4 years starting January 1, 2018. The terms of the lease call for minimum monthly lease payments of \$2,554. The Company adopted IFRS 16 on September 1, 2019. On initial adoption, the Company has elected to record right-of use assets based on the corresponding lease obligation. Right-of-use asset and lease obligation of \$63,558 were recorded as of September 1, 2019, with no impact on deficit. When measuring the present value of lease obligations, the Company discounted remaining lease payments using its incremental borrowing rate at September 1, 2019, which was a weighted-average rate of 10%.

Right of use asset

Balance – September 1, 2019	\$ -
Initial adoption of IFRS 16	63,558
Amortization	(27,239)
Balance – August 31, 2020	36,319
Amortization	(27,239)
Balance – August 31, 2021	\$ 9,080

Lease liability

Lease liabilities recognized as of September 1, 2019	\$ 63,558
Lease payments made	(30,939)
Interest expense on lease liabilities	5,497
At August 31, 2020	38,116
Lease payments made	(30,654)
Interest expense on lease liabilities	2,546
Less current portion	(10,008)
At August 31, 2021	\$ -

Future lease payment are as follows for the periods ending August 31, 2022	10,008
Total lease payments	\$ 10,008

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

9. Share capital

(a) Common shares

Authorized

Unlimited common shares, without par value.

Issued share capital

On August 31, 2021, there were 180,153,730 (2020 – 127,912,724) issued and outstanding common shares.

During the year ended August 31, 2021 the Company:

- Completed a private placement of 29,333,331 units for proceeds of \$4,400,000. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of three years for the purchase of an additional common share at a price of \$0.25 per common share. Finders' fees of \$57,832 was paid in cash.
- Issued 21,633,175 shares for warrants and brokers' warrants exercised for total proceeds of \$1,982,056 and issued 1,274,500 shares for options exercised for total proceeds of \$63,725.

During the year ended August 31, 2020 the Company:

- Issued 25,759,583 shares to arm's-length service providers and non-arm's-length lenders with a value of \$2,096,930 to settle outstanding debt and recorded a loss of \$828,764 on the settlement of debt.
- Completed two tranches related to the financing announced in March 2020 of 8,580,942 units for proceeds of \$300,333. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of two years for the purchase of an additional common share at a price of \$0.06 per common share. Finders' fees of \$735 and other issue costs of \$5,422 was paid in cash and 21,000 finders' warrants were issued at a fair value of \$785 under the same terms.
- Completed a financing of 999,999 units for proceeds of \$110,000. Each unit is comprised of one common share and one share purchase warrant exercisable for a term of two years for the purchase of an additional common share at a price of \$0.15 per common share.
- Issued 8,254,000 shares for warrants and brokers' warrants exercised for total proceeds of \$774,551.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

9. Share capital (cont'd)

(b) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	August 31, 2021		August 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	44,905,508	\$ 0.12	51,443,020	\$ 0.13
Granted	29,333,331	0.25	9,601,941	0.07
Exercised	(21,633,175)	0.09	(8,254,000)	0.09
Expired/cancelled	(1,459,500)	0.12	(7,885,453)	0.14
Warrants, end of the year	51,146,164	\$ 0.21	44,905,508	\$ 0.12

The following warrants were outstanding at August 31, 2021:

Number of warrants	Exercise price (\$)	Expiry date
3,928,000	0.12	*October 17, 2021
4,600,000	0.15	March 8, 2022
12,284,834	0.15	May 8, 2022
999,999	0.15	July 29, 2022
13,333,334	0.25	September 15, 2023
15,426,657	0.25	September 29, 2023
573,340	0.25	October 21, 2023
51,146,164		

*During the year ended August 31, 2021 3,928,000 warrants issued on June 17, 2019 was extended to October 17, 2021. Subsequent to August 31, 2021, these warrants expired unexercised.

During the year ended August 31, 2021, the Company granted nil (2020 – 21,000) finders' warrants with an initial fair market value of \$nil (2020 - \$785) or \$nil (2020 - \$0.04) per warrant which was recorded as share issue costs. The following weighted average assumptions were used for the Black-Scholes valuation of the finders' warrants:

	August 31, 2021	August 31, 2020
Risk-free interest rate	-	0.28%
Expected life of warrant	-	2.00 years
Expected dividend yield	-	0%
Expected stock price volatility	-	169.34%
Fair value per warrant	-	\$0.04

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

10. Share-based payments

(a) Stock options

The Company has an incentive fixed stock option plan (the “Plan”) in place under which it is authorized to grant options to executive officers, directors, employees, and consultants to acquire up to 19,274,848 which is 20% of the outstanding issued common shares. Included within the Plan is a Restricted Share Unit Plan (RSU) which allows for the issuance of a maximum of 9,637,434 RSU’s and the RSU’s can be settled by the issuance of common shares. No RSUs have been issued.

The Plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSX Venture Exchange (“TSX-V”). Options granted under the Plan will have a term not to exceed ten years. Vesting is determined at the discretion of the Board of Directors and in accordance with the policies of the TSX-V. Stock option transactions and the number of stock options outstanding are summarized as follows:

	August 31, 2021		August 31, 2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the year	5,598,572	\$ 0.06	3,098,572	\$ 0.05
Granted	14,995,750	0.13	2,500,000	0.07
Exercised	(1,274,500)	0.05	-	-
Expired/Fortified	(50,000)	0.05	-	-
Outstanding, end of the year	19,269,822	\$ 0.11	5,598,572	\$ 0.06

The following stock options were outstanding and exercisable at August 31, 2021:

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
903,000	903,000	0.05	March 26, 2022
2,371,072	2,371,072	0.05	July 30, 2023
1,000,000	1,000,000	0.10	July 16, 2025
3,000,000	3,000,000	0.15	September 9, 2025
3,125,000	3,125,000	0.155	January 6, 2026
7,200,000	7,200,000	0.11	January 29, 2026
500,000	500,000	0.12	February 4, 2026
1,170,750	984,000	0.07	July 15, 2026
19,269,822	19,083,072		

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

10. Share-based payments (cont'd)

(b) Reserves

Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company. The Company uses the Black-Scholes valuation option pricing model to value stock options.

During the year ended August 31, 2021, the Company granted 14,995,750 (2020 – 2,500,000) stock options to officers, and consultants. Share-based compensation expense of \$2,302,721 (2020 – \$128,909) was recognized on options that vested. The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	Year ended <u>August 31, 2021</u>	Year ended <u>August 31, 2020</u>
Risk-free interest rate	0.48%	0.49%
Expected life of option	5 years	3.2 years
Expected dividend yield	0%	0%
Expected stock price volatility	254.53%	164.36%
Fair value per option	\$0.12	\$0.07

11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2021 was based on the loss attributable to common shareholders of \$4,069,939 (2020 – \$1,925,825) and the weighted average number of common shares outstanding of 174,795,172 (2020 – 99,395,850).

Diluted loss per share did not include the effect of the outstanding stock options and the outstanding warrants as the effect would be anti-dilutive.

12. Financial instruments

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in 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 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of August 31, 2021, the carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, loan payable, and due to related parties approximate their fair values due to their short term to maturity.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

12. Financial instruments (cont'd)

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with high-credit quality financial institutions. Substantially all of the Company's cash and cash equivalents are held with a major Canadian financial institution. A significant portion of receivables is due from the Government of Canada for sales tax refunds. Management believes that the credit risk concentration with respect to cash and cash equivalents and receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As of August 31, 2021, the Company had cash and cash equivalents of \$1,932,859 (2020 - \$566,380) to settle current liabilities of \$1,426,188 (2020 - \$2,754,576).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is uncertain. There can be no assurance of continued access to significant equity funding.

Interest and foreign exchange risk

The Company is subject to normal risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, it has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. At August 31, 2021, the Company was not exposed to significant interest rate risk.

Certain of the Company's operating expenditures are denominated in United States Dollars ("USD") and Indonesian Rupiah ("IDR"). The Company's exposure to exchange rate fluctuations arises mainly on foreign currencies against the Canadian dollar functional currency of the relevant business entities. The Company is principally engaged in the exploration and development of mineral properties in Indonesia.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

12. Financial instruments (cont'd)

Financial assets

The Canadian dollar equivalent of the amounts denominated in foreign currencies are as follows:

August 31, 2021	USD		IDR		Total
Cash and cash equivalents	\$	25,555	\$	105,427	\$ 130,982
Other receivables		-		15,374	15,374
	\$	25,555	\$	120,801	\$ 146,356

August 31, 2020	USD		IDR		Total
Cash and cash equivalents	\$	1,354	\$	285,556	\$ 286,910
Other receivables		-		15,818	15,818
	\$	1,354	\$	301,374	\$ 302,728

Financial liabilities

The exposure of the Company's financial liabilities to currency risk is as follows:

August 31, 2021	USD		IDR		Total
Accounts payable and accrued liabilities	\$	143,209	\$	1,103,447	\$ 1,246,655

August 31, 2020	USD		IDR		Total
Accounts payable and accrued liabilities	\$	58,830	\$	1,347,550	\$ 1,406,380

Sensitivity analysis

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables and accounts payable and accrued liabilities that are denominated in USD. As of August 31, 2021, net financial liabilities totaling \$117,654 (2020 – \$259,995) were held in USD and net financial liabilities totaling \$982,645 (2020 – \$1,050,607) were held in IDR.

Based on the above net exposure As of August 31, 2021 and assuming all other variables remain constant, a 1% depreciation or appreciation of the USD against the Canadian dollar would result in an increase or decrease of approximately \$1,177 (2020 - \$2,600) in the Company's loss and comprehensive loss. A 1% depreciation or appreciation of the IDR against the Canadian dollar would result in an increase or decrease of approximately \$9,826 (2020 - \$10,500) in the Company's loss and comprehensive loss.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

13. Capital management

The Company considers the items in shareholders' equity as capital. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition and exploration of its exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather 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 and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended August 31, 2021. The Company is not subject to externally imposed capital requirements.

14. Supplemental disclosure with respect to cash flows

The Company's significant non-cash transactions during the year ended August 31, 2021 were as follows:

- (a) Included in exploration and evaluation assets is \$635,312 which relates to accounts payable and accrued liabilities.
- (b) Reversed \$16,374 from contributed surplus to share capital upon exercise of 68,000 finders warrants.
- (c) Reversed \$50,980 from contributed surplus to share capital upon exercise of 1,274,500 stock options.

The Company's significant non-cash transactions during the year ended August 31, 2020 were as follows:

- (a) Included in exploration and evaluation assets is \$749,372 which relates to accounts payable and accrued liabilities.
- (b) Issued 25,759,583 common shares with a value of \$2,096,930 to settle due to related parties balance of \$540,699, loans payable of \$129,470 and accounts payable and accrued liabilities \$223,626;
- (c) Extinguishment of accounts payable of \$235,574 that was included in exploration and evaluation assets;
- (d) Issued 21,000 common share purchase warrants as finders' warrants valued at \$785 relating to a private placement; and
- (e) Reversed \$3,791 from contributed surplus to share capital upon exercise of 68,000 finders warrants.

15. Segmented information

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of exploration and evaluation assets located in Indonesia.

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

16. Income Taxes

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

	Year ended August 31, 2021	Year ended August 31, 2020
Loss for the year	\$ 4,069,939	\$ 1,925,825
Expected income tax (recovery)	(1,099,000)	(520,000)
Change in statutory, foreign tax, foreign exchange rates and other	15,000	(22,000)
Permanent difference	622,000	(32,000)
Share issue costs	(16,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(100,000)	41,000
Expiry of non-capital losses	17,000	46,000
Change in unrecognizable deductible temporary differences	561,000	381,000
Income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	Year ended August 31, 2021	Year ended August 31, 2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 7,534,000	\$ 7,553,000
Property and equipment	206,000	82,000
Share issue costs	21,000	26,000
Canadian eligible capital (CEC)		-
Non-capital losses available for future periods	5,044,000	4,583,000
	12,805,000	12,244,000
Unrecognized deferred tax assets	(12,805,000)	(12,244,000)
Net deferred tax assets	\$ -	\$ -

BARU GOLD CORPORATION

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended August 31, 2021

16. Income Taxes (cont'd)

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

	August 31, 2021	Expiry	August 31, 2020	Expiry
Non-capital loss carry-forwards - Canada	\$ 17,120,000	2032-2041	\$ 15,618,000	2032-2040
Non-capital loss carry-forwards - Indonesia	932,000	2022-2026	799,000	2021-2025
Non-capital loss carry-forwards - Hong Kong	1,000	No expiry date	1,000	No expiry date
Non-capital loss carry-forwards - Mongolia	1,146,000	2023	1,006,000	2023
Non-capital losses available for future periods	19,199,000	2026-2041	17,423,000	2021-2040
Exploration and evaluation assets	30,114,000	No expiry date	30,182,000	No expiry date
Property and equipment	785,000	No expiry date	328,000	No expiry date
Canadian eligible capital (CEC)	-	No expiry date	-	No expiry date
Share issue costs	77,000	2042-2045	97,000	2040-2044

17. Subsequent events

After the year ended August 31, 2021, the Company issued 10.02 million units in the first tranche and 6.74 million units in the second tranche of the \$1.6-million financing. The private placement (the "Private Placement") consists of up to 16,760,000 units priced at \$0.10 per unit (the "Unit"). Each Unit is comprised of one common share in the capital of the Company (a "Share") and one-half common share purchase warrant (a "Warrant"). Each full Warrant shall be exercisable into one Share at an exercise price of \$0.17 for 2 years from the date such Warrant is issued.