



Baru Gold Corp.

May 31, 2021

Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management.

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

BARU GOLD CORPORATION

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	May 31, 2021	August 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,936,001	\$ 566,380
Receivables (note 3)	47,531	31,113
Prepays and advances (note 4)	123,636	80,828
	3,107,168	678,321
Non-current assets:		
Right-of-use asset (note 8)	15,890	36,319
Exploration and evaluation assets (note 5)	3,857,978	2,550,917
	\$ 6,981,036	\$ 3,265,557
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,245,613	\$ 1,953,796
Loans payable (note 6)	-	161,967
Due to related parties (note 7)	9,250	611,706
Lease liability (note 8)	6,291	27,107
	1,261,154	2,754,576
Non-current liabilities:		
Lease liability (note 8)	11,009	11,009
Total Liabilities	1,272,163	2,765,585
Shareholders' equity:		
Share capital (note 9)	81,735,964	75,301,636
Reserves (note 10)	21,524,677	19,451,055
Deficit	(97,551,768)	(94,252,719)
	5,708,873	499,972
	\$ 6,981,036	\$ 3,265,557

Nature of operations and going concern (note 1)
Subsequent events (note 16)

See accompanying notes to the condensed consolidated interim financial statements.

Approved on behalf of the Board:

"Terry Filbert" Director

"R. Scott Chaykin" Director

BARU GOLD CORPORATION

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Three months ended May 31, 2021	Three months ended May 31, 2020	Nine months ended May 31, 2021	Nine months ended May 31, 2020
General and administrative expenses:				
Amortization (note 8)	\$ 6,809	\$ -	\$ 20,429	\$ -
Consulting fees	48,827	46,475	183,310	123,331
Directors' fees (note 7)	22,500	22,500	65,000	67,500
Foreign exchange loss (gain)	(41,532)	34,646	14,048	34,163
Interest expense	551	5,790	3,371	33,778
Investor relations	61,300	16,900	266,816	46,900
Management fees (note 7)	70,500	87,018	226,332	248,166
Office and administration	50,499	57,386	193,954	185,459
Professional fees (note 7)	24,780	29,088	114,687	105,093
Rent	6,389	12,105	17,496	43,710
Share based payments	-	17,258	2,126,876	17,258
Transfer agent and regulatory fees	14,595	3,892	57,194	19,488
Travel and accommodation	10,531	(2,178)	24,080	20,044
Total general and administrative expenses	(275,749)	(330,880)	(3,313,593)	(944,890)
Loss on extinguishment of debt (note 9)	-	(135,849)	-	(148,805)
Gain on extinguishment of accounts payable	(327)	506,544	14,544	506,544
Loss and comprehensive loss for the period	\$ (276,076)	\$ 39,815	\$ (3,299,049)	\$ (587,151)
Basic and diluted loss per common share (note 11)	\$ (0.00)	\$ 0.00	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	179,107,407	99,400,962	173,095,700	93,903,910

See accompanying notes to the condensed consolidated interim financial statements.

BARU GOLD CORPORATION

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited – Prepared by Management)

(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	8,580,942	300,333	-	-	-	300,333
Share issuance costs	-	(6,942)	-	785	-	(6,157)
Debt settlements	18,848,516	1,002,309	(374,372)	-	-	627,937
Share based payments	-	-	-	17,258	-	17,258
Loss for the period	-	-	-	-	(587,151)	(587,151)
Balance, May 31, 2020	111,747,658	\$ 73,318,673	\$ -	\$ 19,343,195	\$(92,914,045)	\$ (252,177)
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	-	(47,082)	-	-	-	(47,082)
Warrants and Finders' warrants exercised	21,633,175	1,998,430	-	(16,374)	-	1,982,056
Options exercised	922,000	82,980	-	(36,880)	-	46,100
Share based payments	-	-	-	2,126,876	-	2,126,876
Loss for the period	-	-	-	-	(3,299,049)	(3,299,049)
Balance, May 31, 2021	179,801,230	\$ 81,735,964	\$ -	\$ 21,524,677	\$(97,551,768)	\$ 5,708,873

See accompanying notes to the condensed consolidated interim financial statements.

BARU GOLD CORPORATION

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Nine months ended May 31, 2021	Nine months ended May 31, 2020
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (3,299,049)	\$ (587,151)
Items not involving cash:		
Amortization	20,429	-
Interest expense	2,174	4,071
Loss on settlement of debt	-	148,805
Foreign exchange	-	(12,433)
Gain on extinguishment of accounts payable	(14,544)	(506,544)
Share based payments	2,126,876	17,258
Changes in non-cash operating working capital items:		
Receivables	(16,418)	3,208
Prepays and advances	(42,808)	(87,709)
Accounts payable and accrued liabilities	4,458	847,615
Due to related parties	(602,456)	(93,581)
	(1,821,338)	(266,461)
Investing activities:		
Exploration and evaluation assets	(2,005,158)	(227,764)
	(2,005,158)	(227,764)
Financing activities:		
Private placements	4,400,000	300,333
Share issuance costs	(47,082)	(6,157)
Warrants and finders' warrants exercised	1,982,056	-
Options exercised	46,100	-
Loan proceeds	-	194,483
Loan repayments	(161,967)	(9,200)
Lease payments	(22,990)	-
	6,196,117	479,459
Change in cash and cash equivalents	2,369,621	(14,766)
Cash and cash equivalents, beginning	566,380	61,828
Cash and cash equivalents, end	\$ 2,936,001	\$ 47,062
Cash and cash equivalents are comprised of:		
Cash	\$ 2,901,501	\$ 12,562
Cash equivalents	34,500	34,500
	\$ 2,936,001	\$ 47,062

Supplemental disclosure with respect to cash flows (note 14)

See accompanying notes to the condensed consolidated interim financial statements.

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 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 210 - 905 West Pender St, Vancouver, British Columbia, Canada. Effective October 20, 2020, the Company’s name was changed from East Asia Minerals Corporation to Baru Gold Corporation.

The Company’s exploration and evaluation assets are located 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 period ended May 31, 2021, the Company had a net loss and comprehensive loss of \$3,299,049 and had an accumulated deficit of \$97,551,768 as of May 31, 2021. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 at this time.

The condensed consolidated interim financial statements were authorized for issue on July 29, 2021 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and, accordingly, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended August 31, 2020.

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

2. Significant accounting policies (cont'd)

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

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 condensed consolidated interim 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 condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries located in Canada (Sangihe Gold Corporation), Indonesia (PT. Tambang Mas Sangihe and PT. East Asia Minerals Indonesia), Hong Kong, Netherlands and Mongolia (EAM Teshig LLC and EAM Exploration LLC). 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 condensed consolidated interim 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 condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2020.

3. Receivables

		May 31, 2021		August 31, 2020
GST receivable	\$	31,647	\$	14,900
Other receivables		15,884		16,213
Total receivables	\$	47,531	\$	31,113

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

4. Prepays and advances

During the period ended May 31, 2021, the Company recorded \$123,636 (August 31, 2020 - \$80,828) in prepays for investor relations and marketing advances.

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.

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	10,170
Geology	57,376
Office and supplies	64,409
Professional fees	805,293
Travel	54,841
Technical reports	76,993
Tenement costs	237,979
Total additions	1,307,061
Balance, May 31, 2021	\$ 3,857,978

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 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.

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

6. Loans payable

During the period ended May 31, 2021, the Company received loan proceeds of \$nil (year ended August 31, 2020 - \$203,411) from related parties. The Company accrued interest of \$nil (August 31, 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 period ended May 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:

	Nine months ended May 31,	
	2021	2020
Fees and short-term benefits - management	\$ 226,332	\$ 248,166
Fees and short-term benefits - directors	65,000	67,500
Fees and short-term benefits - professional	-	36,000
Consulting fees included in exploration and evaluation assets	51,840	-
Share-based payments	1,453,273	-
	<u>\$ 1,796,445</u>	<u>\$ 351,666</u>

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 May 31, 2021, \$9,250 (August 31, 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 May 31, 2021, \$nil (August 31, 2020 - \$161,967) is due to directors and officers of the Company as loans payable and \$nil (August 31, 2020 - \$9,014 in interest payable). During the period ended May 31, 2021, the Company repaid the loans and interest in full.

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

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	(20,429)
Balance – May 31, 2021	\$ 15,890

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	(22,990)
Interest expense on lease liabilities	2,174
	17,300
Less: current portion	(6,291)
At May 31, 2021	\$ 11,009

Future lease payment are as follows for the periods ending May 31,	
2021	\$ 7,663
2022	10,218
Total lease payments	\$ 17,881

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

9. Share capital

(a) Common shares

Authorized

Unlimited common shares, without par value.

Issued share capital

On May 31, 2021, there were 179,801,230 (August 31, 2020 – 127,912,724) issued and outstanding common shares.

During the period ended May 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 \$47,082 was paid in cash.
- Issued 21,633,175 shares for warrants and brokers' warrants exercised for total proceeds of \$1,982,056 and issued 922,000 shares for options exercised for total proceeds of \$46,100.

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 Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

9. Share capital (cont'd)

(b) Warrants

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

	May 31, 2021		August 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the period/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	(287,000)	0.10	(7,885,453)	0.14
Warrants, end of the period/year	52,318,664	\$ 0.20	44,905,508	\$ 0.12

The following warrants were outstanding at May 31, 2021:

Number of warrants	Exercise price (\$)	Expiry date
1,172,500	0.12	*June 8, 2021
3,928,000	0.12	*July 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
52,318,664		

*Subsequent to the period ended May 31, 2021, the expiry date of 1,172,500 issued on May 8, 2019 was extended to June 8, 2021 (expired unexercised) and 3,928,000 warrants issued on June 17, 2019 was extended to October 17, 2021 respectively.

During the period ended May 31, 2021, the Company granted nil (year ended August 31, 2020 – 21,000) finders' warrants with an initial fair market value of \$nil (year ended August 31, 2020 - \$785) or \$nil (year ended August 31, 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:

	Period Ended May 31, 2021	Year Ended 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 Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

10. Share-based payments

(a) Stock options

The Company has an incentive 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 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 5,000,000 RSU’s and the RSU’s can be settled by the issuance of common shares. No RSUs or DSUs 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:

	May 31, 2021		August 31, 2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the period/year	5,598,572	\$ 0.06	3,098,572	\$ 0.05
Granted	13,825,000	0.13	2,500,000	0.07
Exercised	(922,000)	0.05	-	-
Expired/Fortified	(50,000)	0.05	-	-
Outstanding, end of the period/year	18,451,572	\$ 0.11	5,598,572	\$ 0.06

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

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
903,000	903,000	0.05	March 26, 2022
2,723,572	2,723,572	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
18,451,572	18,451,572		

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 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 period ended May 31, 2021, the Company granted 13,825,000 (year ended August 31, 2020 – 2,500,000) stock options to an officer, and consultant. Share-based compensation expense of \$nil (year ended August 31, 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:

	Nine months ended <u>May 31, 2021</u>	Year ended <u>August 31, 2020</u>
Risk-free interest rate	0.54%	0.49%
Expected life of option	5 years	3.2 years
Expected dividend yield	0%	0%
Expected stock price volatility	258.73%	164.36%
Fair value per option	\$0.13	\$0.07

11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2021 was based on the loss attributable to common shareholders of \$3,299,049 (2020 – \$587,151) and the weighted average number of common shares outstanding of 173,095,700 (2020 – 93,903,910).

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).

Cash and cash equivalents are classified as Level 1 in the fair value hierarchy.

As of May 31, 2021, the carrying values of 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 Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 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 May 31, 2021, the Company had cash and cash equivalents of \$2,936,001 (August 31, 2020 - \$566,380) to settle current liabilities of \$1,261,154 (August 31, 2020 - \$2,725,965).

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 May 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 Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 31, 2021

12. Financial instruments (cont'd)

Financial assets

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

May 31, 2021	USD		IDR		Total
Cash and cash equivalents	\$	32,276	\$	111,677	\$ 143,953
Other receivables		-		14,940	14,940
	\$	32,276	\$	126,617	\$ 158,893

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:

May 31, 2021	USD		IDR		Total
Accounts payable and accrued liabilities	\$	112,503	\$	968,585	\$ 1,081,088

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 May 31, 2021, net financial liabilities totaling \$80,227 (August 31, 2020 – \$259,995) were held in USD and net financial liabilities totaling \$841,969 (August 31, 2020 – \$1,050,607) were held in IDR.

Based on the above net exposure As of May 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 \$802 (year ended August 31, 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 \$8,420 (year ended August 31, 2020 - \$10,500) in the Company's loss and comprehensive loss.

BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the nine months ended May 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 period ended May 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 period ended May 31, 2021 were as follows:

- (a) Included in exploration and evaluation assets is \$51,275 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 \$36,880 from contributed surplus to share capital upon exercise of 922,000 stock options.

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

- (a) Included in exploration and evaluation assets is \$1,013,300 which relates to accounts payable and accrued liabilities;
- (b) Issued 16,618,824 common shares to settle accounts payable of \$878,146 and loans payable of \$51,059;
- (c) Issued 2,229,692 common shares to settle \$32,860 of accounts payable and \$78,625 of loans payable through commitment to issue shares.

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.

16. Subsequent events

Subsequent to the period ended May 31, 2021, the company issued 352,500 shares for the exercise of the stock options for total proceeds of \$17,625 and issued 1,170,750 stock options to officers, directors, employees and consultants at an exercise price of \$0.07 for a period of 5 years.