



Baru Gold Corp.

August 31, 2022

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. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as August 31, 2022, and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (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 believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred significant losses, and has negative cash flows from operations. As stated in Note 1 in the consolidated financial statements, these events, or conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises the 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 controls 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 scepticism 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 Erez Bahar.

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 28, 2022

BARU GOLD CORPORATION

Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	August 31, 2022	August 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 511,367	\$ 1,932,859
Receivables (note 3)	45,470	22,222
Prepays and advances (note 4)	780,602	552,301
	1,337,439	2,507,382
Non-current assets:		
Right-of-use asset (note 7)	140,308	9,080
Exploration and evaluation assets (note 5)	6,725,985	4,030,429
	\$ 8,203,732	\$ 6,546,891
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,465,997	\$ 1,403,093
Due to related parties (note 6)	39,751	13,087
Lease liability (note 7)	96,374	10,008
Convertible debenture (note 8)	592,372	
	2,194,494	1,426,188
Non-current liabilities:		
Convertible debenture (note 8)	933,733	-
Lease liability (note 7)	11,990	-
Total Liabilities	3,140,217	1,426,188
Shareholders' equity:		
Share capital (note 9)	83,435,761	81,756,939
Reserves (note 10)	22,248,753	21,686,422
Accumulated Deficit	(100,620,999)	(98,322,658)
	5,063,515	5,120,703
	\$ 8,203,732	\$ 6,546,891

Nature of operations and going concern (note 1)

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, 2022	Year ended August 31, 2021
General and administrative expenses:		
Amortization (note 7)	\$ 124,541	\$ 27,239
Consulting fees	216,908	241,480
Directors' fees (note 6)	121,250	87,479
Foreign exchange loss (gain)	194,120	57,455
Interest expense	91,544	3,756
Investor relations	84,000	280,516
Management fees (note 6)	526,590	519,288
Office and administration	406,121	240,080
Professional fees	310,206	195,748
Rent	7,033	25,048
Share based awards (note 9)	87,512	2,302,721
Transfer agent and regulatory fees	68,079	70,381
Travel and accommodation	125,647	33,129
Total general and administrative expenses	(2,363,551)	(4,084,320)
Gain on extinguishment of accounts payable	65,210	14,381
Loss and comprehensive loss for the year	\$ (2,298,341)	\$ (4,069,939)
Basic and diluted loss per common share (note 11)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	193,485,495	174,795,172

See accompanying notes to the consolidated financial statements.

BARU GOLD CORPORATION

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

	Number of Shares	Share Capital	Reserves	Accumulated Deficit	Shareholders' Equity
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 exercised	21,633,175	1,998,430	(16,374)	-	1,982,056
Options exercised	1,274,000	114,705	(50,980)	-	63,725
Share based awards	-	-	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
Balance, August 31, 2021	180,153,730	\$ 81,756,939	\$ 21,686,422	\$(98,322,658)	\$ 5,120,703
Private placements	16,760,000	1,676,000	-	-	1,676,000
Share issuance costs	-	(74,327)	27,987	-	(46,340)
Options exercised	903,000	77,149	(31,999)	-	45,150
Share based awards	-	-	87,512	-	87,512
Equity portion of the convertible debt	-	-	205,213	-	205,213
Warrants issued	-	-	273,618	-	273,618
Loss for the year	-	-	-	(2,298,341)	(2,298,341)
Balance, August 31, 2022	197,816,730	\$ 83,435,761	\$ 22,248,753	\$(100,620,999)	\$ 5,063,515

See accompanying notes to the consolidated financial statements.

BARU GOLD CORPORATION

Condensed Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Year ended August 31, 2022	Year ended August 31, 2021
Cash provided by (used in):		
Operating activities:		
Loss for the year	\$ (2,298,341)	\$ (4,069,939)
Items not involving cash:		
Amortization	124,541	27,239
Interest expense	18,240	3,532
Foreign exchange	31,133	(3,468)
Gain on extinguishment of accounts payable	(65,210)	(14,381)
Share based payments	87,511	2,302,721
Interest expense on convertible debt	69,365	-
Legal expenses on convertible debt	2,044	-
Changes in non-cash operating working capital items:		
Receivables	(23,248)	8,891
Prepays and advances	(228,301)	(471,473)
Accounts payable and accrued liabilities	(45,340)	(408,794)
Due to related parties	26,664	(598,619)
	(2,300,942)	(3,224,291)
Investing activities:		
Exploration and evaluation assets	(2,522,752)	(1,593,572)
Right of use assets	(36,761)	-
	(2,559,513)	(1,593,572)
Financing activities:		
Private placements	1,676,000	4,400,000
Share issuance costs	(46,340)	(57,832)
Warrants and finders' warrants exercised	-	1,982,056
Options exercised	45,150	63,725
Loan repayments	-	(172,953)
Lease payments	(138,325)	(30,654)
Convertible debt	1,902,478	-
	3,438,963	6,184,342
Change in cash and cash equivalents	(1,421,492)	1,366,479
Cash and cash equivalents, beginning	1,932,859	566,380
Cash and cash equivalents, end	\$ 511,367	\$ 1,932,859
Cash and cash equivalents are comprised of:		
Cash	\$ 476,867	\$ 1,898,359
Cash equivalents	34,500	34,500
	\$ 511,367	\$ 1,932,859

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, 2022

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, 2022, the Company had a net loss and comprehensive loss of \$2,298,341 (2021 - \$4,069,939) and had an accumulated deficit of \$100,620,999 respectively (2021 - \$98,322,658). 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 28, 2022 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, 2022.

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, 2022

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 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), and Indonesia (70% owned PT. Tambang Mas Sangihe). 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 actual results differ from assumptions made, relate to but are not limited to, the following:

- Fair value of convertible debenture

Determining the fair value of convertible debenture requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the interest 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.

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

There were significant judgments used by management in determining the various elements of the convertible debenture, which included the assessment of conversion and repayment features. This resulted in the company recording the convertible debenture as a compound financial statement with the liability and equity portions (equity portion of convertible debenture and convertible debenture liability).

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

2. Significant accounting policies (cont'd)

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. Exploration and evaluation assets are 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, 2022

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, 2022

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, 2022

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.

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, 2022

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	Amortized cost
Due to related parties	Amortized cost
Lease liability	Amortized cost
Convertible debt	Amortized cost

Measurement

Financial assets at FVOCI

Elected investments in equity instruments at FVOCI 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). At the year end there were no assets measured at FVOCI.

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. The details of the Company’s assets and liabilities at amortized cost are included in the table above.

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). At the year-end there were no assets or liabilities measured at FVTPL.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

2. Significant accounting policies (cont'd)

Financial instruments (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.

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.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

2. Significant accounting policies (cont'd)

Leases (cont'd)

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, 2022	August 31, 2021
GST receivable	\$ 29,873	\$ 6,011
Other receivables	15,597	16,211
Total receivables	\$ 45,470	\$ 22,222

4. Prepaids and advances

Prepaid and advances at August 31, 2022, of \$780,602 (2021 - \$552,301) included:

- \$37,500 (2021 - \$112,301) were recorded for investor relations and marketing advances; and
- \$439,985 (2021 - \$440,000) were recorded for advance to a legal firm; and
- 208,742 (2021 - \$5,471) were recorded for operational 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.

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, 2022 (2021: 70%).

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.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

5. Exploration and evaluation assets (cont'd)

The Company's exploration and evaluation assets consist of:

	Sangihe property (Indonesia)
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
Acquisition costs	100,376
Assay costs	18,221
Drilling	388,583
Geology	227,760
Office and supplies	240,725
Professional fees	263,764
Travel	286,962
Technical reports	86,653
Tenement costs	330,762
Wages	751,750
Total additions	2,695,556
Balance, August 31, 2022,	\$ 6,725,985

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. While Baru's subsidiary PT. Tambang Mas Sangihie (TMS) was not named in the lawsuit, the Company applied as Intervening Defendant to protect its interest in the Sangihe Project and contest the plaintiff's claim. On April 20, 2022, the case was dismissed. The Plaintiff appealed the decision and on August 31, 2022, the court ruled in favor of the plaintiff. Since the court ruling, the TMS has filed an appeal to the Supreme Court of Indonesia. The next court date has not been set.

On October 12, 2021, a lawsuit was filed against the North Sulawesi Province Government Head of Investment and One Stop Integrated Services of North Sulawesi as Defendant I and Head of Environmental Department of North Sulawesi as Defendant II. The lawsuit pertained to the issuance of the Environmental Permit ("AMDAL") to TMS in August of 2020.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

5. Exploration and evaluation assets (cont'd)

While Baru was not named in the lawsuit, the court granted permission for a representative of Baru to attend the proceedings in support of the government departments.

On June 2, 2022, judgement was issued in favor of the plaintiff. TMS filed an appeal with the State Administrative High Court (“PTTUN”) in Makassar and on September 6, 2022, the court ruled in favor of the Company. Since the court ruling, the plaintiff has filed an appeal to the Supreme Court of Indonesia. The next court date has not been set.

As the rights to the Sangihe Gold project are secured by the CoW agreement, the results of these court cases will have no impact on the Companies exclusive right to explore and mine mineral deposits that may exist in the contract area.

6. Related party transactions

Compensation and payments to key management personnel was as follows:

	Year ended August 31,	
	2022	2021
Fees and short-term benefits - management	\$ 526,590	\$ 519,288
Fees and short-term benefits - directors	121,250	87,479
Fees and short-term benefits – Travel	82,330	-
Consulting fees included in exploration and evaluation assets	76,608	-
Share-based awards	22,287	1,548,582
	\$ 829,065	\$ 2,155,349

As of August 31, 2022, \$39,751 (2021 - \$13,087) 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.

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, 2022

6. 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.

7. Right-of-use asset and lease liability

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 obligations 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 assets	Indonesia	Canada	Total
Balance			
August 31, 2020	\$ -	\$ 36,319	\$ 36,319
Amortization	-	(27,239)	(27,239)
Balance			
August 31, 2021	-	9,080	9,080
Additions	205,740	49,461	255,201
Amortization	(87,585)	(36,388)	(123,973)
Balance			
August 31, 2022	\$ 118,155	\$ 22,153	140,308

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

7. Right-of-use asset and lease liability (cont'd)

Lease liability	Office Canada	Vehicle Canada	Office & Accommodation Jakarta	Total
At August 31, 2020	\$ -	\$ 38,116	\$ -	\$ 38,116
Lease payments made	-	(30,654)	-	(30,654)
Interest expense on lease liabilities	-	2,546	-	2,546
At August 31, 2021	-	10,008	-	10,008
Additions	31,813	17,649	168,979	218,441
Lease payments made	(17,616)	(27,139)	(93,570)	(138,325)
Interest expense on lease liabilities	2,501	5,868	9,872	18,240
At August 31, 2022	16,698	6,385	85,281	108,364
Less: current portion	(16,698)	(6,385)	(73,291)	(96,374)
At August 31, 2022	\$ -	\$ -	\$ 11,990	\$ 11,990

8. Convertible debenture

Balance as at August 31, 2021	\$ -
Addition net of deferred legal expenses	1,423,646
Interest expense	69,365
Amortization of legal expenses	2,044
Revaluation due to foreign exchange rate change	31,050
Balance at August 31, 2022	1,526,105
Less: current portion	592,372
Long term portion at August 31, 2022	\$ 933,733

On July 19, 2022, the Company entered into a two (2) year secured convertible debenture (“convertible debenture”) arrangement with an unrelated third party; Mercer Street Global Opportunity Fund (“Mercer”), for gross principal balance of US\$2,000,000. The convertible debenture is repayable in cash in eighteen equal monthly installments equal to US\$111,111 commencing February 1, 2023. The principal balance can also be converted into common shares of the Company at a rate of US\$0.0384 per share at Mercer’s option any time after the 4th month from July 15, 2022. On the closing date the Company paid a total of US\$ 25,000 in legal fees which will be amortized over the term of the loan.

The Company determined the convertible debenture was a compound financial instrument, which contains three components: i) financial liability – convertible debt, ii) the equity portion of the convertible debt, and iii) the detachable warrants.

On initial recognition the Company determined the fair value of the liability component to be US\$1,128,928 which was determined by calculating the present value of the future cash flows of the loan assuming a discount rate of 16.67% per year. The fair value of the equity component was determined to be US\$371,072 which was allocated between the equity portion of the convertible debt and the detachable warrants using the relative fair value method (US\$212,041 and US\$159,031 respectively). These components are not subsequently remeasured.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

8. Convertible debenture

A deferred tax liability of \$129,284 related to the taxable temporary difference arising from the equity portion of the convertible loan was recognized as an offset in equity reserves. The debt component of the convertible note is being accreted over the term to maturity, with accretion charge included in interest expense.

9. Share capital

(a) Common shares

Authorized

Unlimited common shares, without par value.

Issued share capital

On August 31, 2022, there were 197,816,730 (2021 – 180,153,730) issued and outstanding common shares.

During the year ended August 31, 2022, the Company:

- Completed a private placement of 16,760,000 units for proceeds of \$1,676,000. Each unit is comprised of one common share and one-half share purchase warrant. Each full warrant is exercisable for a term of two years for the purchase of an additional common share at a price of \$0.17 per common share. Finders' fees of \$46,340 was paid in cash and 456,400 brokers' warrants were issued and recorded at a fair value of \$27,987.
- Issued 903,000 shares for stock options exercised for total proceeds of \$45,015.

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.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

9. Share capital (cont'd)

(b) Warrants

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

	August 31, 2022		August 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the year	51,146,164	\$ 0.21	44,905,508	\$ 0.12
Issued	23,836,400	0.10	29,333,331	0.25
Exercised	-	-	(21,633,175)	0.09
Expired/cancelled	(21,812,833)	0.14	(1,459,500)	0.12
Warrants, end of the year	53,169,731	\$ 0.18	51,146,164	\$ 0.21

The following warrants were outstanding at August 31, 2022:

Number of warrants	Exercise price (\$)	Expiry date
13,333,334	0.25	September 15, 2023
15,426,657	0.25	September 29, 2023
573,340	0.25	October 21, 2023
5,270,400	0.17	November 4, 2023
3,566,000	0.17	November 30, 2023
15,000,000	0.065	July 19, 2024
53,169,731		

During the year ended August 31, 2022, the Company issued 456,400 (2021 – nil) finders' warrants with an initial fair market value of \$27,987 (2021 - \$nil) which was recorded as share issue costs. The following assumptions were used for the Black-Scholes valuation of the finders' warrants:

	Year ended August 31, 2022	Year ended August 31, 2021
Risk-free interest rate	0.98%	-
Expected life of warrant	2	-
Expected dividend yield	0%	-
Expected stock price volatility	147.78%	-
Fair value per warrant	\$0.17	-

BARU GOLD CORPORATION

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(Expressed in Canadian dollars)

For the Year ended August 31, 2022

9. Share capital (cont'd)

(b) Convertible debt warrants

During the year ended August 31, 2022, the Company issued 15,000,000 (2021 – nil) warrants in conjunction with the issue of convertible debt (see note 8) with a relative fair market value of \$281,829 (2021 - \$nil) which was recorded as reserves. The following weighted average assumptions were used for the Black-Scholes valuation of the convertible debt warrants:

	Year ended August 31, 2022	Year ended August 31, 2021
Risk-free interest rate	3.29%	-
Expected life of warrant	2	-
Expected dividend yield	0%	-
Expected stock price volatility	119.39%	-
Fair value per warrant	\$0.01	-

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, 2022		August 31, 2021	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the year	19,269,822	\$ 0.11	5,598,572	\$ 0.06
Granted	2,600,000	0.05	14,995,750	0.13
Exercised	(903,000)	0.05	(1,274,500)	0.05
Expired/Forfeited	(2,824,000)	0.14	(50,000)	0.05
Outstanding, end of the year	18,142,822	\$ 0.10	19,269,822	\$ 0.11

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

10. Share-based payments (cont'd)

(a) Stock options

The following stock options were outstanding and exercisable at August 31, 2022:

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
2,221,072	2,221,072	0.05	July 30, 2023
900,000	900,000	0.06	May 04, 2024
1,700,000	1,700,000	0.05	August 31, 2024
1,000,000	1,000,000	0.10	July 16, 2025
1,700,000	1,700,000	0.15	September 9, 2025
1,975,000	1,975,000	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
946,750	946,750	0.07	July 15, 2026
18,142,822	18,142,822		

(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, 2022, the Company granted 2,600,000 (2021 – 14,995,750) stock options to officers, and consultants. Share-based compensation expense of \$87,512 (2021 – \$2,126,876) 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 August 31, 2022,	Year ended August 31, 2021
Risk-free interest rate	3.28%	0.48%
Expected life of option	2years	5 years
Expected dividend yield	0%	0%
Expected stock price volatility	120.92%	254.53%
Fair value per option	0.05	\$0.12

11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2022, was based on the loss attributable to common shareholders of \$2,298,341 (2021 – \$4,069,939) and the weighted average number of common shares outstanding of 193,485,495 (2021 – 174,795,172).

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.

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For the Year ended August 31, 2022

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).

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.

Management also considered the risk associated with the recovery of the advances made to certain parties in connection with services expected to be provided. The recovery of these advances is based on the parties agreeing to correspond and deliver to the Company the services either directly or through another party. The carrying amount of financial assets represents the maximum credit exposure to the Company.

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, 2022, the Company had cash and cash equivalents of \$511,367 (2021 - \$1,932,859) to settle current liabilities of \$2,194,494 (2021 - \$1,426,188).

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.

BARU GOLD CORPORATION

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For the Year ended August 31, 2022

12. Financial instruments (cont'd)

Financial risks (cont'd)

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, 2022, 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.

Financial assets

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

August 31, 2022	USD	IDR	Total
Cash and cash equivalents	\$ 402,246	\$ 63,715	\$ 465,961
Other receivables	-	15,374	15,374
	\$ 402,246	\$ 79,089	\$ 481,335

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

Financial liabilities

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

August 31, 2022	USD	IDR	Total
Accounts payable	\$ 54,978	\$ 564,157	\$ 619,135

August 31, 2021	USD	IDR	Total
Accounts payable	\$ 112,237	\$ 603,113	\$ 715,350

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

12. Financial instruments (cont'd)

Financial risks (cont'd)

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, 2022, net financial assets totaling \$347,268 (2021 – net liabilities of \$86,682) were held in USD and net financial liabilities totaling \$485,068 (2021 – \$482,312) were held in IDR.

Based on the above net exposure as of August 31, 2022, 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 \$3,473 (2021 - \$867) 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 \$4,851 (2021 - \$4,823) in the Company's loss and comprehensive loss.

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, 2022. The Company is not subject to externally imposed capital requirements.

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

14. Supplemental disclosure with respect to cash flows

The Company's significant non-cash transactions during the year ended August 31, 2022 were as follows:

- (a) Included in exploration and evaluation assets is \$808,766 which relates to accounts payable and accrued liabilities;
- (b) Issued 456,400 common share purchase warrants as finders' warrants valued at \$27,987 related to a private placement and;
- (c) Recorded lease liabilities under IFRS16 as a right-of-use asset of \$255,202.
- (d) Reversed \$31,999 from reserves to share capital upon exercise of 903,000 stock options.
- (e) Included \$205,213 in reserves for the equity portion of the convertible debenture, recognized at the relative fair value.
- (f) Included \$273,618 in reserves for warrants issued with the convertible debenture recognized at the relative fair value.

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.

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.

The Company also has its assets and liabilities across the geographical locations as follows:

August 31, 2022	Canada	Indonesia	Total
Exploration and evaluation assets	\$ -	\$ 6,725,985	\$ 6,725,985
Right of use asset	118,155	22,153	140,308
Total	\$ 118,155	\$ 6,748,138	\$ 6,866,293

August 31, 2021	Canada	Indonesia	Total
Exploration and evaluation assets	\$ -	\$ 4,030,429	\$ 4,030,429
Right of use asset	9,080	-	9,080
Total	\$ 9,080	\$ 4,030,429	\$ 4,039,509

BARU GOLD CORPORATION

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

For the Year ended August 31, 2022

16. Income Taxes

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

	Year ended August 31, 2022	Year ended August 31, 2021
Loss for the year	\$ 2,298,341	\$ 4,069,939
Expected income tax (recovery)	(621,000)	(1,099,000)
Change in statutory, foreign tax, foreign exchange rates and other	15,000	15,000
Permanent difference	24,000	622,000
Share issue costs	(20,000)	(16,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	21,000	(100,000)
Expiry of non-capital losses	28,000	17,000
Change in unrecognizable deductible temporary differences	423,000	561,000
Income tax expense (recovery)	\$ (130,000)	\$ -

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, 2022	Year ended August 31, 2021
Deferred tax assets (liabilities)		
Exploration and evaluation assets	7,509,000	\$ 7,534,000
Property and equipment	199,000	206,000
Share issue costs	30,000	21,000
Debt with accretion	(111,000)	-
Canadian eligible capital (CEC)		
Non-capital losses available for future periods	5,601,000	5,044,000
	13,228,000	12,805,000
Unrecognized deferred tax assets	(13,228,000)	(12,805,000)
Net deferred tax assets	\$ -	\$ -

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, 2022	Expiry	August 31, 2021	Expiry
Non-capital loss carry-forwards - Canada	\$ 18,626,000	2034-2042	\$ 17,120,000	2032-2041
Non-capital loss carry-forwards - Indonesia	1,518,000	2023-2027	932,000	2022-2026
Non-capital loss carry-forwards - Hong Kong	1,000	No expiry date	1,000	No expiry date
Non-capital loss carry-forwards - Mongolia	1,166,000	2023	1,146,000	2023
Non-capital losses available for future periods	21,311,000	2026-2042	19,199,000	2026-2041
Exploration and evaluation assets	30,084,000	No expiry date	30,114,000	No expiry date
Property and equipment	761,000	No expiry date	785,000	No expiry date
Canadian eligible capital (CEC)	-	No expiry date	-	No expiry date
Share issue costs	109,000	2043-2046	77,000	2042-2045