



Baru Gold Corp.

May 31, 2022

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, 2022	August 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 91,688	\$ 1,932,859
Receivables (note 3)	40,939	22,222
Prepays and advances (note 4)	643,557	552,301
	776,184	2,507,382
Non-current assets:		
Right-of-use asset (note 7)	174,620	9,080
Exploration and evaluation assets (note 5)	6,266,127	4,030,429
	\$ 7,216,931	\$ 6,546,891
<b>Liabilities and shareholder's equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,719,700	\$ 1,403,093
Due to related parties (note 6)	191,142	13,087
Lease liability (note 7)	10,149	10,008
	1,920,991	1,426,188
Non-current liabilities:		
Lease liability (note 7)	110,771	-
Total Liabilities	2,031,762	1,426,188
Shareholders' equity:		
Share capital (note 3,8)	83,435,626	81,756,939
Reserves (note 10)	21,730,417	21,686,422
Deficit	(99,980,874)	(98,322,658)
	5,185,169	5,120,703
	\$ 7,216,931	\$ 6,546,891

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, 2022	Three months ended May 31, 2021	Nine months ended May 31, 2022	Nine months ended May 31, 2021
General and administrative expenses:				
Amortization (note 7)	\$ 36,327	\$ 6,809	\$ 88,680	\$ 20,429
Consulting fees	57,806	48,827	149,971	183,310
Directors' fees (note 6)	30,000	22,500	91,250	65,000
Foreign exchange loss (gain)	(28,504)	(41,532)	49,633	14,048
Interest expense	839	551	24,911	3,371
Investor relations	21,000	61,300	63,000	266,816
Management fees (note 6)	153,371	70,500	451,346	226,332
Office and administration	84,898	50,499	301,545	193,954
Professional fees	51,928	24,780	203,321	114,687
Rent	945	6,389	5,707	17,496
Share based payments	48,007	-	48,007	2,126,876
Transfer agent and regulatory fees	7,205	14,595	42,048	57,194
Travel and accommodation	34,457	10,531	82,604	24,080
Total general and administrative expenses	(498,279)	(275,749)	(1,602,023)	(3,313,593)
Gain on extinguishment of accounts payable	-	(327)	-	14,544
Loss on disposal of subsidiary	(56,193)	-	(56,193)	-
Loss and comprehensive loss for the period	\$ (554,472)	\$ (276,076)	\$ (1,658,216)	\$ (3,299,049)
Basic and diluted loss per common share (note 11)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	197,522,273	179,107,407	192,531,766	173,095,700

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	Reserves	Deficit	Shareholders' Equity (Deficiency)
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
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	77,014	(31,999)	-	45,015
Share based payments	-	-	48,007	-	48,007
Loss for the period	-	-	-	(1,658,216)	(1,658,216)
Balance, May 31, 2022	197,816,730	\$ 83,435,626	\$ 21,730,417	\$(99,980,874)	\$ 5,185,169

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, 2022	Nine months ended May 31, 2021
Cash provided by (used in):		
<b>Operating activities:</b>		
Loss for the period	\$ (1,658,216)	\$ (3,299,049)
Items not involving cash:		
Amortization	88,680	20,429
Foreign exchange	1,445	-
Interest expense	24,960	2,174
Gain on extinguishment of accounts payable	-	(14,544)
Share based payments	48,007	2,126,876
Changes in non-cash operating working capital items:		
Receivables	(18,717)	(16,418)
Prepays and advances	(91,256)	(42,808)
Accounts payable and accrued liabilities	278,818	4,458
Due to related parties	178,055	(602,456)
	(1,148,224)	(1,821,338)
<b>Investing activities:</b>		
Exploration and evaluation assets	(2,198,368)	(2,005,158)
	(2,198,368)	(2,005,158)
<b>Financing activities:</b>		
Private placements	1,676,000	4,400,000
Share issuance costs	(46,340)	(47,082)
Warrants and finders' warrants exercised	-	1,982,056
Options exercised	45,015	46,100
Loan repayments	-	(161,967)
Lease payments	(169,254)	(22,990)
	1,505,421	6,196,117
Change in cash and cash equivalents	(1,841,171)	2,369,621
Cash and cash equivalents, beginning	1,932,859	566,380
Cash and cash equivalents, end	\$ 91,688	\$ 2,936,001
Cash and cash equivalents are comprised of:		
Cash	\$ 57,188	\$ 2,901,501
Cash equivalents	34,500	34,500
	\$ 91,688	\$ 2,936,001

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, 2022

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## 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 period ended May 31, 2022, the Company had a net loss and comprehensive loss of \$1,658,216 and had an accumulated deficit of \$99,980,874 as of May 31, 2022. 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 currently.

The condensed consolidated interim financial statements were authorized for issue on July 31, 2022 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, 2021.

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.

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
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## 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 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. East Asia Minerals Indonesia), Hong Kong (Sangihe Gold HK Limited and East Asia Minerals HK Limited), Netherlands and Mongolia (EAM Teshig LLC and EAM Exploration LLC) and Indonesia (70% owned PT. Tambang Mas Sangihe). All Netherlands entities have been inactive since inception. All inter-company transactions and accounts have been eliminated upon consolidation.

### *Significant accounting judgments, estimates and assumptions*

The preparation of the 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, 2021.

## 3. Receivables

		May 31, 2022		August 31, 2021
GST receivable	\$	24,809	\$	6,011
Other receivables		16,130		16,211
Total receivables	\$	40,939	\$	22,222

## 4. Prepaids and advances

During the period ended May 31, 2022, the Company recorded \$643,557 (August 31, 2021 - \$552,301) in prepaids:

- \$200,210 (August 31, 2021 - \$112,301) were recorded for investor relations and marketing advances; and
- \$443,347 (August 31, 2021 - \$440,000) were recorded for advance to a legal firm.

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
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## 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 May 31, 2022.

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

The Company's exploration and evaluation assets consist of:

	<b>Sangihe property (Indonesia)</b>
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	99,015
Assay costs	14,204
Drilling	319,209
Geology	715,862
Office and supplies	204,007
Professional fees	193,430
Travel	218,751
Technical reports	81,238
Tenement costs	389,982
Total additions	2,235,698
Balance, May 31, 2022	\$ 6,266,127

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
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## 5. Exploration and evaluation assets (cont'd)

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

During the year ended August 31, 2021, the Ministry of Energy and Mineral Resources (the “Ministry”) was named a Defendant at Jakarta Administrative Court to annul the production license granted by the Ministry. The Company applied as Intervening Defendant to protect its interest in the Sangihe Project and contest the plaintiff’s claim. During the period ended May 31, 2022, the case was dismissed. The Plaintiff has appealed the decision. 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. 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 3, 2022, judgement was issued in favor of the plaintiff. From the Company’s perspective, the judgement was based on undefined procedural requirements, testimony of an expert not qualified to prepare an AMDAL report and an administrative oversight since corrected in a document that is in excess of 1,000 pages. TMS has already filed an appeal with the State Administrative High Court (“PTTUN”) in Makassar but a court date has not been set. The process is expected to take three to five months to reach a verdict.

## 6. Related party transactions

Compensation and payments to key management personnel was as follows:

	Nine months ended May 31,	
	2022	2021
Fees and short-term benefits - management	\$ 451,346	\$ 226,332
Fees and short-term benefits - directors	91,250	65,000
Fees and short-term benefits – Travel	30,000	-
Consulting fees included in exploration and evaluation assets	69,159	51,840
Share-based payments	8,001	1,453,273
	<u>\$ 649,756</u>	<u>\$ 1,796,445</u>

As of May 31, 2022, \$69,717 (August 31, 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.

As of May 31, 2022, \$121,425 (August 31, 2021 - \$nil) is due to directors and officers of the Company as loans payable. The amounts were non-interest bearing, unsecured, with no stated terms of repayment.

# BARU GOLD CORPORATION

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## 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%.

<b>Right of use assets - Indonesia</b>	<b>Camp Tahuna</b>	<b>Office &amp; Accomodation Jakarta</b>	<b>Furniture Jakarta</b>	<b>Camp Bentung I</b>	<b>Camp Bentung II</b>	<b>Total Indonesia</b>
<b>Balance – August 31, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	4,326	168,985	\$ 21,842	6,180	4,414	205,747
Amortization	(2,544)	(50,647)	(5,646)	(3,889)	(777)	(63,503)
<b>Balance – May 31, 2022</b>	\$ 1,782	118,338	\$ 16,196	\$ 2,291	\$ 3,637	\$ 142,244

<b>Right of use assets - Canada</b>	<b>Vehicle</b>	<b>Office</b>	<b>Total Canada</b>	<b>Total Right of Use Assets</b>
<b>Balance August 31, 2020</b>	\$ 36,319	\$ -	\$ 36,319	\$ 36,319
Amortization	(27,239)	-	(27,239)	(27,239)
<b>Balance August 31, 2021</b>	9,080	-	9,080	9,080
Additions	17,649	31,812	49,461	255,208
Amortization	(14,236)	(11,929)	(26,165)	(89,668)
<b>Balance May 31, 2022</b>	\$ 12,493	\$ 19,883	\$ 32,376	\$ 174,620

# 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, 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	31,812	17,649	168,985	218,446
Lease payments made	(13,211)	(20,648)	(98,586)	(132,445)
Interest expense on lease liabilities	2,018	5,604	17,289	24,911
At May 31, 2022	20,619	12,613	87,688	120,920
Less: current portion	(3,921)	(6,228)	-	(10,149)
At August 31, 2022	\$ 16,698	\$ 6,385	\$ 87,688	\$ 110,771

## 8. Share capital

### (a) Common shares

#### Authorized

Unlimited common shares, without par value.

#### Issued share capital

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

During the period ended May 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.

# 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, 2022

## 8. Share capital (cont'd)

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.

### (b) Warrants

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

	May 31, 2022		August 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants, beginning of the period/year	51,146,164	\$ 0.21	44,905,508	\$ 0.12
Granted	8,836,400	0.17	29,333,331	0.25
Exercised	-	-	(21,633,175)	0.09
Expired/cancelled	(20,812,834)	0.12	(1,459,500)	0.12
Warrants, end of the period/year	39,169,730	\$ 0.23	51,146,164	\$ 0.21

The following warrants were outstanding at May 31, 2022:

Number of warrants	Exercise price (\$)	Expiry date
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
5,270,400	0.17	November 4, 2023
3,566,000	0.17	November 30, 2023
39,169,730		

\*Subsequent to May 31, 2022 the warrants expired unexercised.

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

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## 8. Share capital (cont'd)

### (b) Warrants (cont'd)

	Nine months ended May 31, <u>2022</u>	Year ended August 31, <u>2021</u>
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	-

## 9. 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:

	<u>May 31, 2022</u>		<u>August 31, 2021</u>	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of the period/year	19,269,822	\$ 0.11	5,598,572	\$ 0.06
Granted	900,000	0.06	14,995,750	0.13
Exercised	(903,000)	0.05	(1,274,500)	0.05
Expired/Fortified	(1,600,000)	0.07	(50,000)	0.05
Outstanding, end of the period/year	17,666,822	\$ 0.11	19,269,822	\$ 0.11

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
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## 9. Share-based payments (cont'd)

### (a) Stock options (cont'd)

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

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
2,371,072	2,371,072	0.05	July 30, 2023
1,000,000	1,000,000	0.10	July 16, 2025
2,100,000	2,100,000	0.15	September 9, 2025
2,475,000	2,475,000	0.155	January 6, 2026
7,200,000	7,200,000	0.11	January 29, 2026
500,000	500,000	0.12	February 4, 2026
1,120,750	1,008,500	0.07	July 15, 2026
900,000	900,000	0.06	April 5, 2024
17,666,822	17,554,572		

## 10. 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, 2022, the Company granted 900,000 (year ended August 31, 2021 – 14,995,750) stock options to officers, and consultants. Share-based compensation expense of \$48,007 (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:

	Nine months ended May 31, 2022	Year ended August 31, 2021
Risk-free interest rate	2.61%	0.48%
Expected life of option	2years	5 years
Expected dividend yield	0%	0%
Expected stock price volatility	119.36%	254.53%
Fair value per option	0.06	\$0.12

## 11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2022 was based on the loss attributable to common shareholders of \$1,658,216 (2021 – \$3,299,049) and the weighted average number of common shares outstanding of 192,531,766 (2021 – 173,095,700).

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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## 12. Financial instruments

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

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of May 31, 2022, the carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, loan payable, and due to related parties approximate their fair values due to their short term to maturity.

### 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, 2022, the Company had cash and cash equivalents of \$91,688 (August 31, 2021 - \$1,932,859) to settle current liabilities of \$1,920,991 (August 31, 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.

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## 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 May 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:

May 31, 2022	USD	IDR	Total
Cash and cash equivalents	\$ 4,201	\$ 7,893	\$ 12,094
Other receivables	-	15,200	15,200
	\$ 4,201	\$ 23,093	\$ 27,294

  

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:

May 31, 2022	USD	IDR	Total
Accounts payable and accrued liabilities	\$ 38,884	\$ 1,392,207	\$ 1,431,091

  

August 31, 2021	USD	IDR	Total
Accounts payable and accrued liabilities	\$ 143,209	\$ 1,103,447	\$ 1,246,656

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## 12. Financial instruments (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 May 31, 2022, net financial liabilities totaling \$34,683 (August 31, 2021 – \$117,654) were held in USD and net financial liabilities totaling \$1,369,114 (August 31, 2021 – \$982,645) were held in IDR.

Based on the above net exposure as of May 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 \$347 (August 31, 2021 - \$1,177) 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 \$13,691 (August 31, 2021 - \$9,826) 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 period ended May 31, 2022. 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, 2022 were as follows:

- (a) Included in exploration and evaluation assets is \$673,099 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 \$255,208.
- (d) Reversed \$31,999 from reserves to share capital upon exercise of 903,000 stock options.

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## 14. Supplemental disclosure with respect to cash flows (cont'd)

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 reserves to share capital upon exercise of 68,000 finders warrants.
- (c) Reversed \$36,880 from reserves to share capital upon exercise of 922,000 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.

## 16. Subsequent events

Subsequent to May 31, 2022, the Company:

- a) Closed a secured convertible loan for net proceeds of US\$1,500,000 (\$1.94 Million Canadian).
- b) Issued 15,000,000 share purchase warrants having a term of 2 years with an exercise price of \$0.065 per common share.