



Baru Gold Corp.

May 31, 2023

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 2023	August 31, 2022
	\$	\$
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	41,231	511,367
Receivables (note 3)	32,819	45,470
Prepays and advances (note 4)	633,071	780,602
	707,121	1,337,439
Non-current assets:		
Right-of-use asset (note 7)	47,550	140,308
Exploration and evaluation assets (note 5)	8,666,003	6,725,985
	9,420,674	8,203,732
<b>Liabilities and shareholder's equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	3,594,445	1,465,997
Due to related parties (note 6)	729,679	39,751
Loan payable	23,600	-
Lease liability (note 7)	4,332	96,374
Convertible debenture (note 8)	1,626,955	592,372
	5,979,011	2,194,494
Non-current liabilities:		
Convertible debenture (note 8)	144,773	933,733
Lease liability (note 7)	-	11,990
Total Liabilities	6,123,784	3,140,217
Shareholders' equity:		
Share capital (note ,9)	83,984,025	83,435,761
Reserves (note 10)	22,318,585	22,248,753
Accumulated Deficit	(103,005,720)	(100,620,999)
	3,296,890	5,063,515
	9,420,674	8,203,732

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, 2023	Three Months ended May 31, 2022	Nine Months ended May 31, 2023	Nine Months ended May 31, 2022
	\$	\$	\$	\$
General and administrative expenses:				
Amortization (note 7)	29,687	36,327	95,655	88,680
Consulting fees	80,081	57,806	297,182	149,971
Directors' fees (note 6)	22,500	30,000	94,700	91,250
Foreign exchange loss (gain)	39,934	(28,504)	180,154	49,633
Interest expense	19,203	839	25,984	24,911
Interest expense on convertible debt	145,036	-	430,379	-
Investor relations	29,220	21,000	89,220	63,000
Management fees (note 6)	80,664	153,371	232,146	451,346
Office and administration	139,512	84,898	463,262	301,545
Professional fees	19,245	51,928	267,451	203,321
Rent	1,580	945	4,699	5,707
Share based compensation (note 10)	62,926	48,007	66,482	48,007
Transfer agent and regulatory fees	10,652	7,205	41,974	42,048
Travel and accommodation	34,264	34,457	95,433	82,604
Total general and administrative expenses	(714,504)	(498,279)	(2,384,721)	(1,602,023)
Loss on disposal of subsidiary	-	(56,193)	-	(56,193)
Loss and comprehensive loss for the period	(714,504)	(554,472)	(2,384,721)	(1,658,216)
Basic and diluted loss per common share (note 11)	(0.00)	(0.00)	(\$0.01)	(0.01)
Weighted average number of common shares outstanding	205,329,754	197,522,273	217,778,041	192,531,766

See accompanying notes to the condensed consolidated interim financial statements.

## BARU GOLD CORPORATION

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	Number of Shares	Share Capital \$	Reserves \$	Accumulated Deficit \$	Shareholders' Equity \$
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
Options exercised	903,000	77,014	(31,999)	-	45,015
Share issuance costs	-	(74,327)	27,987	-	(46,340)
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
Options exercised	-	135	-	-	135
Share based awards	-	-	39,505	-	39,505
Equity portion of the convertible debt	-	-	205,213	-	205,213
Warrants issued	-	-	273,618	-	273,618
Loss for the period	-	-	-	(640,125)	(640,125)
Balance, August 31, 2022	197,816,730	83,435,761	22,248,753	(100,620,999)	5,063,515
Balance, August 31, 2022	197,816,730	83,435,761	22,248,753	(100,620,999)	5,063,515
Private placements	21,176,799	554,904	-	-	554,904
Share issuance costs	-	(6,640)	3,350	-	(3,290)
Share based awards	-	-	66,482	-	66,482
Loss for the period	-	-	-	(2,384,721)	(2,384,721)
Balance, May 31, 2023	218,993,529	83,984,025	22,318,585	(103,005,720)	3,296,890

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, 2023	Nine Months ended May 31, 2022
	\$	\$
Cash provided by (used in):		
<b>Operating activities:</b>		
Loss for the period	(2,384,721)	\$ (1,658,216)
Items not involving cash:		
Amortization	95,655	88,680
Interest expense	5,245	24,960
Foreign exchange	165,106	1,445
Share based payments	66,482	48,007
Interest expense on convertible debt	430,379	-
Legal expenses on convertible debt	12,681	-
Changes in non-cash operating working capital items:		
Receivables	12,126	(18,717)
Prepays and advances	127,466	(91,256)
Accounts payable and accrued liabilities	604,478	278,818
Due to related parties	274,706	178,055
	(590,397)	(1,148,224)
<b>Investing activities:</b>		
Exploration and evaluation assets	(448,343)	(2,198,368)
	(448,343)	(2,198,368)
<b>Financing activities:</b>		
Private placements	554,904	1,676,000
Share issuance costs	(3,290)	(46,340)
Options exercised	-	45,015
Related party loans	423,822	-
Loans payable	14,700	-
Convertible debt payments	(305,065)	-
Lease payments	(116,467)	(169,654)
	568,604	1,505,421
Change in cash and cash equivalents	(470,136)	(1,841,171)
Cash and cash equivalents, beginning	511,367	1,932,859
Cash and cash equivalents, end	41,231	91,688
Cash and cash equivalents are comprised of:		
Cash	6,731	57,188
Cash equivalents	34,500	34,500
	41,231	91,688

Supplemental disclosure with respect to cash flows (note 14)

See accompanying notes to the 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, 2023

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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, 2023, the Company had a net loss and comprehensive loss of \$2,384,721 and had an accumulated deficit of \$103,005,720 as of May 31, 2023. 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 29, 2023 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, 2022.

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 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), 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 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, 2022.

## 3. Receivables

	May 31, 2023	August 31, 2022
	\$	\$
GST receivable	17,262	29,873
Other receivables	15,557	15,597
Total receivables	32,819	45,470

## 4. Prepaids and advances

Prepaid and advances at May 31, 2023, of \$633,071 (August 31, 2022 – \$780,602) included:

- \$37,500 (August 31, 2022 - \$37,500) were recorded for investor relations and marketing advances; and
- \$504,021 (August 31, 2022 - \$439,985) were recorded for advance to a legal firm; and
- \$923 (August 31, 2022 - \$208,742) were recorded for operational advances

# 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, 2023 (August 31, 2022: 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.

The Company's exploration and evaluation assets consist of:

	<b>Sangihe property (Indonesia)</b>
	\$
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

	<b>Sangihe property (Indonesia)</b>
	\$
Balance, August 31, 2022,	6,725,985
Acquisition costs	4,907
Drilling	698,217
Geology	77,002
Office and supplies	76,989
Professional fees	9,495
Travel	196,329
Technical reports	16,635
Tenement costs	210,325
Wages	650,138
Total additions	1,940,018
Balance, May 31, 2023,	8,666,003

# 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. While Baru’s subsidiary PT. Tambang Mas Sangihe (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. TMS filed an appeal to the Supreme Court of Indonesia and on January 16, 2023 the Court has decided that the Operational Permit be cancelled. The MEMR has not cancelled the Operational Permit but has not decided what route they will take to ensure the rights associated with the operating permit will be recognized and enforced.

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 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. The plaintiff has filed an appeal to the Supreme Court of Indonesia and on January 9, 2023, the Court has again ruled in favour of the Company. The validity of the process, procedures and the awarding of the AMDAL have been reaffirmed and the plaintiff’s complaints dismissed in their entirety. The ruling can no longer be appealed; the decision is final.

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

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## 6. Related party transactions

Compensation and payments to key management personnel was as follows:

	Nine Months Ended May 31,	
	2023	2022
	\$	\$
Fees and short-term benefits – management	232,146	451,346
Fees and short-term benefits – directors	94,700	91,250
Fees and short-term benefits – travel and health	77,367	30,000
Consulting fees included in exploration and evaluation assets	-	69,159
Share-based payments	33,529	8,001
	437,742	649,756

As of May 31, 2023, \$729,679 (August 31, 2022 - \$39,751) is due to directors and officers of the Company which consists of accounts payable of \$305,857 (August 31, 2022 - \$39,751) and \$423,822 (August 31, 2022 - \$nil) in loans 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.

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.

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
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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</b>	<b>Indonesia</b>	<b>Canada</b>	<b>Total</b>
	\$	\$	\$
<b>Balance August 31, 2021</b>	-	9,080	9,080
Additions	205,740	49,461	255,201
Amortization	(87,585)	(36,388)	(123,973)
Foreign exchange		-	
<b>Balance August 31, 2022</b>	118,155	22,153	140,308
Amortization	(76,886)	(18,176)	(95,062)
Foreign exchange	2,304	-	2,304
<b>Balance May 31, 2023</b>	43,573	3,977	47,550

<b>Lease liability</b>	<b>Office Canada</b>	<b>Vehicle Canada</b>	<b>Office &amp; Accommodation Jakarta</b>	<b>Total</b>
	\$	\$	\$	\$
<b>At August 31, 2021</b>	-	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
<b>At August 31, 2022</b>	16,698	6,385	85,281	108,364
Lease payments made	(13,212)	(6,492)	(85,379)	(100,679)
Interest expense on lease liabilities	846	107	4,142	4,916
Prepaid	-	-	(4,044)	(4,044)
<b>At May 31, 2023</b>	4,332	-	-	4,332
Less: current portion	(4,332)	-	-	(4,332)
<b>At May 31, 2023</b>	-	-	-	-

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited – Prepared by Management)  
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## 8. Convertible debenture

	\$
Balance at August 31, 2022	1,526,105
Interest expense	430,379
Amortization of legal expenses	12,682
Payments	(305,066)
Revaluation due to foreign exchange rate change	107,628
Balance at May 31, 2023	1,771,728
Less: current portion	(1,626,955)
Long term portion at May 31, 2023	144,773

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.

The debt component of the convertible note is being accreted over the term to maturity, with accretion charge included in interest expense.

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
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## 9. Share capital

### (a) Common shares

#### *Authorized*

Unlimited common shares, without par value.

#### *Issued share capital*

On May 31, 2023, there were 218,993,529 (August 31, 2022 – 197,816,730) issued and outstanding common shares.

During the period ended May 31, 2023, the Company:

- Completed a private placement of 8,040,000 units for proceeds of \$160,800. Each unit is comprised of one common share and one 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 \$0.05 per common share for the first year and \$0.10 per common share for the second year. Finders' fees of \$3,290 was paid in cash and 164,500 brokers' warrants were issued and recorded at a fair value of \$3,350.
- Completed a private placement of 5,681,799 units for proceeds of \$170,454. Each unit is comprised of one common share and one 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 \$0.05 per common share for the first year and \$0.10 per common share for the second year.
- Completed a private placement of 7,455,000 units for proceeds of \$223,650. Each unit is comprised of one common share and one 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 \$0.05 per common share for the first year and \$0.10 per common share for the second year.

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.

# BARU GOLD CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
(Unaudited – Prepared by Management)  
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## 9. Share capital (cont'd)

### (b) Warrants

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

	May 31, 2023		August 31, 2022	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants, beginning of the period	53,169,731	0.18	51,146,164	0.21
Issued	21,341,299	0.05	23,836,400	0.10
Expired/cancelled	-	-	(21,812,833)	0.14
Warrants, end of the period	74,511,030	0.15	53,169,731	0.18

The following warrants were outstanding at May 31, 2023:

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
7,204,500	0.05	January 24, 2025
1,000,000	0.05	February 21, 2025
5,681,799	0.05	February 24, 2025
7,455,000	0.05	March 15, 2025
74,511,030		

During the period ended May 31, 2023, the Company issued 164,500 (2022 – 456,400) finders' warrants with an initial fair market value of \$3,350 (2022 - \$27,987) which was recorded as share issue costs. The following assumptions were used for the Black-Scholes valuation of the finders' warrants:

	Period ended May 31, 2023	Period ended May 31, 2022
Risk-free interest rate	3.64%	0.98%
Expected life of warrant	2	2
Expected dividend yield	0%	0%
Expected stock price volatility	159.08%	147.78
Fair value per warrant	\$0.04	\$0.17

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## 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:

	May 31, 2023		August 31, 2021	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Outstanding, beginning of the period	18,142,822	0.10	19,269,822	0.11
Granted	2,775,000	0.05	2,600,000	0.05
Exercised	-	-	(903,000)	0.05
Expired/Forfeited	(2,910,000)	0.09	(2,824,000)	0.14
Outstanding, end of the period	18,007,822	0.10	18,142,822	0.10

The following stock options were outstanding and exercisable at May 31, 2023:

Number of options outstanding	Number of options exercisable	Exercise price (\$)	Expiry date
2,021,072	2,021,072	0.05	July 30, 2023
550,000	550,000	0.06	May 04, 2024
925,000	925,000	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
1,475,000	1,475,000	0.155	January 6, 2026
6,700,000	6,700,000	0.11	January 29, 2026
761,750	761,750	0.07	July 15, 2026
200,000	200,000	0.05	December 30, 2027
2,575,000	2,462,500	0.05	May 1, 2025
18,007,822	17,895,322		

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## 10. Share-based payments (cont'd)

### (b) Reserves

Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company. The Company uses the Black-Scholes valuation option pricing model to value stock options. During the period ended May 31, 2023, the Company granted 2,775,000 (2022 – 900,000) stock options to officers, and consultants.

Share-based compensation expense of \$66,482 (2022 - \$48,007) 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, 2023	Nine Months Ended May 31, 2022
Risk-free interest rate	3.75%	2.61%
Expected life of warrant	2.2 years	2 years
Expected dividend yield	0%	0%
Expected stock price volatility	180.34%	119.36%
Fair value per option	\$0.05	\$0.06

## 11. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2023, was based on the loss attributable to common shareholders of \$2,384,721 (2022 – \$1,658,216) and the weighted average number of common shares outstanding of 217,778,041 (2022 – 192,531,766).

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).

### 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 May 31, 2023, the Company had cash and cash equivalents of \$41,231 (August 31, 2022 - \$511,367) to settle current liabilities of \$5,979,011 (August 31, 2022 - \$2,194,494).

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, 2023, 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

May 31, 2023	USD	IDR	Total
Cash and cash equivalents	702	4,478	5,180
Other receivables	-	14,840	14,840
	702	19,318	20,020

#### *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

  

May 31, 2023	USD	IDR	Total
Accounts payable	220,448	846,195	1,066,643

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## 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 May 31, 2023, net financial liabilities totaling \$219,746 (August 31, 2022 – net financial assets of \$347,268) were held in USD and net financial liabilities totaling \$826,877 (August 31, 2022 – \$485,068) were held in IDR.

Based on the above net exposure as of May 31, 2023, 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 \$2,197 (2022 - \$347) in the Company's loss and comprehensive loss. A 1% depreciation or appreciation of the IDR against the Canadian dollar would result in an increase or decrease of approximately \$8,269 (2022 - \$13,691) 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, 2023. The Company is not subject to externally imposed capital requirements.

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## 14. Supplemental disclosure with respect to cash flows

The Company's significant non-cash transactions during the period ended May 31, 2023 were as follows:

- (a) Included in exploration and evaluation assets is \$1,492,266 which relates to accounts payable and accrued liabilities (net of reversal for \$808,766 at August 31, 2022);
- (b) Included in prepaids is \$4,279 for interest on lease liability;
- (c) Issued 164,500 common share purchase warrants as finders' warrants valued at \$3,350 related to a private placement;
- (d) Included in loans payable is \$8,900 which was transferred from due to related party;

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.

## 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

  

May 31, 2023	Canada	Indonesia	Total
Exploration and evaluation assets	-	8,666,003	8,666,003
Right of use asset	3,977	43,573	47,550
Total	3,977	8,709,576	8,713,553

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Notes to the Condensed Consolidated Interim Financial Statements

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## 16. Subsequent event

On June 22, 2023, the Company closed \$118,999.99, issuing 3,966,666 Units, priced at \$0.03 per unit. Each unit will be comprised of one common share in the capital of the Company and one transferable common share purchase warrant. Each Warrant shall be exercisable for one Share for 2 years from the date such Warrant is issued at an exercise price of \$0.05 for the first year and \$0.10 for the second year. Finder's fees of \$420 are payable in cash and 14,000 finder's warrants to purchase were issued at an exercise price of \$0.05 for the first year and \$0.10 for the second year.