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## **BATERO GOLD CORP.**

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

*(Expressed in Canadian Dollars)*

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The accompanying financial statements for Batero Gold Corp. have been prepared by management in accordance with International Financial Reporting Standards consistently applied.

These financial statements are unaudited and have not been reviewed by the Company's auditors.

# BATERO GOLD CORP.

## Interim Unaudited Condensed Consolidated Statements of Financial Position

<i>(expressed in Canadian Dollars)</i>	Notes	February 29, 2020	August 31, 2019
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		6,371,513	7,535,159
Government receivables		1,250	1,901
Prepaid expenses and advances		98,035	50,221
<b>Total current assets</b>		<b>6,470,798</b>	<b>7,587,281</b>
Property and equipment	4	2,473,391	2,327,992
Exploration assets	5	7,724,148	7,724,148
<b>Total non-current assets</b>		<b>10,197,539</b>	<b>10,052,140</b>
<b>Total assets</b>		<b>16,668,337</b>	<b>17,639,421</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	257,972	172,397
<b>Total current liabilities</b>		<b>257,972</b>	<b>172,397</b>
<b>Equity</b>			
Share capital	6	66,327,048	66,327,048
Equity reserve	7	11,987,213	11,987,213
Deficit		(61,903,896)	(60,847,237)
<b>Total equity</b>		<b>16,410,365</b>	<b>17,467,024</b>
<b>Total liabilities and equity</b>		<b>16,668,337</b>	<b>17,639,421</b>

*Signed "Gonzalo de Losada"*

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Gonzalo de Losada, Director

*Signed "Juan David Uribe"*

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Juan David Uribe Hurtado, Director

The accompanying notes are an integral part of these Interim unaudited condensed consolidated financial statements

# BATERO GOLD CORP.

## Interim Unaudited Condensed Consolidated Statements of Net Loss and Comprehensive Loss

<i>(expressed in Canadian Dollars)</i>	Notes	For the three months ended		For the six months ended	
		Feb 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
		\$	\$	\$	\$
<b>Exploration and evaluation expenditures</b>	8	<b>(699,025)</b>	(384,617)	<b>(1,154,920)</b>	(709,025)
<b>Expenses</b>					
Consulting and salaries		2,550	16,620	4,800	33,960
Administration		521	12,262	2,001	25,592
Professional fees		7,096	5,554	12,572	6,439
Transfer agent and filing fees		7,053	10,021	7,867	11,957
<b>Operating expenses</b>		<b>(17,220)</b>	(44,457)	<b>(27,240)</b>	(77,948)
<b>Operating loss</b>		<b>(716,245)</b>	(429,074)	<b>(1,182,160)</b>	(786,973)
<b>Other income</b>					
Interest and other income		24,044	42,996	67,715	62,728
Foreign exchange gain (loss)		60,089	(99,255)	57,786	53,058
<b>Other income</b>		<b>84,133</b>	(56,259)	<b>125,501</b>	115,786
<b>Net loss and net comprehensive loss for the year</b>		<b>(632,112)</b>	(485,333)	<b>(1,056,659)</b>	(671,187)
<b>Net loss per share:</b>					
Basic and diluted loss per common share		<b>(0.01)</b>	(0.01)	<b>(0.01)</b>	(0.01)
Weighted average number of common shares outstanding - basic and fully diluted		<b>115,182,383</b>	115,182,383	<b>115,182,383</b>	115,182,383

The accompanying notes are an integral part of these Interim unaudited condensed consolidated financial statements

## BATERO GOLD CORP.

### Interim Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity

*(expressed in Canadian Dollars)*

	Share capital			Equity reserve	Deficit	Shareholder's equity
	Number of shares	Amount				
		\$	\$			
<b>Balance at August 31, 2018</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(59,440,375)</b>	<b>18,873,886</b>	
Net loss for the period				(671,187)	(671,187)	
<b>Balance at February 28, 2019</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(60,111,562)</b>	<b>18,202,699</b>	
<b>Balance at August 31, 2019</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(60,847,237)</b>	<b>17,467,024</b>	
Net loss for the period	-	-	-	(1,056,659)	(1,056,659)	
<b>Balance at February 29, 2020</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(61,903,896)</b>	<b>16,410,365</b>	

The accompanying notes are an integral part of these Interim unaudited condensed consolidated financial statements

# BATERO GOLD CORP.

## Interim Unaudited Condensed Consolidated Statements of Cash Flows

<i>(expressed in Canadian Dollars)</i>	For the six months ended	
	Feb 29, 2020	Feb 28, 2019
	\$	\$
<b>Cash flows from:</b>		
<b>Operating activities</b>		
Net loss for the year	(1,056,659)	(671,187)
<b>Adjustment for items not affecting cash:</b>		-
Depreciation	13,429	14,656
<b>Changes in non-cash working capital items:</b>		
Government receivables	651	(1,561)
Prepaid expenses and advances	(47,814)	14,295
Accounts payable and accrued liabilities	85,575	(15,309)
Cash flows from operating activities	<u>(1,004,818)</u>	<u>(659,106)</u>
<b>Investing activities</b>		
Additions to property and equipment	(158,828)	-
Cash flows from (used in) investing activities	<u>(158,828)</u>	<u>-</u>
Net increase (decrease) in cash	(1,163,646)	(659,106)
Cash, beginning of year	<u>7,535,159</u>	<u>8,840,612</u>
<b>Cash, end of year</b>	<u>6,371,513</u>	<u>8,181,506</u>

The accompanying notes are an integral part of these Interim unaudited condensed consolidated financial statements

# **BATERO GOLD CORP.**

## **Notes to the Interim Unaudited Condensed Consolidated Financial Statements February 29, 2020 and February 28, 2019 (Expressed in Canadian dollars)**

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### **1. NATURE OF OPERATIONS**

Batero Gold Corp. was incorporated under the Business Corporations Act (British Columbia) on January 15, 2008. The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "BAT". The Company, together with its subsidiaries (collectively referred to as the "Company" or "Batero"), is engaged in the exploration and development of mineral property interests in Colombia. The Company's head office is located at 2 Toronto St, Suite 230, Toronto, Ontario, M5C 2B5.

The Company is in the process of exploring and evaluating its exploration and evaluation assets. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values.

The interim unaudited condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") and are prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and has no source of recurring revenue.

As at February 29, 2020, the Company had working capital of \$6,212,826 (August 31, 2019 - \$7,414,884) and a deficit of \$61,903,896 (August 31, 2019 - \$60,847,237). At present the Company has no producing properties and consequently has no current operating income or cash flow.

Management believes that the Company has sufficient working capital to fund its planned exploration program and related activities at its Batero-Quinchia Project and ongoing administrative costs for at least the next twelve months.

The interim unaudited condensed consolidated financial statements of the Company for the periods ended February 29, 2020 and February 28, 2019 were reviewed, approved and authorized by the Board of Directors on April 27, 2020.

### **2. BASIS OF PRESENTATION**

#### **Statement of Compliance**

These interim unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards (IASs) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

#### **Details of the Group**

The interim unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bahia Bonita Properties S.A. ("Bahia"), a Panamanian

# **BATERO GOLD CORP.**

## **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**February 29, 2020 and February 28, 2019**

**(Expressed in Canadian dollars)**

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company, and Sociedad Minera Quinchia S.A.S. ("Minera Quinchia"), a Colombian company. Intercompany balances and transactions are eliminated on consolidation. All amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

### **Basis of Measurement**

The interim unaudited condensed consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting except for cash flow information. These interim unaudited condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the Company are as follows:

(a) **Use of estimates**

The preparation of financial statements in conformity 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 financial statements and the reported revenues and expenses during the period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. 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 differ from these estimates.

#### **Critical judgments**

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the interim unaudited condensed consolidated financial statements are as follows:

##### Impairment of long-lived assets

Management is required to assess impairment in respect of intangible exploration assets and property and equipment. Management uses the triggering events defined in IFRS 6 and IAS 36, respectively. Management's assessment of any impairment of exploration assets and property and equipment is dependent on geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits, life of mine plans, economic and market conditions, useful lives of assets and their related salvage values. Management has determined that there were no impairment indicators present under IFRS 6 and IAS 36.

#### **Estimation uncertainty**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

# BATERO GOLD CORP.

## Notes to the Interim Unaudited Condensed Consolidated Financial Statements

February 29, 2020 and February 28, 2019

(Expressed in Canadian dollars)

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### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### Depreciation for property and equipment

Depreciation expense is calculated based on estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of net loss and comprehensive loss.

#### (b) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at February 29, 2020 and February 28, 2019 the Company did not have any cash equivalents.

#### (c) Amounts receivable

Amounts receivable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method. Receivables are classified as amortized cost.

#### (d) Accounts payable and accrued liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Payables are classified as amortized cost and are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

#### (e) Exploration assets

Costs to acquire exploration assets are capitalized as incurred. Costs related to the evaluation of exploration assets are expensed as incurred.

Once an economically viable reserve has been determined for an area, and the decision to proceed with development has been approved, exploration assets attributable to that area are first tested for impairment and then reclassified to property and equipment.

Subsequent recovery of the value of exploration assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

# **BATERO GOLD CORP.**

## **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**February 29, 2020 and February 28, 2019**

*(Expressed in Canadian dollars)*

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From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company assesses exploration assets for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts. To the extent that the value of an exploration asset is not expected to be recovered, it is charged to earnings.

(f) Property and equipment

Property and equipment, which is comprised of land, mobile and field equipment, buildings, office furniture and computer hardware and computer software, is recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives of between 1 and 20 years. No depreciation is taken on land.

(g) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common share and any residual value remaining is allocated to common share purchase warrants.

(h) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, consultants and employees.

The fair value of the options to employees is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model. The fair value is recognized as an expense with a corresponding increase in share-based payment reserves. The amount recognized as expense is adjusted to reflect the number of share options that ultimately vest. On exercise of the option, the related share-based payment expense is reclassified from share-based payment reserve to share capital.

(i) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**February 29, 2020 and February 28, 2019**

*(Expressed in Canadian dollars)*

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of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense. As at February 29, 2020 and February 28, 2019, the Company does not have any environmental rehabilitation obligation.

(j) Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flows from use and fair value.

In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

(k) Foreign exchange

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. 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 currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates.

Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

(l) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of net loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**February 29, 2020 and February 28, 2019**

***(Expressed in Canadian dollars)***

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A deferred tax asset is only recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(n) 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 income ("FVOCI") 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 at FVOCI. 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 if the Company has opted to measure them at FVTPL.

Measurement

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

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. 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 comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income (loss) in the period in which they arise.

## **BATERO GOLD CORP.**

### **Notes to the Interim Unaudited Condensed Consolidated Financial Statements**

**February 29, 2020 and February 28, 2019**

*(Expressed in Canadian dollars)*

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#### 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 expected credit loss 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. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of comprehensive income (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

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 comprehensive income (loss).

#### **Changes in Accounting Policies – IFRS 16 Leases.**

The Company adopted all of the requirements of IFRS 16, effective September 1, 2019.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

There was no material impact on the Company's condensed consolidated interim financial statements upon the adoption of this new standard.

# BATERO GOLD CORP.

## Notes to the Interim Unaudited Condensed Consolidated Financial Statements February 29, 2020 and February 28, 2019 (Expressed in Canadian dollars)

### 4. PROPERTY AND EQUIPMENT

	Land \$	Mobile And Field Equipment \$	Buildings \$	Computer Hardware and Software \$	Office Furniture \$	Total \$
<b>Cost</b>						
As at August 31, 2018	1,776,340	174,718	619,650	288,857	152,664	3,012,229
Additions	-	-	-	2,119	-	2,119
As at August 31, 2019	1,776,340	174,718	619,650	290,976	152,664	3,014,348
Additions	158,828	-	-	-	-	158,828
As at February 29, 2020	1,935,168	174,718	619,650	290,976	152,664	3,173,176
<b>Accumulated Depreciation</b>						
As at August 31, 2018	-	(112,901)	(150,424)	(281,846)	(112,302)	(657,473)
Additions	-	(11,238)	(2,614)	(5,044)	(9,987)	(28,883)
As at August 31, 2019	-	(124,139)	(153,038)	(286,890)	(122,289)	(686,356)
Additions	-	(5,740)	(745)	(2,268)	(4,676)	(13,429)
As at February 29, 2020	-	(129,879)	(153,783)	(289,158)	(126,965)	(699,785)
<b>Net Book Value</b>						
As at August 31, 2019	1,776,340	50,579	466,612	4,086	30,375	2,327,992
As at February 29, 2020	1,935,168	44,839	465,867	1,818	25,699	2,473,391

### 5. EXPLORATION ASSETS

The Batero-Quinchia property comprises one exploration licence, two concession contracts and one application for a concession contract in a contiguous block located within the Municipality of Quinchia, Department of Risaralda, Colombia.

The Company has a 100% interest in the Batero-Quinchia Property and will be required to issue an additional 2,000,000 common shares of the Company if a National Instrument 43-101 ("NI 43-101") compliant report is prepared at any time by the Company that establishes the existence of at least five million ounces of gold categorized as measured resources (as such term is defined in NI 43-101) at a cut-off grade of 0.7 grams per tonne of gold or gold equivalent on the Batero-Quinchia Property.

There were no additions to the exploration assets during the period ended February 29, 2020 and February 28, 2019.

### 6. SHARE CAPITAL

Authorized: Unlimited common shares without par value  
Unlimited preferred shares without par value

# BATERO GOLD CORP.

## Notes to the Interim Unaudited Condensed Consolidated Financial Statements February 29, 2020 and February 28, 2019 (Expressed in Canadian dollars)

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There was no activity affecting share capital during the period ended February 29, 2020 and February 28, 2019.

### 7. EQUITY RESERVE

#### *Stock options*

The Company has a stock option plan (the "Stock Option Plan") under which it may grant options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares to directors, officers, employees and consultants. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSXV. The options can be granted for a maximum term of five years and vest at the discretion of the board of directors. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

During the year ended August 31, 2019, 200,000 options expired (2018 - 2,050,000).

Stock option activity during the year ended August 31, 2019 and the six months ended February 29, 2020 were as follows:

	Number of Options	Weighted Average Exercise Price \$
<b>Balance – August 31, 2018</b>	<b>9,200,000</b>	<b>0.200</b>
Expired	(200,000)	0.200
<b>Balance – August 31, 2019</b>	<b>9,000,000</b>	<b>0.200</b>
Expired	(500,000)	0.200
<b>Balance – February 29, 2020</b>	<b>8,500,000</b>	<b>0.200</b>

The following table summarizes information about the stock options outstanding and exercisable as at February 29, 2020:

Expiry Date	Exercise price / Weighted average price cdn\$	# Outstanding and Exercisable
March 14, 2021	0.20	7,000,000
August 15, 2021	0.20	1,500,000
	0.20	8,500,000

# BATERO GOLD CORP.

## Notes to the Interim Unaudited Condensed Consolidated Financial Statements February 29, 2020 and February 28, 2019 (Expressed in Canadian dollars)

### 8. EXPLORATION AND EVALUATION EXPENDITURES

A summary of exploration and related expenditures incurred on the Batero-Quinchia Property is as follows:

	For the three months ended		For the six months ended	
	Feb 29, 2020	Feb 28, 2019	Feb 29, 2020	Feb 28, 2019
	\$	\$	\$	\$
Camp supplies and office	77,658	51,942	122,770	72,542
Consulting and salaries	191,291	180,775	351,632	346,128
Depreciation	6,749	7,465	13,429	14,656
Field workers	5,542	4,904	18,045	11,343
Foreign corporate taxes	43,746	41,525	73,308	65,523
Metallurgy	22,442	32,593	24,006	50,796
Professional fees	17,846	6,383	24,479	53,639
Drilling	166,905	-	248,628	-
Security	16,887	16,927	32,887	32,028
Social and environmental	117,505	28,798	197,717	37,594
Telephone and communications	620	604	1,188	1,169
Travel	10,437	12,701	22,123	23,607
Mine title	21,397	-	24,708	-
<b>Total</b>	<b>699,025</b>	<b>384,617</b>	<b>1,154,920</b>	<b>709,025</b>

### 9. RELATED PARTY TRANSACTIONS

During the periods ended February 29, 2020 and February 28, 2019 the Company paid or accrued the following amounts to key management and private corporations owned by them:

	February 29, 2020	February 28, 2019
	\$	\$
Consulting fees of key management	-	24,000
	-	24,000

- In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.
- The remuneration of directors and key executives is determined by the Compensation Committee.

During the periods ended February 29, 2020 and February 28, 2019 the Company paid or accrued, amounts due to Antioquia Gold Ltd., a company with key management personnel common to Batero. Antioquia Gold Ltd. was paid \$76,679 (2018 - \$104,666). Batero shares office space with Antioquia Gold Ltd. and the payments made to it were primarily for shared office costs.

# BATERO GOLD CORP.

## Notes to the Interim Unaudited Condensed Consolidated Financial Statements February 29, 2020 and February 28, 2019 (Expressed in Canadian dollars)

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Accounts payable and accrued liabilities as at February 29, 2020 is \$ 27,107 (2019 - \$ 36,078) owing to related parties.

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following three categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI"), at amortized cost.

The carrying values of the Company's financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost

*The Company's risk exposure and financial instruments are summarized below:*

#### Credit Risk

Credit risk is the risk of potential loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is mostly held in large Canadian financial institutions. Management believes that the credit risk concentration with respect to cash is low. The Company currently has limited credit risk from operations.

#### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate its exploration program and ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties.

As at February 29, 2020, the Company had cash of \$6,371,513 (August 31, 2019 – \$7,535,159) to settle current liabilities of \$257,972 (August 31, 2019 - \$172,397).

#### Impact of COVID-19

Due to the worldwide COVID-19 outbreak, conditions may come into existence in future that could influence the Company's development. At the date of preparation of these interim unaudited consolidated financial statements, the effect it will have on global markets and, consequently, on the Company's results, cash flows and financial situation is uncertain. However, the Company considers that in the Colombian mining industry, the effect will not be significant, since despite Colombian government has implemented a national quarantine until mid-May 2020, possibly longer, it is allowed to continue activities strictly necessary to operate companies from this sector.

# **BATERO GOLD CORP.**

## **Notes to the Interim Unaudited Condensed Consolidated Financial Statements February 29, 2020 and February 28, 2019 (Expressed in Canadian dollars)**

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Particularly in Minera Quinchia, the Company is not carrying out field work that could be affected, and studies and analysis that are being carried out can follow its normal course.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is limited interest rate risk due to the short-term nature of the Company's financial instruments.

### Foreign Currency Risk

The Company conducts its business in Colombia in Colombian pesos, and in Canada in Canadian dollars. An insignificant dollar value of business in each country is transacted in a currency that is foreign to that operation, and as a result any foreign currency risk inherent in day-to-day operations is minimal.

The Company funds activities in the Colombian operation and advances funds from time to time by way of direct investment. As at February 29, 2019 the Company had a large balance of cash on hand denominated in US funds of approximately US\$ 4,500,000, and is of the view that the US dollar will appreciate vis a vis the Colombian peso, and the Canadian dollar; however, the Company has assumed a foreign exchange risk. Should the US dollar appreciate 10% vis a vis the Canadian dollar, the company would experience a net gain of approximately \$450,000. Should it depreciate 10% vis a vis the Canadian dollar, the company would experience a net loss of approximately \$450,000.

### Capital Management

The Company's objective when managing capital, defined as its shareholders' equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and may initiate equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs may be extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties or compensate directors, employees and contractors through stock options.

The Company is not subject to any externally imposed capital requirements.

## **11. SEGMENTED INFORMATION**

The Company operates in one geographic centre. It has one reportable operating segment, being that of exploration and evaluation activities in Colombia. Geographically, all non-current assets in the amount of \$10,197,539 (August 31, 2019 - \$10,052,140) were held in Colombia.