



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
AUGUST 31, 2021 AND 2020**

**(Expressed in Canadian dollars)**

**BATERO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION**

(Expressed in Canadian dollars)

	Notes	August 31, 2021 \$	August 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		2,065,071	5,148,574
Amounts receivables		1,043	889
Prepaid expenses and advances		28,941	61,161
<b>Total current assets</b>		<b>2,095,055</b>	<b>5,210,624</b>
Property and equipment	5	3,037,162	2,607,246
Exploration assets	6	43,942,807	41,870,118
<b>Total non-current assets</b>		<b>46,979,969</b>	<b>44,477,364</b>
<b>Total assets</b>		<b>49,075,024</b>	<b>49,687,988</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	372,782	133,946
<b>Total current liabilities</b>		<b>372,782</b>	<b>133,946</b>
<b>Equity</b>			
Share capital	7	66,327,048	66,327,048
Equity reserve	8	11,987,213	11,987,213
Deficit		(29,612,019)	(28,760,219)
<b>Total equity</b>		<b>48,702,242</b>	<b>49,554,042</b>
<b>Total liabilities and equity</b>		<b>49,075,024</b>	<b>49,687,988</b>

These consolidated financial statements were approved for issue by the Board of Directors on December 27, 2021, and are signed on its behalf by:

*"Gonzalo de Losada"*  
*Director*

*"Juan David Uribe"*  
*Director*

The accompanying notes are an integral part of these consolidated financial statements.

**BATERO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF**  
**NET LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

	For the year ended	
	August 31, 2021	August 31, 2020
	\$	\$
<b>Expenses</b>		
Salaries and wages	238,859	212,324
Depreciation	30,316	26,327
Office and administration	179,848	104,619
Professional and consulting fees	200,280	232,287
Transfer agent and filing fees	19,009	22,541
Travel and accommodation	707	3,187
<b>Operating expenses</b>	<b>669,019</b>	<b>601,285</b>
<b>Operating loss</b>	<b>(669,019)</b>	<b>(601,285)</b>
<b>Other income</b>		
Interest income (expense)	4,314	89,319
Foreign exchange gain (loss)	(187,095)	(78,601)
<b>Other income (expenses)</b>	<b>(182,781)</b>	<b>10,718</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(851,800)</b>	<b>(590,567)</b>
<b>Net loss per share:</b>		
Basic and diluted loss per common share	<b>(0.01)</b>	<b>(0.01)</b>
Weighted average number of common shares outstanding		
- Basic and fully diluted	<b>115,182,383</b>	<b>115,182,383</b>

The accompanying notes are an integral part of these consolidated financial statements.

**BATERO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF**  
**CASH FLOWS**

(Expressed in Canadian dollars)

	For the year ended	
	August 31, 2021	August 31, 2020
	\$	\$
<b>Cash flows from:</b>		
<b>Operating activities</b>		
Net loss for the year	(851,800)	(590,567)
<b>Adjustment for items not affecting cash:</b>		
Depreciation	30,316	26,327
<b>Changes in non-cash working capital items:</b>		
Amounts receivables	(154)	1,012
Prepaid expenses and advances	32,220	(10,940)
Accounts payable and accrued liabilities	238,836	(38,451)
Cash flows from (used in) operating activities	<b>(550,582)</b>	<b>(612,619)</b>
<b>Investing activities</b>		
Additions to property and equipment	(460,232)	(305,581)
Additions to exploration assets	(2,072,689)	(1,468,385)
Cash flows from (used in) investing activities	<b>(2,532,921)</b>	<b>(1,773,966)</b>
Net increase (decrease) in cash	<b>(3,083,503)</b>	<b>(2,386,585)</b>
Cash, beginning of year	<b>5,148,574</b>	<b>7,535,159</b>
<b>Cash, end of year</b>	<b>2,065,071</b>	<b>5,148,574</b>

Balance check

The accompanying notes are an integral part of these consolidated financial statements.

**BATERO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian dollars)

	Share capital			Deficit	Shareholders' equity
	Number of shares	Amount	Equity reserve		
		\$	\$	\$	\$
<b>Balance at August 31, 2019 (Note 3.15)</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(28,169,652)</b>	<b>50,144,609</b>
Net loss and comprehensive loss for the year	-	-	-	(590,567)	(590,567)
<b>Balance at August 31, 2020</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(28,760,219)</b>	<b>49,554,042</b>
Net loss and comprehensive loss for the year	-	-	-	(851,800)	(851,800)
<b>Balance at August 31, 2021</b>	<b>115,182,383</b>	<b>66,327,048</b>	<b>11,987,213</b>	<b>(29,612,019)</b>	<b>48,702,242</b>

The accompanying notes are an integral part of these consolidated financial statements.

**BATERO GOLD CORP.**  
**NOTES TO THE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

**NOTE 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.

As at August 31, 2021, the Company had working capital of \$1,722,273 (August 31, 2020 - \$5,076,678) and a deficit of \$29,612,019 (August 31, 2020 - \$28,760,219). At present the Company has no producing properties and consequently has no current operating income or cash flow. There is material uncertainty about whether the Company will be able to obtain the required financing and complete or develop a business. This material uncertainty casts significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. These financial statements do not include any adjustments for the recoverability and classification of assets and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In mid-March 2020, federal, regional, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The Company continues to explore its properties in accordance with government guidelines.

The consolidated financial statements of the Company for the years ended August 31, 2021 and 2020, were reviewed, approved, and authorized by the Board of Directors on December 27, 2021.

**NOTE 2. BASIS OF PRESENTATION**

**Statement of Compliance**

These 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").

# **BATERO GOLD CORP.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

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

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bahia Bonita Properties S.A. (“Bahia”), a Panamanian 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 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 consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

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

The significant accounting policies of the Company are as follows:

#### **3.1 Critical Judgements and Sources of Estimation Uncertainty**

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 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 CONSOLIDATED FINANCIAL STATEMENTS**

### **AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

#### 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 of 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.

#### 3.2 Cash

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 August 31, 2021 and 2020, the Company did not have any cash equivalents.

#### 3.3 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.

#### 3.4 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.

#### 3.5 Exploration assets

Costs related to the acquisition, examination and evaluation of exploration assets are capitalized as incurred. General expenses related to evaluation and exploration that are not directly related to the asset are not capitalized and 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.

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.



# **BATERO GOLD CORP.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

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.

#### **3.6 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.

#### **3.7 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.

#### **3.8 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.

#### **3.9 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 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 August 31, 2021 and 2020, the Company does not have any environmental rehabilitation obligation.

**BATERO GOLD CORP.**  
**NOTES TO THE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

**3.10 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.

**3.11 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.

**3.12 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.

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.

# **BATERO GOLD CORP.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

#### 3.13 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.

#### 3.14 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.

##### 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.

# **BATERO GOLD CORP.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

#### 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).

#### 3.15 Changes in accounting policies

These consolidated financial statements have been prepared to reflect a retrospective application of a change in accounting policy relating to exploration assets. The new accounting policy was adopted voluntarily by the Company on September 1, 2019, and has been applied retrospectively.

The company believes that this accounting policy change results in financial statements providing more reliable and relevant information about the effects of transactions and other events or conditions on the entity's financial position, financial performance, or cash flows. As well as maintaining the same accounting policies for exploration assets both in the parent company and in its subsidiaries.

The previous accounting policy was to capitalize all costs related to acquisition of exploration assets as incurred. Costs related to the evaluation of exploration assets were expensed as incurred.

Subsequent to the accounting policy change, costs related to acquisition, examination and evaluation of exploration assets are capitalized as incurred. General expenses related to exploration assets that are not directly related to the asset are not capitalized but expensed as incurred.

## **NOTE 4. 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>
a. Cash and cash equivalents	FVTPL
b. Amounts receivables	Amortized Cost
b. Accounts payable and accrued liabilities	Amortized Cost

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

# **BATERO GOLD CORP.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars)

Level 3 - applies to assets or liabilities for which there are unobservable market data.

The carrying value of accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments. Pursuant to IFRS 7, the fair value of cash is measured on a recurring basis based on Level 1 inputs.

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

#### **4.1 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.

#### **4.2 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 August 31, 2021, the Company had cash of \$2,065,071 (August 31, 2020 – \$5,148,574) to settle current liabilities of \$372,782 (August 31, 2020 - \$133,946).

#### **4.3 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.

#### **4.4 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 August 31, 2021, the Company had a balance of cash on hand denominated in US funds of US\$1,443,906 and is of the view that the US dollar will appreciate vis-à-vis the Colombian peso, and the Canadian dollar; however, the Company has assumed a foreign exchange risk. Should the US dollar appreciate 10% vis-à-vis the Canadian dollar, the company would experience a net gain of approximately \$182,178. Should it depreciate 10% vis-à-vis the Canadian dollar, the company would experience a net loss of approximately \$182,178.

**BATERO GOLD CORP.**  
**NOTES TO THE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

(Expressed in Canadian dollars)

**4.5 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.

**NOTE 5. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Land</b>	<b>Mobile and field equipment</b>	<b>Buildings</b>	<b>Computer, hardware and software</b>	<b>Office furniture</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
As at August 31, 2019	1,776,340	174,718	619,650	290,976	152,664	3,014,348
Additions	298,401	-	-	7,180	-	305,581
As at August 31, 2020	2,074,741	174,718	619,650	298,156	152,664	3,319,929
Additions	406,443	15,315	-	34,882	3,592	460,232
<b>As at August 31, 2021</b>	<b>2,481,184</b>	<b>190,033</b>	<b>619,650</b>	<b>333,038</b>	<b>156,256</b>	<b>3,780,161</b>
<b>Accumulated depreciation</b>						
As at August 31, 2019	-	(124,139)	(153,038)	(286,890)	(122,289)	(686,356)
Additions	-	(11,055)	(1,436)	(4,883)	(8,953)	(26,327)
As at August 31, 2020	-	(135,194)	(154,474)	(291,773)	(131,242)	(712,683)
Additions	-	(7,893)	(1,322)	(15,641)	(5,460)	(30,316)
<b>As at August 31, 2021</b>	<b>-</b>	<b>(143,087)</b>	<b>(155,796)</b>	<b>(307,414)</b>	<b>(136,702)</b>	<b>(742,999)</b>
<b>Net book value</b>						
As at August 31, 2020	2,074,741	39,524	465,176	6,383	21,422	2,607,246
<b>As at August 31, 2021</b>	<b>2,481,184</b>	<b>46,946</b>	<b>463,854</b>	<b>25,624</b>	<b>19,554</b>	<b>3,037,162</b>

**NOTE 6. EXPLORATION ASSETS**

The Batero-Quinchia property comprises three concession contracts and two applications for concession contracts 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.

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Additions to the Batero-Quinchia Property during the years ended August 31, 2021 and 2020, are as follows:

	August 31, 2021 \$	August 31, 2020 \$
<b>Opening balance</b>	<b>\$ 41,870,118</b>	<b>\$ 40,401,733</b>
Exploration costs		
Camp supplies	110,774	95,119
Salaries and wages	403,149	355,262
Field workers	42,608	24,569
Foreign corporate taxes	139,391	87,938
Metallurgy	329,775	88,310
Consulting and professional fees	246,403	86,670
Drilling	34,951	249,831
Security	53,204	62,641
Social and environmental	600,715	358,469
Telephone and communications	251	-
Topography	31,609	-
Travel	64,259	35,783
Acquisition costs		
Concession fees	15,600	23,793
<b>Total exploration and acquisition costs</b>	<b>\$ 2,072,689</b>	<b>\$ 1,468,385</b>
<b>Ending balance</b>	<b>\$ 43,942,807</b>	<b>\$ 41,870,118</b>

**NOTE 7. SHARE CAPITAL**

Authorized: Unlimited common shares without par value.

Unlimited preferred shares without par value

There was no activity affecting share capital during the years ended August 31, 2021 and 2020.

**NOTE 8. 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.

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Stock option activity during the year ended August 31, 2021, were as follows:

	Number of options #	Weighted average exercise price \$
Balance - August 31, 2019	9,000,000	0.20
Expired	(900,000)	0.20
Balance - August 31, 2020	8,100,000	0.20
Expired	(6,600,000)	0.20
<b>Balance - August 31, 2021</b>	<b>1,500,000</b>	<b>0.20</b>

The remaining stock options expire August 15, 2022.

**NOTE 9. INCOME TAXES**

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

	August 31,	
	2021	2020
	\$	\$
<b>Statutory tax rates</b>	<b>26.50 %</b>	<b>26.50 %</b>
Income tax recovery computed at the statutory rates	\$ (225,700)	\$ (156,500)
Tax rate differences	(27,100)	(18,700)
Benefit of tax losses not recognized	252,800	175,200
<b>Provision for (recovery of) income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

The enacted tax rates in Canada of 26.5% (26.5% - 2020) and Colombia of 31% (32% - 2020) where the company operates are applied in the tax provision calculation.

The following table reflects the Company's deferred income tax assets (liabilities) that have not been recognized in the consolidated financial statements:

	August 31,	
	2021	2020
	\$	\$
Property and equipment	\$ (464,000)	\$ (365,900)
Non-capital losses carried forward	4,406,400	4,417,400
Mineral property costs	2,046,900	2,046,900
	<b>\$ 5,989,300</b>	<b>\$ 6,098,400</b>

As at August 31, 2021, the Company has Colombian non-capital losses of \$4,486,000 CAD (2020 - \$4,430,000) that have not been recognized and may be carried forward and applied against Colombian taxable income of future years. The non-capital loss may be carried forward indefinitely.



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As at August 31, 2021, the Company has Canadian non-capital losses of \$11,380,000 CAD (2020 - \$11,318,000) that have not been recognized and may be carried forward and applied against Canadian taxable income of future years. The non-capital losses have expiry dates as follows:

	\$
2029	35,000
2030	573,000
2031	1,993,000
2032	2,647,000
2033	2,162,000
2034	1,016,000
2035	820,000
2036	1,516,000
2037	252,000
2038	54,000
2039	-
2040	62,000
2041	250,000
<b>Total</b>	<b>11,380,000</b>

**NOTE 10. RELATED PARTY DISCLOSURES**

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 years ended August 31, 2021 and 2020, the Company paid or accrued amounts due to Antioquia Gold Ltd., a company with key management personnel common to Batero, for back office services. Antioquia Gold Ltd. was paid \$123,795 (August 31, 2020 - \$147,680). Batero shares office space with Antioquia Gold Ltd. and the payments made to it were primarily for shared office costs.

During the year ended August 31, 2021, the Company paid to Cori Puno SAC the amount of \$10,090.

Accounts payable and accrued liabilities as at August 31, 2021, is \$nil (August 31, 2020 - \$26,326) owing to related parties.

**NOTE 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, as at August 31, 2021, all non-current assets in the amount of \$46,979,969 (August 31, 2020 - \$44,477,364) were held in Colombia.