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**TEMBO GOLD CORP.**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020

*(Expressed in Canadian Dollars)*

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## Independent Auditor's Report

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**Grant Thornton LLP**  
11th Floor  
200 King Street West, Box 11  
Toronto, ON  
M5H 3T4  
T +1 416 366 0100  
F +1 416 360 4949

To the Shareholders of  
**Tembo Gold Corp.**

### Opinion

We have audited the consolidated financial statements of Tembo Gold Corp. (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of Tembo Gold Corporation as at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Material Uncertainty Related to Going Concern**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Corporation has not yet achieved profitable production and has accumulated losses of \$56,548,673 as at December 31, 2021. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ingrid Holbik.

*Grant Thornton LLP*

Toronto, Canada  
May 2, 2022

Chartered Professional Accountants  
Licensed Public Accountants

**TEMBO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian Dollars)*

	Note	December 31, 2021 \$	December 31, 2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		650,480	47,175
GST receivable		30,019	14,378
Prepaid expenses		<u>22,024</u>	<u>135,009</u>
<b>Total current assets</b>		<u>702,523</u>	<u>196,562</u>
<b>Non-current assets</b>			
Plant and equipment	5	159,576	185,781
Exploration and evaluation assets	6	<u>6,722,872</u>	<u>6,361,872</u>
<b>Total non-current assets</b>		<u>6,882,448</u>	<u>6,547,653</u>
<b>TOTAL ASSETS</b>		<u>7,584,971</u>	<u>6,744,215</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	519,611	486,392
Advances payable	7	<u>44,000</u>	<u>77,418</u>
<b>TOTAL LIABILITIES</b>		<u>563,611</u>	<u>563,810</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	42,251,621	39,920,141
Share-based payments reserve		15,580,002	15,116,248
Foreign currency translation reserve		5,738,410	5,789,435
Deficit		<u>(56,548,673)</u>	<u>(54,645,419)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>7,021,360</u>	<u>6,180,405</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>7,584,971</u>	<u>6,744,215</u>

**Nature of Operations and Going Concern** - See Note 1

**Events after the Reporting Date** - See Note 14

These consolidated financial statements were approved for issue by the Board of Directors on May 2, 2022 and are signed on its behalf by:

/s/ David Scott  
David Scott  
Director

/s/ Simon Benstead  
Simon Benstead  
Director

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

**TEMBO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
*(Expressed in Canadian Dollars)*

	Note	Year Ended December 31	
		2021 \$	2020 \$
<b>Expenses</b>			
Accounting and administration		36,000	33,900
Audit		41,055	40,654
Corporate development, investor relations and advisory		362,714	31,500
Depreciation	5	25,134	26,888
Executive management compensation	9(a)	399,362	266,593
Legal		188,085	51,076
Office		4,139	6,759
Professional fees		176,750	146,344
Regulatory		15,685	22,834
Rent	9(c)	42,726	41,845
Share-based compensation	8(d)	520,587	1,122,300
Shareholder costs		7,504	5,651
Transfer agent		10,178	13,448
Website design and maintenance		80,343	-
		<u>1,910,262</u>	<u>1,809,792</u>
<b>Loss before other items</b>		(1,910,262)	(1,809,792)
<b>Other items</b>			
Foreign exchange		7,008	(92,799)
Recovery of costs	4, 9(c)	<u>-</u>	<u>1,900,864</u>
		<u>7,008</u>	<u>1,808,065</u>
<b>Net loss for the year</b>		(1,903,254)	(1,727)
<b>Other comprehensive loss</b>			
Change in currency translation of foreign subsidiary		<u>(51,025)</u>	<u>(195,906)</u>
<b>Comprehensive loss for the year</b>		<u>(1,954,279)</u>	<u>(197,633)</u>
<b>Basic and diluted loss per common share</b>		<u>\$(0.02)</u>	<u>\$(0.00)</u>
<b>Weighted average number of common shares outstanding</b>		<u>86,219,911</u>	<u>69,304,778</u>

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

**TEMBO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
*(Expressed in Canadian Dollars)*

<b>Year Ended December 31, 2021</b>						
	<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Deficit \$</b>	<b>Total Shareholders' Equity \$</b>
	<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at December 31, 2020</b>	79,490,884	39,920,141	15,116,248	5,789,435	(54,645,419)	6,180,405
Common shares issued for:						
- private placement	14,810,031	2,221,505	-	-	-	2,221,505
- finder's fees	500,000	75,000	-	-	-	75,000
- share options	366,666	65,000	-	-	-	65,000
Share issue costs	-	(86,858)	-	-	-	(86,858)
Share-based compensation	-	-	520,587	-	-	520,587
Transfer on exercise of share options	-	56,833	(56,833)	-	-	-
Currency translation adjustment	-	-	-	(51,025)	-	(51,025)
Net loss for the year	-	-	-	-	(1,903,254)	(1,903,254)
<b>Balance at December 31, 2021</b>	<b>95,167,581</b>	<b>42,251,621</b>	<b>15,580,002</b>	<b>5,738,410</b>	<b>(56,548,673)</b>	<b>7,021,360</b>

<b>Year Ended December 31, 2020</b>						
	<b>Share Capital</b>		<b>Share-Based Payments Reserve \$</b>	<b>Foreign Currency Translation Reserve \$</b>	<b>Deficit \$</b>	<b>Total Shareholders' Equity \$</b>
	<b>Number of Shares</b>	<b>Amount \$</b>				
<b>Balance at December 31, 2019</b>	59,257,549	38,041,151	13,993,948	5,985,341	(54,643,692)	3,376,748
Common shares issued for:						
- private placement	19,966,668	1,915,000	-	-	-	1,915,000
- finder's fees	266,667	20,000	-	-	-	20,000
Share issue costs	-	(56,010)	-	-	-	(56,010)
Share-based compensation	-	-	1,122,300	-	-	1,122,300
Currency translation adjustment	-	-	-	(195,906)	-	(195,906)
Net loss for the year	-	-	-	-	(1,727)	(1,727)
<b>Balance at December 31, 2020</b>	<b>79,490,884</b>	<b>39,920,141</b>	<b>15,116,248</b>	<b>5,789,435</b>	<b>(54,645,419)</b>	<b>6,180,405</b>

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

**TEMBO GOLD CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian Dollars)*

	<b>Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the year	(1,903,254)	(1,727)
Adjustments for:		
Depreciation	25,134	26,888
Share-based compensation	520,587	1,122,300
Recovery of costs	-	(1,900,864)
Changes in non-cash working capital items:		
GST receivable	(15,641)	(11,984)
Prepaid expenses and deposits	113,014	(126,039)
Accounts payable and accrued liabilities	<u>(232,646)</u>	<u>(653,780)</u>
<b>Net cash used in operating activities</b>	<u>(1,492,806)</u>	<u>(1,545,206)</u>
<b>Investing activity</b>		
Expenditures on exploration and evaluation assets	<u>(142,375)</u>	<u>(225,171)</u>
<b>Net cash used in investing activity</b>	<u>(142,375)</u>	<u>(225,171)</u>
<b>Financing activities</b>		
Issuance of common shares	2,255,505	1,830,000
Share issue costs	(11,858)	(16,010)
Advances received	47,118	72,362
Repayment of advances	<u>(49,536)</u>	<u>(73,128)</u>
<b>Net cash provided by financing activities</b>	<u>2,241,229</u>	<u>1,813,224</u>
<b>Effect of exchange rate changes on cash</b>	<u>(2,743)</u>	<u>740</u>
<b>Net change in cash</b>	603,305	43,587
<b>Cash at beginning of year</b>	<u>47,175</u>	<u>3,588</u>
<b>Cash at end of year</b>	<u>650,480</u>	<u>47,175</u>

**Supplemental cash flow information** - See Note 12

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



**TEMBO GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Expressed in Canadian Dollars)*

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**1. Nature of Operations and Going Concern**

Tembo Gold Corp. (the “Company”) is a public company incorporated on March 3, 1937 pursuant to the laws of the Province of Ontario, Canada. The Company is a publicly listed company with its common shares listed on the TSX Venture Exchange (“TSXV”) under the symbol “TEM”.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties located in Tanzania. On the basis of information to date, the Company 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. Exploration and evaluation assets represent costs incurred to date, less amounts depreciated and/or written off, and do not necessarily represent present or future values.

The Company’s material mineral properties are located in Tanzania and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

These consolidated financial statements have been prepared on a going concern basis. As at December 31, 2021 the Company had working capital of \$138,912 and an accumulated deficit of \$56,548,673. The Company has not yet produced any revenues from its mineral interests and further funds will be required to fund existing levels of overhead and planned exploration expenditures over the course of the next twelve months. The Company will need to raise additional capital from the sale of common shares or other equity or debt instruments. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations or obtain financing at unfavourable terms. The material uncertainty may cast significant doubt about the Company’s ability to continue as a going concern. Furthermore, failure to continue as a going concern would require the Company’s assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

On April 22, 2022 the Company completed the disposition of its non-core prospecting licences for gross proceeds of US \$6,000,000 and conducted a private placement of its common shares for \$1,500,000, as described in Notes 6 and 14.

The recent spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has been monitoring the COVID-19 outbreak and the potential impact at all of its operations and has put measures in place to ensure the wellness of all of its employees and surrounding communities where the Company works while continuing to operate. Fieldwork had been halted on the Tembo Project and all corporate personnel travel had been restricted to absolute minimum requirements and employees encouraged to work remotely. In October 2021 the Company determined to recommence field and exploration activities on the Tembo Project.

With respect to the Company’s operations or work locations in Tanzania, the Company has implemented the typical control measures for dealing with the outbreak of COVID-19. These include self-screening for symptoms and travel history with possible COVID-19 exposure of any employees, visitors and contractors (site personnel) prior to any travel to or from a site and isolation, where necessary, from the general site population. These cautions and precautions rely on voluntary information and voluntary compliance of those working directly or indirectly for the Company. The Company expects that procedures will continue to evolve according to the World Health Organization and Center for Disease Control guidelines as more becomes known about the virus.

**TEMBO GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Expressed in Canadian Dollars)*

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**2. Basis of Preparation**

***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”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

***Basis of Measurement***

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

***Details of the Group***

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases.

As at December 31, 2021 the subsidiaries of the Company are:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Tembo Gold (T) Ltd.	Tanzania	100%
Mineral Industry Promotion & Consulting Company Ltd.	Tanzania	100%

**3. Significant Accounting Policies**

***Critical Judgments and Sources of Estimation Uncertainty***

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical Judgments***

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of a subsidiary’s functional currency often requires significant judgment when the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

**TEMBO GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Expressed in Canadian Dollars)*

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**3. Significant Accounting Policies** (continued)

- (ii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iii) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 10.

*Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.
- (ii) The calculation of share-based compensation requires estimates of volatility, interest rates, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share-based compensation reserve.
- (iii) The assessment of any impairment of plant and equipment and exploration and evaluation assets is dependent upon estimates of the recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets. In fiscal 2021 and 2020 management concluded there were no impairment indicators and no impairment charge was required.

*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. As at December 31, 2021 and 2020 the Company did not have any cash equivalents.

*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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as amortized cost initially at fair value and subsequently measured at amortized cost using the effective interest method.

**TEMBO GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
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**3. Significant Accounting Policies (continued)**

***Exploration and Evaluation Assets***

Pre-exploration costs incurred prior to acquiring the legal rights to explore are expensed in the period in which they are incurred. Subsequent to obtaining the legal right to explore, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations.

***Plant and Equipment***

Plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Plant and equipment are depreciated annually on a straight-line basis over the estimated useful lives of the assets with annual rates from 5% to 25%.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

**TEMBO GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Expressed in Canadian Dollars)*

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**3. Significant Accounting Policies** (continued)

***Impairment of Non-financial Assets***

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

***Decommissioning Provision***

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2021 and 2020 the Company does not have any decommissioning obligations.

***Financial Instruments***

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

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**3. Significant Accounting Policies** (continued)

Under the expected credit loss (“ECL”) model, the measurement options are lifetime expected credit losses and 12 month expected credit losses. The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experiences adjusted for forward-looking factors specific to the debtors and to the economic environment to estimate lifetime ECL.

***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

***Share-Based Payment Transactions***

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

***Current and Deferred Income Taxes***

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the income tax is also recognized in other comprehensive loss or directly in equity, respectively.

***Current Income Tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

***Deferred Income Tax***

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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**3. Significant Accounting Policies** (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

***Loss Per Share***

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

***Foreign Currency Translation***

***Functional and Presentation Currency***

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent Company. The functional currency of the Company’s Tanzanian subsidiaries is US dollars.

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Company’s financial statements, all assets, liabilities and transactions of the Company’s entities with a functional currency other than the Canadian dollars are translated into Canadian dollars upon consolidation. The functional currency of the entities in the Company have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

***Accounting Standards and Interpretations Issued but Not Yet Effective***

***Classification of Liabilities as Current or Non-Current*** (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- (i) clarify that the classification of liabilities as current or non-current should only be based on rights that are in place “at the end of the reporting period”;

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**3. Significant Accounting Policies** (continued)

- (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- (iii) make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. There is currently a proposal outstanding that would defer the effective date until January 1, 2023.

*Provisions, Contingent Liabilities and Contingent Assets* (Amendment to IAS 37)

The IASB has published *Onerous Contracts - Cost of Fulfilling a Contract* (Amendments to IAS 37) which clarifies the guidance regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments:

- (i) specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”; and
- (ii) clarify that costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

This amendment is effective for annual periods beginning on or after January 1, 2022. The Company is assessing the impact the amendments will have on current practice.

**4. Forgiveness**

During fiscal 2020 the Company reviewed its accounts payable and accrued liabilities and negotiated settlement of certain of the amounts arising from past compensation and salaries accrued to management of the Company. The Company reached agreements with its President and an employee of the Company for the forgiveness of \$1,090,700 and \$710,512, respectively, for a total \$1,801,212, which has been recognized as a recovery of costs in the consolidated statements of comprehensive loss.

**5. Plant and Equipment**

<b>Cost:</b>	<b>Exploration Equipment and Camp Facility \$</b>	<b>Vehicles \$</b>	<b>Total \$</b>
Balance at December 31, 2019	471,682	30,007	501,689
Foreign exchange movement	<u>(11,811)</u>	<u>(751)</u>	<u>(12,562)</u>
Balance at December 31, 2020	459,871	29,256	489,127
Foreign exchange movement	<u>(1,951)</u>	<u>(124)</u>	<u>(2,075)</u>
Balance at December 31, 2021	<u>457,920</u>	<u>29,132</u>	<u>487,052</u>



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**5. Plant and Equipment (continued)**

	<b>Exploration Equipment and Camp Facility \$</b>	<b>Vehicles \$</b>	<b>Total \$</b>
<b>Accumulated Depreciation:</b>			
Balance at December 31, 2019	(267,667)	(17,289)	(284,956)
Depreciation	(20,357)	(6,531)	(26,888)
Foreign exchange movement	7,734	764	8,498
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at December 31, 2020	(280,290)	(23,056)	(303,346)
Depreciation	(19,028)	(6,106)	(25,134)
Foreign exchange movement	974	30	1,004
	<u>          </u>	<u>          </u>	<u>          </u>
Balance at December 31, 2021	<u>(298,344)</u>	<u>(29,132)</u>	<u>(327,476)</u>
<b>Carrying Value:</b>			
Balance at December 31, 2020	<u>179,581</u>	<u>6,200</u>	<u>185,781</u>
Balance at December 31, 2021	<u>159,576</u>	<u>-</u>	<u>159,576</u>

**6. Exploration and Evaluation Assets**

	<b>Total \$</b>
<b>Balance at December 31, 2019</b>	<u>6,060,739</u>
<b>Exploration costs</b>	
Geological	165,776
Technical services	56,026
	<u>221,802</u>
<b>Acquisition costs</b>	
Property / concession payments	217,710
<b>Foreign exchange movement</b>	<u>(138,379)</u>
<b>Balance at December 31, 2020</b>	<u>6,361,872</u>
<b>Exploration costs</b>	
Geological	134,609
Technical services	202,737
	<u>337,346</u>
<b>Acquisition costs</b>	
Property / concession payments	74,643
<b>Foreign exchange movement</b>	<u>(50,989)</u>
<b>Balance at December 31, 2021</b>	<u>6,722,872</u>

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**6. Exploration and Evaluation Assets (continued)**

***Tembo Project***

The Tembo Project consists of seven prospecting licences located in northwest Tanzania.

On December 7, 2021 the Company and Barrick Gold Corporation (“Barrick”) entered into an asset purchase agreement whereby the Company has agreed to sell to Barrick six of its non-core prospecting licences (the “Non-core Licences”) in the Tembo Gold Project for an agreed amount of US \$6,000,000 (the “Sale Transaction”). Concurrent with the Sale Transaction, Barrick also agreed to subscribe for the issuance of 5,518,764 common shares of the Company (the “Barrick Private Placement”) for cash proceeds of \$1,500,000.

Barrick has also agreed to conduct minimum exploration expenditures totalling US \$9,000,000 (the “Expenditure Commitment”) on the Non-core Licences, as follows:

Date	US \$
First year after closing	1,000,000
Second year after closing	2,000,000
Third year after closing	3,000,000
Fourth year after closing	<u>3,000,000</u>
	<u>9,000,000</u>

Any underfunded exploration work commitment may be made up in the following years. In the event that the Expenditure Commitment is not funded by the end of the fourth year after closing, then Barrick must pay the Company the deficiency.

Barrick has also agreed to pay the Company contingent payments, calculated based on the inferred, indicated and measured gold mineral resources (“Mineral Resources”) identified on the Non-core Licences, as follows:

- (i) US \$20 per ounce for the initial 1,000,000 ounces of Mineral Resources;
- (ii) US \$10 per ounce for the second 1,000,000 ounces of Mineral Resources; and
- (iii) US \$5 per ounce for the remaining ounces of Mineral Resources,

for a total maximum aggregate of US \$45,000,000.

See also Note 14.

**7. Advances Payable**

	\$
Balance December 31, 2019	144,000
Advances received	71,546
Repayment of advances	<u>(138,128)</u>
Balance December 31, 2020	77,418
Advances received	47,118
Repayment of advances	(49,536)
Advances settled	<u>(31,000)</u>
Balance December 31, 2021	<u>44,000</u>

The Company has received ongoing advances from directors and shareholders of the Company. Through December 31, 2019 the advances bore interest. Effective January 1, 2020 the advances ceased to bear interest and, accordingly, the advances are now non-interest bearing and due on demand. As at December 31, 2021 accrued interest of \$13,054 (2020 - \$13,054) from past interest charges remained outstanding and has been included in accounts payable and accrued liabilities.

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**7. Advances Payable (continued)**

During fiscal 2021 advances payable in the amount of \$31,000 were settled through the issuance of 206,667 common shares issued in respect of the private placement as noted in Note 8(b).

**8. Share Capital**

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares. All issued common shares are fully paid.

(b) ***Reconciliation of Changes in Share Capital***

*Fiscal 2021*

During fiscal 2021 the Company completed a non-brokered private placement financing and issued 14,810,031 common shares at \$0.15 per share for \$2,221,505. Directors and officers of the Company and private corporations controlled by certain directors participated in this private placement and purchased a total of 1,753,315 common shares for \$262,997. The Company also issued 500,000 common shares for finder's fees at a value of \$75,000 on a portion of the private placement.

The Company incurred a total of \$11,858 for filing and other costs associated with the financing.

*Fiscal 2020*

On May 14, 2020 the Company closed the first tranche of a non-brokered private placement financing and issued 6,286,668 common shares at \$0.075 per share, for \$471,500. On July 20, 2020 the Company closed the remaining tranche of the private placement and issued 8,380,000 common shares for \$628,500. Directors and officers of the Company participated in this private placement and purchased a total of 7,213,334 common shares for \$541,000. The Company issued 266,667 common shares for finder's fees at a value of \$20,000 on a portion of the private placement.

On August 6, 2020 the Company completed a non-brokered private placement and issued 5,300,000 common shares, at a price of \$0.15 per share, for \$795,000. Directors and officers of the Company participated in this private placement and purchased a total of 1,333,334 common shares for gross proceeds of \$200,000.

The Company incurred a total of \$36,010 for filing and other costs associated with these financings.

(c) ***Share Option Plan***

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During fiscal 2021 the Company granted share options to purchase a total of 3,589,000 (2020 - 6,235,000) common shares at prices ranging from \$0.15 to \$0.185 per share (2020 - \$0.15 and \$0.20 per share) and recorded compensation expense of \$520,587 (2020 - \$1,122,300).

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**8. Share Capital**

The fair value of share options granted and vested during fiscal 2021 and 2020 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2021</u>	<u>2020</u>
Risk-free interest rate	0.28% - 1.05%	0.27%
Estimated volatility	151% - 171%	177%
Expected life	2.67 years - 3 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during fiscal 2021 was \$0.15 (2020 - \$0.18) per share option.

A summary of the Company's share options at December 31, 2021 and 2020 and the changes for the years ended on those dates, is as follows:

	<u>2021</u>		<u>2020</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	6,235,000	0.16	-	-
Granted	3,589,000	0.17	6,235,000	0.16
Exercised	(366,666)	0.18	-	-
Cancelled/Expired	(500,000)	0.17	-	-
Balance, end of year	<u>8,957,334</u>	0.19	<u>6,235,000</u>	0.16

The following table summarizes information about the share options outstanding and exercisable at December 31, 2021:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
5,150,000	5,150,000	0.15	July 27, 2023
885,000	885,000	0.20	July 27, 2023
1,550,334	1,350,334	0.15	August 27, 2024
<u>1,372,000</u>	<u>1,372,000</u>	0.185	September 1, 2024
<u>8,957,334</u>	<u>8,757,334</u>		

(d) See also Note 14.

**9. Related Party Disclosures**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period. Transactions made with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**9. Related Party Disclosures** (continued)

*Transactions with Key Management Personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and executive officers.

- (a) During fiscal 2021 the Company incurred \$520,394 (2020 - \$284,093) for executive management compensation. Of this amount \$121,032 (2020 - \$nil) has been capitalized to exploration and evaluation assets based on the nature of the expenditures, \$nil (2020 - \$17,500) was expensed to professional fees and \$399,362 (2020 - \$266,593) has been expensed to executive management compensation. As at December 31, 2021 \$192,737 (2020 - \$nil) remained unpaid and has been included in accounts payable and accrued liabilities.
- (b) During fiscal 2021 the Company recorded \$219,520 (2020 - \$963,000) for share-based compensation on share options granted to officers and directors of the Company.
- (c) The Company had a rental agreement with an arms-length party (the "Landlord") for housing accommodation in Tanzania provided to the President of the Company. The housing arrangement was terminated on July 31, 2021 and, commencing August 1, 2021, the Company provided the President with a monthly housing allowance of US \$2,500. During fiscal 2021 the Company paid or accrued \$15,985 to the Landlord and \$15,671 to the President for housing allowance. The value of the housing accommodation provided for fiscal 2020 was \$41,845. During fiscal 2020 the Company paid US \$30,000 to the Landlord and a further US \$12,000 was paid by the Company's President to the Landlord to settle all unpaid and outstanding rent as at April 30, 2020. Accordingly \$99,652 was recognized as a recovery of costs in the consolidated statements of comprehensive loss in fiscal 2020. The US \$12,000 payment by the Company's President was included in advances payable.
- (d) During fiscal 2021 the Company incurred \$36,000 (2020 - \$33,900) for accounting and administration services provided by a private corporation owned by the Corporate Secretary of the Company. As at December 31, 2021 \$6,000 (2020 - \$4,277) remained unpaid and has been included in accounts payable and accrued liabilities.
- (e) See also Notes 4, 7 and 8(b).

**10. Income Taxes**

The Company's provision for income taxes differs from the amounts computed by applying the basic current rate of 27% (2020 - 27%) to the loss for the year before taxes as shown in the following table at December 31:

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Income (loss) before taxes	<u>(1,903,254)</u>	<u>(1,727)</u>
Expected income tax benefit based on statutory rate	(513,879)	(466)
Tax value of benefits previous unrecognized	-	(253,379)
Effect of higher tax rate in foreign jurisdiction	(7,434)	(40,360)
True up of prior year balances	(351,906)	(189,748)
Increase in unrecognized portion of deferred tax assets	<u>873,219</u>	<u>483,953</u>
<b>Income tax benefit recorded</b>	<u>-</u>	<u>-</u>

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**10. Income Taxes (continued)**

The following temporary differences and non-capital losses have not been recognized in the consolidated financial statements:

	2021 \$	2020 \$
Non-capital losses carried forward	4,176,961	11,979,892
Exploration and evaluation assets	425,791	425,791
Other	<u>27,086</u>	<u>315,380</u>
<b>Total deductible temporary differences</b>	<b><u>4,629,838</u></b>	<b><u>12,721,064</u></b>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company has non-capital losses in Canada of approximately \$15,201,110 (2020 - \$12,621,000) which expire through 2026-2041. The benefit of these losses has not been recognized for financial statements purposes. During fiscal 2021 the Company paid \$nil (2020 - \$nil) in respect of income taxes.

**11. Financial Instruments and Risk Management**

*Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; and FVOCI. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2021 \$	December 31, 2020 \$
Cash	Amortized cost	650,480	47,175
Accounts payable and accrued liabilities	Amortized cost	(519,611)	(486,392)
Advances payable	Amortized cost	(44,000)	(77,418)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities and time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, accounts payable and accrued liabilities and advances payable approximate their fair value due to their short-term nature.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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**11. Financial Instruments and Risk Management (continued)**

*Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Management believes that the potential loss related to the credit risk included in cash is remote.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. There is no interest rate risk associated with the advances payable as they are non-interest bearing. The interest rate risk on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's significant subsidiaries are located in Tanzania and have considered the US Dollar as their functional currency. The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At December 31, 2021, 1 Canadian Dollar was equal to 0.79 US Dollar (2020 - 0.78 US Dollar).

Balances are as follows:

	December 31, 2021		December 31, 2020	
	US \$	CDN \$ Equivalent	US \$	CDN \$ Equivalent
Cash	311,150	393,861	507	642
Accounts payable	(194,142)	(245,749)	(312,664)	(395,777)
Advances payable	-	-	(12,000)	(15,190)
	<u>117,008</u>	<u>148,112</u>	<u>(324,157)</u>	<u>(410,325)</u>

Based on the net exposures as of December 31, 2021 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net income or loss being approximately \$15,000 (2020 - \$44,000) higher (or lower).

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**11. Financial Instruments and Risk Management (continued)**

*Capital Management*

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. 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 Company defines capital that it manages as share capital, cash and cash equivalents. As at December 31, 2021 total amount of capital was \$42,902,101 (2020 - \$39,967,316). The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic 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.

**12. Supplemental Cash Flow Information**

During fiscal 2021 and 2020 non-cash activities were conducted by the Company as follows:

	2021 \$	2020 \$
Operating activity		
Accounts payable and accrued liabilities	<u>269,614</u>	<u>-</u>
Investing activity		
Exploration and evaluation assets	<u>(269,614)</u>	<u>-</u>
Financing activities		
Issuance of common shares	106,000	85,000
Share issue costs	(75,000)	(20,000)
Advances settled	<u>(31,000)</u>	<u>(65,000)</u>
	<u>                    </u>	<u>                    </u>

**13. Segmented Information**

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Tanzania and its corporate assets are located in Canada.

The Company's total assets are segmented geographically as follows:

	<u>As at December 31, 2021</u>		
	Canada \$	Tanzania \$	Total \$
Current assets	689,569	12,954	702,523
Plant and equipment	-	159,576	159,576
Exploration and evaluation assets	<u>-</u>	<u>6,722,872</u>	<u>6,722,872</u>
	<u>689,569</u>	<u>6,895,402</u>	<u>7,584,971</u>



**TEMBO GOLD CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Expressed in Canadian Dollars)*

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**13. Segmented Information** (continued)

	<u>As at December 31, 2020</u>		
	<u>Canada</u>	<u>Tanzania</u>	<u>Total</u>
	\$	\$	\$
Current assets	188,859	7,703	196,562
Plant and equipment	-	185,781	185,781
Exploration and evaluation assets	-	<u>6,361,872</u>	<u>6,361,872</u>
	<u>188,859</u>	<u>6,555,356</u>	<u>6,744,215</u>

**14. Events after the Reporting Date**

On April 22, 2022 the Company closed on the Sale Transaction and received gross proceeds of US \$6,000,000. The Company also completed the Barrick Private Placement and issued 5,518,764 common shares of the Company to Barrick for \$1,500,000 cash.

The Company paid a \$300,000 financial advisory fee for services rendered and assistance provided associated with the Sale Transaction.