



STELLAR AFRICAGOLD INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED JANUARY 31, 2019 and 2018
(Expressed in Canadian Dollars)

Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its independent auditor has not reviewed the unaudited Condensed Interim Consolidated Financial Statements for the period ended January 31, 2019 and 2018. The accompanying unaudited condensed interim consolidated financial statements of Stellar AfricaGold Inc., for the periods ended January 31, 2019 and 2018, have been prepared by and are the responsibility of the Company's management.

STELLAR AFRICAGOLD INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
PREPARED BY MANAGEMENT WITHOUT AUDIT

	As at January 31, 2019	As at July 31, 2018
ASSETS		
Current		
Cash and cash equivalents	\$ 11,398	\$ 120,681
Due from Mosaic Minerals Corp	5,250	-
Sales taxes receivable	20,744	19,066
Prepaid expenses	-	-
Total Current Assets	37,392	139,747
Non-current		
Mosaic Minerals Corp marketable securities (Note 6)	360,000	-
Property and equipment (Note 7)	301,235	302,385
Reclamation deposit	7,500	7,500
Total Assets	\$ 706,127	\$ 449,632
LIABILITIES		
Current Liabilities		
Trade and other payables (Note 14)	\$ 195,895	\$ 89,712
Payable to related parties	1,115,384	819,550
Part XII.6 taxes (Note 17)	55,950	55,950
Total Current Liabilities	1,367,229	965,212
Convertible debentures (Note 8)	133,498	127,497
Loans payable (Note 9)	585,198	558,198
Total Liabilities	2,085,925	1,650,907
Deficiency		
Share Capital (Note 10)	\$ 18,863,205	\$ 18,863,205
Commitment to issue shares	-	-
Warrants (Note 10)	70,917	70,917
Contributed surplus	4,015,895	4,015,895
Accumulated other comprehensive income	-	-
Deficit	(24,329,815)	(24,151,292)
Total Deficiency	(1,379,798)	(1,201,275)
Total Liabilities and Deficiency	\$ 706,127	\$ 449,632

These financial statements were approved and authorized for issue by the Board of Directors on March 29, 2019. They are signed on the Company's behalf by:

John Cumming
Director

J. Francois Lalonde
Director

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

STELLAR AFRICAGOLD INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018

(Expressed in Canadian Dollars)

PREPARED BY MANAGEMENT WITHOUT AUDIT

	For the three-month period ended January 31,		For the six-month period ended January 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Expenses				
Exploration and evaluation expenditures	57,374	282,937	187,809	380,316
Amortization of non-financial assets	418	72	1,150	144
Consultant fees	21,622	22,941	21,622	22,941
Management fee	62,500	62,500	125,000	125,000
Professional fees	22,350	6,934	22,350	21,934
Project supervision	30,000	30,000	60,000	60,000
Other operational expenses	(2,948)	(6,845)	10,254	6,509
Travel	-	37,905	-	37,905
Registration and shareholders information	2,107	6,830	4,723	14,761
Foreign exchange loss (gain)	11,094	(1,608)	30,500	21,912
Interest on related party loans	27,069	-	45,115	-
Interest on loans payable	12,000	10,167	24,000	10,167
Debenture interest	3,000	2,750	6,000	5,500
Operating loss	(246,586)	(454,583)	(538,523)	(707,089)
Finance income	-	-	-	-
Sale of Opawica property	360,000	-	360,000	-
Gain on debt settlement	-	-	-	-
Loss before income tax	113,414	(454,583)	(178,523)	(707,089)
Income tax	8,781	17,861	19,736	26,792
Deferred income tax	(8,781)	(17,861)	(19,736)	(26,792)
Net comprehensive loss for the period	113,414	(454,583)	(178,523)	(707,089)
Basic and diluted loss per share	0.002	(0.008)	(0.003)	(0.012)
Weighted average number of shares outstanding	63,922,117	57,582,117	63,922,117	57,512,784

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

STELLAR AFRICAGOLD INC.

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

FOR THE SIX MONTHS ENDED JANUARY 31, 2019

(Expressed in Canadian Dollars)

	SHARE CAPITAL		COMMITMENT TO ISSUE SHARES	WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE LOSS	DEFICIT	TOTAL DEFICIENCY
	SHARES	AMOUNT						
Balance, July 31, 2016	31,564,050	17,744,173	170,000	77,252	3,334,155	-	(21,916,464)	(590,884)
Issuance of common shares	18,195,000	611,711	(25,500)	298,039	-	-	-	884,250
Issuance of flow-through shares	6,715,000	203,384	(144,500)	132,366	-	-	-	191,250
Shares issued for mineral properties	750,000	37,500	-	-	-	-	-	37,500
Share issuance costs	-	(70,466)	-	-	19,000	-	-	(51,466)
Share based payments	-	-	-	-	68,000	-	-	68,000
Expiration of warrants	-	-	-	(28,335)	28,335	-	-	-
Equity - convertible debt Issued – debenture interest	150,000	7,500	-	-	30,000	-	-	30,000
Net loss for the year	-	-	-	-	-	-	(907,693)	(907,693)
Net change in fair value	-	-	-	-	-	(22,750)	-	(22,750)
Balance, July 31, 2017	57,374,050	\$ 18,533,802	\$ -	\$ 479,322	\$ 3,479,490	\$ (22,750)	\$ (22,824,157)	\$ (354,293)
Shares issued for debt	200,000	12,000	-	-	(2,000)	-	-	10,000
Issued for debt interest	8,067	403	-	-	-	-	-	403
Issued for debenture interest	140,000	7,000	-	-	-	-	-	7,000
Private placements	6,200,000	205,400	-	104,600	-	-	-	310,000
Expiration of warrants	-	-	-	(430,405)	430,405	-	-	-
Issue of loan bonus warrants	-	-	-	22,000	-	-	-	22,000
Issuance of options	-	-	-	-	108,000	-	-	108,000
Reclassification	-	-	-	-	-	22,750	-	22,750
Net loss for the year	-	-	-	-	-	-	(1,327,135)	(1,327,135)
Balance, July 31, 2018	63,922,117	\$ 18,758,605	\$ -	\$ 175,517	\$ 4,015,895	\$ -	\$ (24,151,292)	\$ (1,201,275)
Sale of Opawica property	-	-	-	-	-	-	360,000	360,000
Net loss for the six months	-	-	-	-	-	-	(538,523)	(538,523)
Balance, January 31, 2019	63,922,117	\$ 18,758,605	\$ -	\$ 175,517	\$ 4,015,895	\$ -	\$ (24,329,815)	\$ (1,379,798)

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

STELLAR AFRICAGOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	For the six-month period ended	
	January 31,	
	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net loss	(538,523)	(707,089)
Adjustments		
Share-based payments	-	10,403
Exploration and evaluation expenditures	-	-
Depreciation and amortization of non-financial assets	1,150	144
Gain on debt settlement	-	-
Deferred income tax	-	-
	<u>(537,373)</u>	<u>(696,542)</u>
Net change in working capital items	<u>144,370</u>	<u>205,001</u>
Cash flows from operating activities	<u>(393,003)</u>	<u>(491,541)</u>
INVESTING ACTIVITIES		
Acquisition of fixed assets	-	-
Cash flows from investing activities	-	-
FINANCING ACTIVITIES		
Loans payable	27,000	591,635
Issuance of units by private placement	-	-
Payable to related parties	250,719	-
Debentures	6,001	(4,902)
Cash flows from financing activities	<u>283,720</u>	<u>586,733</u>
Net change in cash and cash equivalents	(109,283)	95,192
Cash and cash equivalents, beginning of the period	120,681	38,474
Cash and cash equivalents, end of the period	11,398	133,666

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

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Stellar AfricaGold Inc. and its subsidiaries (hereinafter the "Company") specialize in exploration of gold mining sites located in Canada and in Republic of Mali and Republic of Guinea, two countries located in the West Africa region. The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the "SPX" symbol. The Company was incorporated under the Company's Act of British Columbia in April 2006, was prorogued under the Canada Business Corporations Act and in January 2019 was continued back into British Columbia. The Company's registered office and its principal place of business is 4908 Pine Crescent, Vancouver, British Columbia, V6M 3P6.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of the amounts expensed for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the evaluation and development of commercially viable reserves, and upon future profitable production or proceeds from the disposition of exploration and evaluation assets.

The Company incurred a net loss from operations of \$493,408 for the six months ended January 31, 2019 and incurred losses of \$1,327,135 for the year ended July 31, 2018 and as at January 31, 2019 had a deficit of \$24,329,815. At January 31, 2019 the Company had a working capital deficiency of \$1,329,837 (deficiency of \$537,996 as at July 31, 2018). These factors may cast significant doubt about the ability of the Company to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These interim financial statements of the Company for the three and six months ended January 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to interim financial information as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of Consolidation

The Company's consolidated financial statements include the accounts of the parent Company and its subsidiaries. Subsidiaries are entities in which the Company is exposed, or has rights to variable returns from its involvement with the subsidiary and that it has the ability to affect those returns through the power it holds in the subsidiary. All subsidiaries have a reporting date of July 31.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (CONTINUED)

d) Basis of Consolidation (Continued)

Subsidiaries

Details of the Company's subsidiaries at January 31, 2019 are as follows:

Name of subsidiary	Principal activity	Country of Incorporation	Ownership %
Golden Frank Resources Inc.	Mineral exploration in Guinea	Canada	100%
Stellar Pacific Mali Africa Gold Business SARL	Inactive	Republic of Mali	100%
MGWA Golden Frank, SARL	Mineral exploration in Guinea	Republic of Guinea	80%
Manding Gold SARL	Mineral exploration in Guinea	Republic of Guinea	80%

e) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent Company.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing purposes. The Company did not have cash equivalents as at January 31, 2019.

b) Available-for-Sale Investments

Investments in public companies have been designated as available-for-sale investments. The investments are reported at fair value based on quoted market prices with unrealized gains or losses excluded from operations and reported as other comprehensive income or loss.

c) Exploration and Evaluation Expenses

Exploration and evaluation expenses are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable. The costs directly related to the acquisition of the mineral property rights and the exploration expenditures incurred during the exploration and evaluation phase are expensed.

The Company will capitalize mineral property development expenditures under property and equipment once technical feasibility and commercial viability of extracting mineral resources are demonstrated. Depletion and amortization of mineral deposits and mine development costs are recorded as the minerals are extracted, based on units of production and engineering estimates of mineable resources or reserves. To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Exploration and Evaluation Expenses (Continued)

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with mineral option agreements

On the disposal of interest in connection with option agreements, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the optionee. In addition, cash or share considerations received directly from the optionee are credited as a gain on disposal of mining rights in profit or loss.

d) Property and Equipment

Property and equipment are held at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs incurred initially to acquire or construct an item of property and equipment. Costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Depreciation is recognized using the declining balance method, to write down the cost to its estimated residual value. The rates generally applicable are as follows:

Rates	
20%	Office furniture
30%	Computer equipment
20%	Rolling stock
20%	Mining camp

The depreciation expense for each period is recognized in profit or loss.

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end. The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the non recognition of an item of property and equipment is included in profit or loss when the item is derecognized.

e) Impairment of Long-lived Assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable an asset or cash-generating unit is reviewed for impairment.

An impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the assets or cash-generating unit's recoverable amount exceeds its carrying amount.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Tax Credits Receivable

The Company is entitled to a refundable tax credit on qualified Quebec exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. Such credits are recognized as a reduction of the exploration expenses. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

g) Provisions and Contingent Liabilities

Provisions are recognized when present obligations resulting from past events will likely result in an outflow of economic resources from the Company and that the amounts can be reliably estimated. The timing or amount of outflow may be uncertain.

The measurement of provisions corresponds to the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including risks and uncertainties relating to the present obligation. Provisions are discounted when the time value of money is significant.

Provisions are reviewed at each reporting date and adjusted to reflect current best estimates. When possible outflow of economic resources arising from present obligations is considered improbable or remote, no liability is recognized unless it has been taken on the occasion of a business combination.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations.

Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

h) Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the earnings (loss) attributable to ordinary equity holders of the Company and the weighted average number of common shares outstanding, the effects of all dilutive potential ordinary shares which include options and warrants.

It is assumed that the dilutive potential ordinary shares were converted into ordinary shares at the average market price at the beginning of period or the date of issue of potential ordinary shares, if later.

i) Share Capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit recognized from these issuance costs. When shares are issued on the exercise of options and warrants, the share capital account also comprises the costs previously recorded as contributed surplus and warrants. When shares are issued as consideration for the acquisition of a mineral property they are measured at their fair value according to the quoted price on the date of issue.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued on a pro rata basis. Proceeds are allocated to shares and warrants according to their relative weighted fair value. The unit's fair value is determined using the quoted price of the shares on the stock exchange and the warrant's fair value is estimated using the Black - Scholes pricing model.

Flow-through placements

Issuance of flow-through units represents in substance an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the liability using the residual method. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss as a recovery of deferred income assets.

Share-based Compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase 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.

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations and comprehensive loss over the remaining vesting period.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured indirectly at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

j) Foreign exchange

Foreign currency transactions are translated into the functional currency, 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 re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss. Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Convertible Debentures

The Company classifies convertible debentures into debt and equity components based on the residual method. The liability component is calculated as the present value of the principal and interest, discounted at a rate approximating the estimated interest rate that was estimated would have been applicable to non-convertible debenture at the time the debenture was issued. This portion of the convertible debenture is accreted over its term to the full principle value using the effective interest rate method. The equity element of the convertible debenture comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component. Upon maturity, the equity component is reclassified to reserves.

l) Financial Instruments and Risk Management

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and accumulated other comprehensive income (loss).

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial Instruments and Risk Management (Continued)

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Liquidity risk is significant to the Company's statement of financial position. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal and mineral prices and in particular, the price of gold. To mitigate this market risk, management of the Company actively pursues a diversification strategy with its property holdings.

m) Segment Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker (i.e. the Chairman and the Board of Directors). The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

n) Future Accounting Pronouncements Not Yet Adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective. Management expects that all pronouncements will be adopted during the annual period beginning after the effective dates of the standards but they are not expect to have a significant impact on the consolidated financial statements of the Company.

STELLAR AFRICAGOLD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Future Accounting Pronouncements Not Yet Adopted (Continued)

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019.

4. ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, management poses a number of judgements, estimates and assumptions regarding the recognition and valuation of assets, liabilities, income and expenses.

a) Significant Management Judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exit in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgement. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

b) Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Share-based payments

To estimate expenses for share-based payments, it is necessary to select an appropriate valuation model and obtain the inputs necessary for the valuation model chosen. The Company estimated the volatility of its own shares and the expected life and the exercise period of options and warrants granted. The model used by the Company is the Black-Scholes valuation model.

Provisions and contingent liabilities

Judgements and estimates may be used to determine whether a past event has created a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Factors, such as the nature of the claim or dispute, the potential amount to be paid and the probability of the realization of a loss. These factors are sources of uncertainty in estimates.

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5. AVAILABLE-FOR-SALE INVESTMENTS

On March 14, 2017, the Company sold the Eastmain Properties for 350,000 shares of Amex Exploration Inc. The fair market value of these shares on March 14, 2017 was \$0.185 per share and as of July 31, 2017 the fair market value was \$0.12 per share. The value of these shares was adjusted to the fair market value of \$42,000 as at July 31, 2017 resulting in a comprehensive loss of \$22,750. At July 31, 2018, the Company had sold the Amex shares for a realized loss of \$32,552.

	Number of Shares	Cost	Proceeds of sale	Realized Loss
Amex Exploration Inc	350,000	\$64,750	\$32,198	(\$32,552)

6. MOSAIC MINERALS CORP MARKETABLE SECURITIES

Sale of Opawica Property

On December 20, 2018 the Company closed its sale of the Opawica property located in Quebec to Mosaic Minerals Corp and received 7,200,000 shares of common stock of Mosaic Minerals Corp. at a deemed price of \$0.05 per share. Mosaic has two directors in common with the Company.

Plan of Arrangement Spin Out Share Distribution

On November 7, 2018, Stellar signed an arrangement agreement with Mosaic pursuant to which Stellar would distribute to Stellar shareholders 2,000,000 of the 7,200,000 shares of Mosaic Minerals Corp. The spin out distribution to Stellar shareholders will use a statutory plan of arrangement (the "Arrangement") and each Stellar shareholder receiving 0.0312 of a Mosaic share for each Stellar share held. On December 18, 2018 Stellar shareholders approved the plan of arrangement. The 2,000,000 shares have not yet been distributed.

7. PROPERTY AND EQUIPMENT

For the six months ended January 31, 2019

	Computer Equipment	Automotive Equipment	Office Furniture	Mining Camp	Mill	Total
Gross carrying amount						
Balance at August 1, 2018	\$ 12,013	\$ 30,256	\$ 11,957	\$ 75,620	\$ 216,312	\$ 346,158
Additions	-	-	-	-	-	-
Balance at January 31, 2019	12,013	30,256	11,957	75,620	216,312	346,158
Accumulated depreciation						
Balance at August 1, 2018	11,196	20,600	9,869	2,108	-	43,773
Depreciation	817	333	-	-	-	1,150
Balance at January 31, 2019	12,013	20,933	9,869	2,108	-	44,923
Carrying amount January 31, 2019	\$ -	\$ 9,323	\$ 2,088	\$ 73,512	\$ 216,312	\$ 301,235

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8. CONVERTIBLE DEBENTURES

On September 22, 2016, the Company closed convertible debentures in the amount of \$150,000. The debentures bear interest at the rate of 10% per annum, payable semi-annually, by the issuance of common shares of the Company and matures 36 months from the date of issue. During the first 12 months, the debentures are convertible, at the option of the holder, into common share units at a price of \$0.05 per unit; each unit comprised of one share and one-half common share purchase warrant. One full warrant allows the holder thereof to acquire one additional common share of the Company at a price of \$0.10 for a 2-year period.

Between the 13th month and the 36th month from the closing of the private placement, the debentures are convertible, at the option of the holder, into common shares at a price of \$0.10 per common share and one-half common share purchase warrant. One full warrant allows the holder thereof to acquire one common share of the Company at a price of \$0.15 for a 2-year period.

The convertible debentures were allocated as follows:

Liability portion of convertible debentures	\$	120,000
Equity portion of convertible debentures (recorded as contributed surplus)		30,000
Total convertible debentures issued	\$	150,000

During the year ended July 31, 2017, the Company accrued \$12,863 in interest related to these convertible debentures. On June 21, 2017, the Company settled \$7,500 of this accrued interest through the issuance of 150,000 common shares of the Company using a weighted average share price of \$0.05.

Convertible Debentures as of January 31, 2019:

Liability portion on issuance	\$	120,000
Conversion		(10,000)
Accretion to January 31, 2019		23,498
	\$	133,494

During the six months ended January 31, 2018 the Company issued 200,000 shares of common stock plus 100,000 share purchase warrants upon the conversion of \$10,000 of convertible debentures and issued an additional 8,067 shares to satisfy accrued interest of \$403 on the debenture to the conversion date. All shares were issued at an issue price of \$0.05 per share. The warrants are exercisable at \$0.10 until August 22, 2019.

9. LOAN PAYABLE

On November 10, 2017, a subsidiary of the Company received an unsecured loan in the amount of \$488,000cdn bearing interest at the rate of 10% per annum. Interest is capitalized until June 30, 2018 and thereafter repayable in blended payments (principal and interest) over 16 months. For the six months ended January 31, 2019 \$24,000cdn in interest payable has been accrued. The loan is collaterally guaranteed by the Company. The Company also granted to the lender a loan bonus in the form of a share purchase warrant to acquire 1,000,000 shares at \$0.05 until November 10, 2019.

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10. SHARE CAPITAL

i) Authorized

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meetings of Stellar AfricaGold Inc.

ii) Issued During the Six Months Ended January 31, 2018

On August 22, 2017, the Company issued to one debenture holder 200,000 shares and 100,000 warrants upon conversion of \$10,000 of a total \$150,000 of convertible debt and issued to that debenture holder a further 8,067 shares for accrued interest to the conversion date, all at a price of \$0.05 per share. The warrants are exercisable at \$0.10 until August 22, 2019.

ii) Issued During the Six Months Ended January 31, 2019

No new shares have been issued during the six months ended January 31, 2019

iii) Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	2019		2018	
	Number of warrants	Average exercise price	Number of warrants	Average exercise price
Balance, beginning of the period	33,510,000	\$ 0.10	32,510,000	\$ 0.10
Granted	3,100,000	0.10	1,000,000	0.05
Expired	24,910,000	-	-	-
Balance, end of the period	11,700,000	\$ 0.10	33,510,000	\$ 0.10

The number of outstanding warrants which could be exercised for an equivalent number of ordinary shares is as follows:

Expiration date	2019		2018	
	Number	Exercise price	Number	Exercise price
November 10, 2019	1,000,000	\$ 0.05	1,000,000	\$ 0.05
August 16, 2018	-	-	7,900,000	0.10
June 9, 2018	-	-	9,010,000	0.10
May 16, 2018	-	-	8,000,000	0.10
May 17, 2019	3,100,000	0.10	-	-
August 22, 2019	100,000	0.10	100,000	0.10
May, 2019	7,500,000	0.05	7,500,000	0.05
	11,700,000		33,510,000	

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10. SHARE CAPITAL (CONTINUED)

iv) Brokers Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows:

	2019		2018	
	Number of warrants	Average exercise price	Number of warrants	Average exercise price
Balance, beginning of the period	952,800	\$ 0.05	952,800	\$ 0.05
Expired	752,800			
Granted	-	-	-	-
Balance, end of the period	200,000	\$ 0.05	952,800	\$ 0.05

The number of outstanding warrants which could be exercised for an equivalent number of ordinary

Expiration date	2019		2018	
	Number	Exercise price	Number	Exercise price
May 16, 2018	-	\$ -	92,800	\$ 0.10
June 8, 2018	-	-	210,000	0.10
August 16, 2018	-	-	450,000	0.10
May 12, 2019	200,000	0.05	200,000	0.05
	200,000	\$ 0.05	952,800	\$ 0.09

v) Stock Options

The Company has a rolling stock option plan under which options to acquire common shares of the Company are granted to directors, officers, employees and consultants of the Company. The maximum number of options permitted is limited to ten percent (10%) of the issued capital of the Company from time to time.

The fair value of the options granted was determined using the Black-Scholes option pricing model. The assumptions used to calculate the fair value of the options were based on risk free rate of 1.17-1.24%, expected volatility of 148%, expected life of 5 years and a dividend yield of 0%. The options vest immediately on grant.

The Company's share **options** are as follows at January 31, 2019:

	2019		2018	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance, beginning of the period	5,092,000	\$ 0.05	5,092,000	\$ 0.05
Granted	-	-	-	0.05
Expired/forfeited	(50,000)	-	-	-
Balance, end of the period	5,042,000	\$ 0.05	5,092,000	\$ 0.05
Exercisable options	5,042,000	\$ 0.05	5,092,000	\$ 0.05

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The table below summarizes the information related to share options as at January 31, 2019:

Outstanding Options			Exercisable Options		
Number of options	Weighted average exercise price	Weighted remaining life (years)	Number of options	Weighted average exercise price	
3,492,000	\$ 0.05	3.23	3,492,000	\$	0.05
1,550,000	\$ 0.05	4.10	1,550,000	\$	0.05
-			-		
<u>5,042,000</u>			<u>5,042,000</u>		

11. LOSS PER SHARE

During the period, in calculating the diluted loss per share for the six months ended January 31, 2019, dilutive potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the earnings per share would be antidilutive.

The basic and diluted loss per share has been calculated as follows.

	2019	2018
Net loss from operations for the period	\$ (538,523)	\$ (696,922)
Weighted average number of shares in circulation	63,922,117	57,512,784
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)

12. EXPLORATION AND EVALUATION EXPENDITURES (see also Note 6)

	2019	2018
EXPLORATION EXPENDITURES		
Acquisition costs – expensed	\$ -	\$ -
Geology	-	-
Geophysics, milling and sampling	-	-
Geologist and professional fees	60,000	60,000
General exploration and campsite expenses	187,809	380,316
TOTAL EXPLORATION EXPENSES	\$ 247,809	\$ 440,316

On January 25, 2017, the Company completed the buyback of the remaining 49% interest in the advanced Balandougou Gold Project in Guinea. UltraGold Holding LLC (“UltraGold”) will convey to GoldenFrank Resources Inc. (“GoldenFrank”), a 100% owned subsidiary of the Company, all of UltraGold’s 49% right, title and interest in and to the Balandougou project. The Parties also agreed to terminate the Balandougou Joint Venture Agreement dated February 2009, and in consideration of the termination of the joint venture the Company issued 750,000 common shares at a price of \$0.05 per share to UltraGold. UltraGold will retain a 1.5% net smelter return royalty capped at US\$3.0 million at which time the royalty terminates. The fair value of the shares \$37,500 was charged to the statement of comprehensive loss.

On March 14, 2017 the Company sold the Eastmain Properties for 350,000 shares of Amex Exploration Inc. The Company retained a 1.5% net smelter return royalty of which 50% (0.75%) may be purchased by Amex Exploration Inc. for \$750,000. The Company has recorded a gain on the sale of these properties of \$64,750.

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13. INCOME TAXES

The Company has not recorded deferred income tax assets based on the extent to which it is more likely than not that sufficient taxable income will not be realized during the carry-forward period to utilize these net deferred income tax assets. The Company has available non-capital losses for Canadian income tax purposes of approximately \$2,530,000 which may be carried forward to reduce taxable income in future years, if not utilized, expiring in years from 2026 to 2037.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include key management officers and companies held by key management officers. Unless otherwise stated none of the transactions incorporated special terms and conditions and no guarantees were given or received. These amounts are unsecured, bore no interest, and are due on demand.

Transactions with key management personnel:

Key management personnel of the Company are members of the Board of Directors and the management. Key management personnel compensation comprised the following:

	2019	2018
Short-term key management benefits:		
Consulting & management fees	\$ 125,000	\$ 125,000
Project supervision fees	60,000	60,000
Employee benefits expense	-	-
Total compensation	<u>\$ 185,000</u>	<u>\$ 185,000</u>
Other related party loan balances:		
Shareholder loans payable	\$ 1,115,384	\$ 591,635
Share-based payments	-	-
Total	<u>\$ 1,115,384</u>	<u>\$ 591,635</u>

As at January 31, 2019, the amount owing to related parties is unsecured, bears interest at 12% per annum and is due on demand. During the six months ended January 31, 2019, \$45,115 in interest was accrued on these amounts.

Furthermore during this six month period, the Company reimbursed exploration costs incurred for the Company totaling \$Nil to a company held by an officer. This amount would include a 15% management fee.

15. CAPITAL MANAGEMENT

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners of the parent.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means. The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which proceeds are committed for exploration work.

The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings.

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When financing conditions are not optimal the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

No changes were made in the objectives, policies and processes for managing capital during the six months ended January 31, 2019.

16. FINANCIAL INSTRUMENT RISK DISCLOSURES

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized below. The main risks the Company is exposed to are credit risk and liquidity risk.

The Company focuses on actively securing short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

The most significant financial risks to which the Company is exposed to are described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at January 31, 2019 and 2018, the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	2019	2018
Cash and cash equivalents	\$ 11,398	\$ 120,681
Carrying amounts	\$ 11,398	\$ 120,681

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past period, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The Company's trade and other payables all contractually mature within three months, except for amounts due to related parties which are payable on demand.

The carrying amounts and fair value of financial Instruments presented in the consolidated interim statement of financial position are as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 11,398	\$ 11,398	\$ 120,681	\$ 120,681
Available-for-sale investments	-	-	-	-

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FINANCIAL LIABILITIES

Trade and other payables	195,895	195,895	483,054	483,054
Convertible debentures	133,498	133,498	123,044	123,044
Loans payable	585,198	585,198	591,635	591,635

17. CONTINGENCIES AND COMMITMENTS

- a) The Company may be liable for unpaid Part XII.6 tax on unspent flow-through renunciations related to financings obtained in 2007. The amount of estimated interest and penalties is not determinable, and management has concluded that outflow of economic resources is remote. As at January 31, 2019, \$55,950 is accrued for Part XII.6 taxes.
- b) The Company issued flow-through shares in the amount of \$335,750 during the year ended July 31, 2017. The Company is committed to spend this money on exploration work on its Quebec mineral properties by December 31, 2017 before incurring Part XII.6 tax and extending the deadline to December 31, 2018. As at January 31, 2019, the Company is obligated to spend \$60,560.

18. SUBSEQUENT EVENTS

There were no events occurring subsequent to January 31, 2019 which would have a material effect on these financial statements other than:

Plan of Arrangement Spin Out Share Distribution

On November 7, 2018, Stellar signed an arrangement agreement with Mosaic pursuant to which Stellar would distribute to Stellar shareholders 2,000,000 of the 7,200,000 shares of Mosaic Minerals Corp. The spin out distribution to Stellar shareholders will use a statutory plan of arrangement (the "Arrangement") and each Stellar shareholder will receive 0.0312 of a Mosaic share for each Stellar share held. On December 18, 2018 Stellar shareholders approved the Arrangement. The Arrangement and the spin out share distribution will be effective after acceptance by the TSX Venture Exchange and a distribution date approved.