



## **STELLAR AFRICAGOLD INC.**

### **CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED JANUARY 31, 2020 and 2019**  
**(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 periods ended January 31, 2020 and 2019. The accompanying unaudited condensed interim consolidated financial statements of Stellar AfricaGold Inc., for the periods ended January 31, 2020 and 2019, 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, 2020	As at July 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,100,233	\$ 4,581
Due from Mosaic Minerals Corp	5,250	5,250
Sales taxes receivable	59,667	40,062
<b>Total Current Assets</b>	<b>1,165,150</b>	<b>49,893</b>
<b>Non-current</b>		
Mosaic Minerals Corp marketable securities (Note 5)	360,000	360,000
Property and equipment (Note 6)	-	298,045
Reclamation deposit	-	-
<b>Total Assets</b>	<b>\$ 1,525,150</b>	<b>\$ 707,938</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 13)	\$ 243,711	\$ 161,031
Management bonus payable	348,054	-
Payable to related parties	557,947	1,374,106
Part XII.6 taxes (Note 16)	55,950	55,950
<b>Total Current Liabilities</b>	<b>1,205,662</b>	<b>1,591,087</b>
<b>Minority interest in sale of subsidiary company</b>	<b>257,800</b>	<b>-</b>
<b>Deposit received in advance</b>	<b>-</b>	<b>67,500</b>
<b>Convertible debentures</b> (Note 7)	<b>23,806</b>	<b>163,806</b>
<b>Loans payable</b> (Note 8)	<b>310,055</b>	<b>624,021</b>
<b>Total Liabilities</b>	<b>1,797,323</b>	<b>2,446,414</b>
<b>Deficiency</b>		
Share Capital (Note 9)	\$ 18,758,605	\$ 18,758,605
Warrants (Note 9)	175,517	175,517
Contributed surplus	4,015,895	4,015,895
Accumulated other comprehensive income	-	-
Deficit	(23,222,190)	(24,688,493)
<b>Total Deficiency</b>	<b>(272,173)</b>	<b>(1,738,476)</b>
<b>Total Liabilities and Deficiency</b>	<b>\$ 1,525,150</b>	<b>\$ 707,938</b>

These financial statements were approved and authorized for issue by the Board of Directors on March 31, 2020. 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, 2020 AND 2019

(Expressed in Canadian Dollars)

PREPARED BY MANAGEMENT WITHOUT AUDIT

	For the three-month period ended		For the six-month period ended	
	January 31,		January 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Expenses</b>				
Exploration and evaluation	79,854	57,374	409,820	187,809
Amortization	-	418	-	1,150
Administration fees	9,000	-	21,457	-
Directors fees	75,000	-	75,000	-
Consultant fees	276,250	21,622	276,250	21,622
Management fee	92,500	62,500	155,000	125,000
Management bonus	348,054	-	348,054	-
Professional fees	27,123	22,350	27,123	22,350
Project supervision	45,000	30,000	75,000	60,000
Other operational expenses	(3,409)	(2,948)	1,033	10,254
Travel	15,928	-	15,928	-
Registration and shareholders information	33,913	2,107	36,413	4,723
Transfer agent	-	-	14,092	-
Foreign exchange loss (gain)	86,171	11,094	87,473	30,500
Interest on loans	68,528	42,069	86,254	75,115
<b>Operating loss</b>	<b>(1,153,912)</b>	<b>(246,586)</b>	<b>(1,976,951)</b>	<b>(538,523)</b>
Sale of Balandougou Gold Project	931,000	-	3,464,500	-
Minority interest	(324,300)	-	(324,300)	-
Finders fees	(45,000)	-	(45,000)	-
Sale of Opawica property	-	360,000	-	360,000
<b>Income (Loss) before income tax</b>	<b>(592,212)</b>	<b>113,414</b>	<b>1,466,303</b>	<b>(178,523)</b>
Income tax	-	8,781	322,586	-
Deferred income tax	-	(8,781)	(322,586)	-
<b>Net comprehensive income (loss) for the period</b>	<b>(592,212)</b>	<b>113,414</b>	<b>1,466,303</b>	<b>(178,523)</b>
<b>Basic and diluted loss per share</b>	<b>(0.009)</b>	<b>0.002</b>	<b>0.023</b>	<b>(0.003)</b>
<b>Weighted average number of shares outstanding</b>	<b>63,922,117</b>	<b>63,922,117</b>	<b>63,922,117</b>	<b>63,922,117</b>

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, 2020**  
(Expressed in Canadian Dollars)

	SHARE CAPITAL		COMMITMENT TO ISSUE SHARES	WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT	TOTAL DEFICIENCY
	SHARES	AMOUNT						
<b>Balance, July 31, 2017</b>	<b>57,374,050</b>	<b>\$ 18,533,802</b>	<b>\$ -</b>	<b>\$ 479,322</b>	<b>\$ 3,479,490</b>	<b>\$ (22,750)</b>	<b>\$ (22,824,157)</b>	<b>\$ (354,293)</b>
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)
<b>Balance, July 31, 2018</b>	<b>63,922,117</b>	<b>\$ 18,758,605</b>	<b>\$ -</b>	<b>\$ 175,517</b>	<b>\$ 4,015,895</b>	<b>\$ -</b>	<b>\$ (24,151,292)</b>	<b>\$ (1,201,275)</b>
Net loss for the year	-	-	-	-	-	-	(537,201)	(537,201)
<b>Balance, July 31, 2019</b>	<b>63,922,117</b>	<b>\$ 18,758,605</b>	<b>\$ -</b>	<b>\$ 175,517</b>	<b>\$ 4,015,895</b>	<b>\$ -</b>	<b>\$ (24,688,493)</b>	<b>\$ (1,738,476)</b>
Net income for the period	-	-	-	-	-	-	1,466,303	1,466,303
<b>Balance, January 31, 2020</b>	<b>63,922,117</b>	<b>\$ 18,758,605</b>	<b>\$ -</b>	<b>\$ 175,517</b>	<b>\$ 4,015,895</b>	<b>\$ -</b>	<b>\$ (23,222,190)</b>	<b>\$ (272,173)</b>

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, 2020 AND 2019**  
(Expressed in Canadian Dollars)

	<b>For the six-month period ended</b>	
	<b>January 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	1,466,303	(538,523)
<b>Adjustments</b>		
Minority interest	257,800	-
Change in accounts payable	82,680	144,370
Disposal of property and equipment	298,045	-
Depreciation and amortization of non-financial assets	-	1,150
Change in sales taxes receivable	(19,605)	-
Deferred income tax	-	-
<b>Cash flows from operating activities</b>	<b>2,085,223</b>	<b>(393,003)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	-	-
<b>Cash flows from investing activities</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Loans payable	(313,966)	27,000
Deposit received in advance	(67,500)	-
Management bonus payable	348,054	-
Payable to related parties	(816,159)	250,719
Debentures	(140,000)	6,001
<b>Cash flows from financing activities</b>	<b>(989,571)</b>	<b>283,720</b>
<b>Net change in cash and cash equivalents</b>	<b>1,095,652</b>	<b>(109,283)</b>
Cash and cash equivalents, beginning of the period	4,581	120,681
Cash and cash equivalents, end of the period	<b>1,100,233</b>	<b>11,398</b>

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, 2020 AND 2019**  
(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 profit from operations of \$1,466,303 for the six months ended January 31, 2020, incurred losses of \$493,408 for the year ended July 31, 2019 and as at January 31, 2020 had a deficit of \$23,222,190. At January 31, 2020 the Company had a working capital deficiency of \$684,428 (deficiency of \$1,541,194 as at July 31, 2019). 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, 2020 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.

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**2. BASIS OF PRESENTATION (CONTINUED)**

**d) Basis of Consolidation (Continued)**

**Subsidiaries**

Details of the Company's subsidiaries at January 31, 2020 are as follows:

Name of subsidiary	Principal activity	Country of Incorporation	Ownership %
Golden Frank Resources Inc.	Mineral exploration in Guinea Inactive	Canada	100%
Stellar Pacific Mali	Inactive	Republic of Mali	100%
Africa Gold Business SARL	Disbanded	Republic of Guinea	80%
MGWA Golden Frank, SARL	Mineral exploration in Guinea	Republic of Guinea	80%
Stellar Guinea SARL	Mineral exploration in Guinea - sold	Republic of Guinea	80%
Manding Gold SARL	Mineral exploration in Guinea - sold	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, 2020.

**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.

**STELLAR AFRICAGOLD INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**  
**c) Exploration and Evaluation Expenses (Continued)**

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.

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.



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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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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).

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

*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.

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**4. ESTIMATES AND JUDGEMENTS (CONTINUED)**

**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.

**5. AVAILABLE-FOR-SALE INVESTMENTS - 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. Subsequent to January 31, 2020 the Company completed the Plan of Arrangement and distributed the 2,000,000 shares of Mosaic Minerals Corp to Stellar's shareholders and retained the 5,200,000 shares of Mosaic Minerals Corp.

**6. PROPERTY AND EQUIPMENT**

**For the six months ended January 31, 2020**

	Computer Equipment	Automotive Equipment	Office Furniture	Mining Camp	Mill	Total
<b>Gross carrying amount</b>						
Balance at August 1, 2019	\$ 12,013	\$ 7,161	\$ 11,332	\$ 75,620	\$ 216,312	\$ 322,438
Additions	-	-	-	-	-	-
Disposals	-	-	-	(75,620)	(216,312)	(291,932)
Balance at January 31, 2020	<b>12,013</b>	<b>7,161</b>	<b>11,332</b>	-	-	<b>30,506</b>
<b>Accumulated depreciation</b>						
Balance at August 1, 2019	11,196	7,161	11,332	2,108	-	31,797
Disposal	-	-	-	(2,108)	-	(2,108)
Depreciation	817	-	-	-	-	817
Balance at January 31, 2020	<b>12,013</b>	<b>7,161</b>	<b>11,332</b>	-	-	<b>30,506</b>
<b>Carrying amount January 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Pursuant to a June 28, 2018 sale agreement and July 27, 2018 modification agreement the Company agreed to sell its Opawica mineral property to Mosaic Minerals Corp. for \$360,000 payable by the issuance of 7,200,000 shares of Mosaic Minerals Corp. at \$0.05 per share.

On August 22, 2019, the Company and its minority partners reached a definitive agreement for the sale of 100% of the Balandougou Gold Project including the 7 km<sup>2</sup> Balandougou semi-industrial exploitation permit together with all related plant and equipment, and two Guinea subsidiary companies holding contiguous

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exploration permits totalling approximately 150 km<sup>2</sup>. The Company and the minority partners own 80% and 20% respectively of the Balandougou Gold Project.

The transaction price is US\$3,850,000 (C\$5,130,000) paid in instalments, US\$1,800,000 (C\$2,460,000) on closing with the balance in three instalments ending January 15, 2021. During the year ended July 31, 2019, pursuant to the terms of the agreement the purchaser advanced the Company \$67,500 (US\$50,000).

The transaction closed on October 30, 2019 and, as of January 31, 2020, \$3,464,500cdn has been received by the Company. Sale proceeds will be divided between the Company and its minority partners after deduction of agreed cost recoveries.

**7. 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.

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
<b>Total convertible debentures issued</b>	<b>\$</b>	<b>150,000</b>

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, 2020:**

Liability portion on issuance	\$	150,000
Conversion		(10,000)
Repayment of principal		(140,000)
Interest to January 31, 2020		23,806
	<b>\$</b>	<b>23,806</b>

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 were exercisable at \$0.10 and expired August 22, 2019.

**8. 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. At January 31, 2020 \$158,736cdn 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 exercisable at \$0.05 and which expired November 10, 2019.

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On October 31, 2019, in connection with the sale of the Balandougou Gold Project, the loan agreement was amended to freeze accrual of interest and to schedule the repayment of principal and interest as follows:

- i. US\$228,546 upon closing of the sale; paid
- ii. US\$87,528 payable on January 15, 2020; paid February, 2020
- iii. US\$87,528 payable on July 15, 2020;
- iv. US \$82,666 payable on January 15, 2021.

The loans are carried in CDN dollars and repaid in USD

**9. 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, 2020**

No shares were issued during the six months ended January 31, 2020.

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

**iii) Warrants**

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

	2020		2019	
	Number of warrants	Average exercise price	Number of warrants	Average exercise price
Balance, beginning of the period	11,700,000	\$ 0.10	33,510,000	\$ 0.10
Granted	-	-	3,100,000	0.10
Expired	11,700,000	0.10	24,910,000	0.10
Balance, end of the period	-	-	11,700,000	\$ 0.10

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

Expiration date	2019		2019	
	Number	Exercise price	Number	Exercise price
November 10, 2019	-	\$ -	1,000,000	\$ 0.05
May 17, 2019	-	-	3,100,000	0.10
August 22, 2019	-	-	100,000	0.10
May, 2019	-	-	7,500,000	0.05
	-	-	11,700,000	



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**9. SHARE CAPITAL (CONTINUED)**

**iv) Brokers Warrants**

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

	2020		2019	
	Number of warrants	Average exercise price	Number of warrants	Average exercise price
Balance, beginning of the period	200,000	\$ 0.05	952,800	\$ 0.05
Expired	200,000		752,800	0.05
Granted	-	-	-	-
Balance, end of the period	-		200,000	\$ 0.05

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

Expiration date	2020		2019	
	Number	Exercise price	Number	Exercise price
May 12, 2019	-	-	200,000	\$ 0.05

**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.

During the quarter the Company granted 250,000 options to directors exercisable within five years at \$0.05 per share.

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

	2020		2019	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance, beginning of the period	5,042,000	\$ 0.05	5,092,000	\$ 0.05
Granted	250,000	0.05	-	-
Expired/forfeited	-	-	(50,000)	-
Balance, end of the period	5,292,000	\$ 0.05	5,042,000	\$ 0.05
Exercisable options	5,292,000	\$ 0.05	5,042,000	\$ 0.05

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**9. SHARE CAPITAL (CONTINUED)**

The table below summarizes the information related to share options as at January 31, 2020:

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	2.53	1,550,000	\$ 0.05
250,000	\$ 0.05	4.83	250,000	\$ 0.05
<u>5,292,000</u>			<u>5,292,000</u>	

**10. LOSS PER SHARE**

During the period, in calculating the diluted loss per share for the six months ended January 31, 2020, 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.

	2020	2019
Net income (loss) from operations for the period	\$ 1,466,303	\$ (538,523)
Weighted average number of shares in circulation	63,922,117	63,922,117
Basic and diluted income (loss) per share	\$ 0.023	\$ (0.008)

**11. EXPLORATION AND EVALUATION EXPENDITURES (see also Note 6)**

	2020	2019
<b>EXPLORATION EXPENDITURES</b>		
Mill and equipment	\$ 216,312	\$ -
Geology	-	-
Geophysics, milling and sampling	-	-
Geologist and professional fees	60,000	60,000
General exploration and campsite expenses	57,888	187,809
<b>TOTAL EXPLORATION EXPENSES</b>	<b>\$ 409,820</b>	<b>\$ 247,809</b>

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 of \$37,500 was charged to the statement of comprehensive loss. **See also Note 6**

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. During the year ended July 31, 2017 the Company recorded a gain on the sale of these properties of \$64,750.

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**12. 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 \$3,530,000 which may be carried forward to reduce taxable income in future years, if not utilized, expiring in years from 2026 to 2037.

**13. 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.

**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:

	2020	2019
Short-term key management benefits:		
Management fees	\$ 155,000	\$ 125,000
Management bonus	348,054	-
Consulting fees	20,000	-
Project supervision fees	75,000	60,000
Directors fees	75,000	-
Employee benefits expense	-	-
Total compensation	\$ 673,054	\$ 185,000
Other related party loan balances:		
Shareholder loans payable	\$ 310,055	\$ 1,115,384
Share-based payments	-	-
Total	\$ 310,055	\$ 1,115,384

As at January 31, 2020, the amount owing to related parties is unsecured and is due on demand. During the six months ended January 31, 2019, \$45,115 in interest was accrued on these amounts (\$0 January 31, 2020).

**14. 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.

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.

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No changes were made in the objectives, policies and processes for managing capital during the six months ended January 31, 2020.

**15. 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:

	2020	2019
Cash and cash equivalents	\$ 1,100,233	\$ 11,398
Carrying amounts	\$ 1,100,233	\$ 11,398

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:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	\$ 1,100,233	\$ 1,100,233	\$ 11,398	\$ 11,398
Available-for-sale investments	-	-	-	-
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	243,711	243,711	483,054	483,054
Convertible debentures	23,806	23,806	123,044	123,044
Loans payable	\$ 310,055	\$ 310,055	\$ 591,635	\$ 591,635

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**16. 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, 2020, \$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, 2016. The Company is committed to spend this money on exploration work on its Quebec mineral properties by December 31, 2016 before incurring Part XII.6 tax and extending the deadline to December 31, 2017. As at January 31, 2020, the Company is obligated to spend \$60,560.

**17. SUBSEQUENT EVENTS**

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

- a) The Company acquired the Lullwitz-Kaepelli gold property comprised of four contiguous mineral claims totalling 231.4 hectares located in the Lacoste and DeSales township in the Charlevoix area of Quebec (the “L-K Property”) for \$5,000 and the issuance of 300,000 shares of common stock. The property is subject to a 1.5% net smelter return royalty which can be purchased for \$500,000. The acquisition was approved by the TSX Venture Exchange, and the cash payment was made and the shares were issued.
- b) The Company issued 3,060,000 shares of common stock in settlement of \$153,000 in debts owing to four creditors.
- c) The Company entered into an option to purchase the shares of Birimian Geology Exploration (“BGE”), a Cote d'Ivoire company. BGE holds two gold exploration permits (the Bocanda permit and the Djekanou permit) covering approximately 471 square kilometers. The Company will acquire an 80% interest for \$20,000usd and the expenditure of \$3,000,000usd on exploration over the next two years and may acquire the remaining 20% at any time for \$1,500,000usd. The property is subject to a 1.25% net smelter royalty. The option agreement remains subject to closing conditions including TSX Venture Exchange approval.
- d) On February 12, 2020 the Company and Mosaic Minerals Corp. completed the Plan of Arrangement and the Company distributed 2,000,000 shares of Mosaic Minerals Corp. to Stellar’s shareholders. The Company retained 5,200,000 shares of Mosaic Minerals Corp. See also Note 5 – ‘Available for sale Investments’