

Amended and Restated

**ZANZIBAR GOLD INC.
(FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)**

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the six months ended February 28, 2017 and February 29, 2016

Unaudited – Prepared by Management

Amended and Restated

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Condensed Interim Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Note	Restated (Note 12) February 28, 2017	August 31, 2016
ASSETS			
Current assets			
Cash		\$ 3,708	\$ 16,528
Amounts receivable		4,538	2,006
Prepaid expense		-	3,330
Deposit		36,334	-
Total current assets		44,580	21,864
Non-current assets			
Exploration and evaluation assets	5	223,327	214,227
Exploration advances	5	19,786	19,786
Total non-current assets		243,113	234,013
TOTAL ASSETS		\$ 287,693	\$ 255,877
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		\$ 38,856	\$ 49,714
Due to related parties	7	7,500	139,168
Loan payable	7	107,860	41,260
Total current liabilities		154,216	230,142
Non-current liabilities			
Due to related parties	7	144,625	-
Total non-current liabilities		144,625	-
TOTAL LIABILITIES		298,841	230,142
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital stock	6	290,408	290,408
Deficit		(301,556)	(264,673)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		(11,148)	25,735
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		\$ 287,693	\$ 255,877

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

“Souhail (Abby) Farrage”

Chief Executive Officer & Director

“George Zarzour”

Director

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

Amended and Restated

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Note	Three months ended February 28, 2017	Three months ended February 29, 2016	Six months ended February 28, 2017	Six months ended February 29, 2016
EXPENSES					
Consulting	7	\$ 7,500	\$ 15,000	\$ 15,000	\$ 30,000
Office and administration	7	(683)	8,601	(470)	16,157
Professional fees		3,768	2,000	15,682	11,893
Property investigation costs		4,001	-	5,684	-
Regulatory and filing fees		837	3,159	987	3,159
Loss and comprehensive loss for the period		\$ (15,423)	\$ (28,760)	\$ (36,883)	\$ (61,209)
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted		7,557,755	7,557,755	7,557,755	7,557,755

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

Amended and Restated

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Condensed Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Six months ended February 28, 2017	Six months ended February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (36,883)	\$ (61,209)
Changes in non-cash working capital:		
Amounts receivable	(2,532)	(122)
Accounts payable and accrued liabilities	(10,858)	10,331
Prepaid expense	3,330	-
Deposit	(36,334)	-
Due to/from related parties	15,957	50,000
Net cash used in operating activities	(67,320)	(1,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from related party	66,600	-
Net cash provided by financing activities	66,660	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration advances	-	(4,000)
Exploration and evaluation assets	(12,100)	-
Net cash used in investing activities	(12,100)	(4,000)
Change in cash	(12,820)	(5,000)
Cash, beginning of period	16,528	5,690
Cash, end of period	\$ 3,708	\$ 690

There were no non-cash investing and financing activities during the periods ended February 28, 2017 and February 29, 2016.

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

Amended and Restated

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Condensed Interim Statement of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Deficit	Total
Balance as at August 31, 2015	7,557,755	\$ 290,408	\$ (129,120)	\$ 161,288
Loss for the period	-	-	(61,209)	(61,209)
Balance as at February 29, 2016	7,557,755	\$ 290,408	\$ (190,329)	\$ 100,079
Balance as at August 31, 2016	7,557,755	\$ 290,408	\$ (264,673)	\$ 25,735
Loss for the period	-	-	(36,883)	(36,883)
Balance as at February 28, 2017	7,557,755	\$ 290,408	\$ (301,556)	\$ (11,148)

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

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Zanzibar Gold Inc. (formerly Moshi Mountain Industries Ltd.) (the “Company”) was incorporated on August 21, 2014 and Moshing Capital Inc. was incorporated on August 22, 2014 under the Business Corporations Act of British Columbia. Under the plan of arrangement (Note 10), the companies amalgamated on March 2, 2015 to form an amalgamated company. The head office of the Company is 5623 145a Street, Surrey, British Columbia, V3S 8E3. The registered and records office is Suite 1780, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

The Company is in the exploration and development of natural resource properties in Tanzania.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 28, 2017, the Company has not generated any revenues from operations, has a working capital deficiency of \$109,636 and accumulated deficit of \$301,556.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management assesses that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption is not appropriate for these condensed interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classifications used could be material.

These condensed interim financial statements were authorized for issue on May 26, 2017 by the directors of the Company.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The significant accounting policies applied in these condensed interim financial statements are based on the IFRS issued and effective as of February 28, 2017.

These condensed interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting.

The condensed interim financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates

a) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

b) Significant estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at August 31, 2016. These unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2016.

New standards, amendments and interpretations not yet effected

New standard IFRS 9 "Financial Instruments" - This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New standards, amendments and interpretations not yet effected (continued)**

New standard IFRS 16 “Leases” - This new standard was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its condensed interim financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s condensed interim financial statements.

5. EXPLORATION AND EVALUATION ASSETS

	Kwedilima Cheetah
Balance – August 31, 2015	\$ 206,446
Deferred costs during the year	
Acquisition costs	-
Exploration expenses	
Geological analysis	829
Travel and accommodations	6,952
	<u>7,781</u>
Balance – August 31, 2016	<u>214,227</u>
Deferred costs during the period	
Acquisition costs	-
Exploration expenses	
Consulting fees	6,600
Geological analysis	2,500
	<u>9,100</u>
Balance – February 28, 2017	<u>\$ 223,327</u>

Kwedilima Cheetah Property, Tanzania

The Company entered into a sub-option agreement with AFGF Holdings (Tanzania) Ltd. (“AFGF”) and True Zone Resources Inc. (“True Zone”) dated September 26, 2014. AFGF is a private company existing under the laws of Tanzania. AFGF represented and warranted that it had acquired a 100% legal and beneficial interest in a prospecting licenses 6903/2011 & 6905/2011 located in the Handeni Kilindi Regional district of Tanzania. The prospecting licenses were issued February 28, 2011 and transferred in June 2011 to AFGF and grants rights for a period of 48 months to carry on prospecting operations. The prospecting licenses have been renewed for a further 36 months.

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Kwedilima Cheetah Property, Tanzania (Continued)

The grant of the sub-option was subject to an assignment agreement effective on the same date which provides that the right to earn an 80% interest shall be assigned to the Company upon the completion of a proposed plan of arrangement between True Zone and the Company. Following the grant by True Zone to the Company, the Company earned an 80% interest in the Kwedilima Cheetah Property free and clear of all encumbrances by paying \$25,000 to AFGF (paid) and satisfying the following:

- a) 500,000 shares are issued to True Zone on or before the date that is one year from the date of the sub-option agreement (issued at a value of \$15,000);
- b) \$75,000 in exploration expenditures are incurred within one year from the date of the sub-option agreement (incurred); and
- c) An additional \$75,000 in exploration expenditures within two years from the date of the sub-option agreement (incurred).

On March 2, 2015, the plan of arrangement became effective and True Zone transferred the sub-option to the Company (Note 10).

As at February 28, 2017, the Company has advanced aggregate funds of \$19,786 (August 31, 2016 - \$19,786) to various third parties for future exploration work on the property.

6. CAPITAL STOCK

- (a) Authorized – unlimited common and preferred shares without par value
- (b) There were no share issuances during the period ended February 28, 2017 and the year ended August 31, 2016.

7. RELATED PARTY TRANSACTIONS

As at February 28, 2017, there is \$49,125 (August 31, 2016 – \$49,125) due to a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

As at February 28, 2017, there is \$103,000 (August 31, 2016 – \$90,043) due to a company controlled by a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

Included in loan payable is a balance of \$107,860 (August 31, 2016 – \$41,260) due to a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

During the period ended February 28, 2017, the Company incurred \$15,000 (2016 - \$30,000) in consulting fees and \$Nil (2016 - \$15,000) in office fees for services from a company controlled by a director of the Company.

During the period ended February 28, 2017, a director of the Company and a company for which a director of the Company is the Chief Executive Officer agreed to postpone the payment due date of \$49,125 and \$95,500 respectively until that date which is 13 months from the date that the Company's common shares are listed and called for trading on the Exchange. The amounts owing by the Company are non-interest bearing. Notwithstanding such postponement, the Company may pre-pay all or any part of the debt without penalty before such payment due date. The amounts have been classified as non-current liabilities on the condensed interim statements of financial position.

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

8. MANAGEMENT OF CAPITAL

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the period.

9. FINANCIAL INSTRUMENTS AND RISKS

Fair Value

The Company's financial instruments consist of cash, amounts receivable, accounts payable, and due to related parties. The fair value of all financial instruments approximate their carrying values. Cash and amounts receivable are classified as loans and receivables. Accounts payable, due to related parties and loan payable are classified as other financial liabilities.

The Company's financial instrument is exposed to a number of risks that are summarized below:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and amounts due to related parties. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions. The Company manages its liquidity risk by continuously monitoring cash flow requirements relating to its anticipated exploration and evaluation activities as well as general overhead requirements.

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in non-interest bearing bank account, management considers the interest rate risk to be minimal.

Commodity Price Risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals or in the share prices of junior mineral exploration companies in general, could have a negative impact on the Company's ability to raise additional capital. Sensitivity to commodity price risk is remote since the Company has not established any reserves or production.

ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars. The Company conducts some of its business in US dollars and is therefore exposed to variations in the foreign exchange rate. In management's opinion there is no material foreign exchange risk to the Company.

10. PLAN OF ARRANGEMENT

On October 20, 2014, the Company entered into an arrangement agreement with True Zone, the Company's parent company, that contemplated a plan of arrangement for the spinout of the Company as a separate legal entity along with four other subsidiaries of True Zone. Upon completion of the plan of arrangement, the Company was granted the sub-option to earn an 80% interest in the Kwedilima Cheetah Property in Tanzania from True Zone in consideration for the Company's shares equal to 1% of the total issued and outstanding True Zone shares as of the share distribution record date. The number of True Zone shares outstanding on the share record distribution date was 45,775,300 and as such, the consideration for the sub-option agreement was 457,753 shares to True Zone shareholders. On October 20, 2014, the Company executed an amalgamation agreement for the amalgamation of the Company with Moshing Capital Inc. following the completion of such plan of arrangement. The amalgamation of the two foregoing companies formed an amalgamated company that retained the name of the Company as the business name and continued as one company under the Business Corporations Act of British Columbia. On March 2, 2015, the Company amalgamated with Moshing Capital Inc. to form an amalgamated company under the name "Moshi Mountain Industries Ltd."

The amalgamation was not accounted for as a business combination as the Company was not considered to be a business for accounting purposes. As the amalgamation resulted in the shareholders of Moshing Capital Inc. having control of the amalgamated company, the transaction was accounted for as if Moshing Capital Inc. acquired the net assets of the Company. As the Company had nominal net assets, the consideration of \$13,733, being the fair value of the 457,753 shares issued to True Zone shareholders, was attributed to the assignment of the option agreement and recorded to exploration and evaluation assets.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

The Company operates in both Canada and Tanzania. The Company's exploration and evaluation asset is located in Tanzania.

Amended and Restated**ZANZIBAR GOLD INC. (FORMERLY MOSHI MOUNTAIN INDUSTRIES LTD.)**

Notes to the Condensed Interim Financial Statements

For the Six Months Ended February 28, 2017 and 2016

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

12. AMENDED AND RESTATED FINANCIAL STATEMENTS

These interim financial statements have been amended to correct for errors in the original interim financial statements. The amendments relate to the classification of liabilities between current and long term. Amounts that were deferred subsequent to the period ended February 28, 2017 were originally recorded as long term liabilities, but should have been recorded as current liabilities. The impact of these changes is highlighted in the table below.

	As at February 28, 2017		
	As previously reported	Adjustment	As restated
Current liabilities			
Accounts payable and accrued liabilities	25,358	13,498	38,856
Due to related parties	-	7,500	7,500
Loan payable	-	107,860	107,860
Non-current liabilities			
Long term accounts payable	13,498	(13,498)	-
Due to related parties	152,125	(7,500)	144,625
Loan payable	107,860	(107,860)	-

13. SUBSEQUENT EVENTS

Subsequent to the period ended February 28, 2017, the Company filed a preliminary prospectus, offering on a commercially reasonable efforts basis, to purchasers resident in the provinces of British Columbia and Alberta, through its agent, PI Financial Corp. (the “Agent”), 4,000,000 units (the “Units”) of the Company at a price of \$0.10 per Unit. Each Unit comprises of one common share in the capital of the Company (a “Share”) and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable to acquire one further common share (a “Warrant Share”) for a period of two years, at an exercise price of \$0.15 per Warrant Share in the 1st year and \$0.20 per Warrant Share in the 2nd year. As at February 28, 2017, the Company had paid a deposit of \$36,334 in connection with the financing.

Subsequent to the period ended February 28, 2017, a director of the Company, a company for which a director of the Company is the Chief Executive Officer and a third party agreed to postpone the payment due date of \$107,860, \$22,000 and \$13,498 respectively until that date which is 13 months from the date that the Company’s common shares are listed and called for trading on the Exchange. The amounts owing by the Company are non-interest bearing. Notwithstanding such postponement, the Company may pre-pay all or any part of the debt without penalty before such payment due date. The amounts have been classified as non-current liabilities on the condensed interim statements of financial position.