ZANZIBAR GOLD INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the three months ended November 30, 2019 and 2018

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ZANZIBAR GOLD INC.
Condensed Interim Statements of Financial Position
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	Note	November 30, 2019	August 31, 2019
ASSETS			
Current assets			
Cash		$ 539,900	$ 221,301
Amounts receivable		9,129	8,765
Total current assets		549,029	230,066
Non-current assets			
Exploration and evaluation assets	5	1,509,850	868,745
Exploration advances	5	57,286	57,286
Total non-current assets		1,567,136	926,031
TOTAL ASSETS		$ 2,116,165	$ 1,156,097
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 59,828	$ 51,506
Due to related parties	7	185,749	331,256
Loan payable	7	-	78,833
Total current liabilities		245,577	461,595
SHAREHOLDERS' EQUITY			
Capital stock	6	1,995,284	1,598,398
Share subscriptions received	12	1,002,770	-
Reserves	6	2,037	188,923
Deficit		(1,129,503)	(1,092,819)
TOTAL SHAREHOLDERS' EQUITY		1,870,588	694,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 2,116,165	$ 1,156,097

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

"Souhail (Abby) Farrage"
Chief Executive Officer & Director

"Michael Mulberry"
Director

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

ZANZIBAR GOLD INC.
Condensed Interim Statements of Loss and Comprehensive Loss
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	Note	Three months ended November 30, 2019	Three months ended November 30, 2018
EXPENSES			
Consulting	7	$ 15,000	$ 31,672
Marketing		-	10,500
Office and administration		887	1,689
Professional fees		4,914	10,933
Property investigation costs		-	6,719
Rent	7	10,500	10,500
Transfer agent and filing fees		5,383	4,796
Loss and comprehensive loss for the period		$ (36,684)	$ (76,809)
Basic and diluted loss per share		$ (0.00)	$ (0.01)
Weighted average number of shares outstanding - basic and diluted		18,597,987	11,949,513

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

ZANZIBAR GOLD INC.
Condensed Interim Statements of Cash Flows
For the Three Months Ended November 30, 2019 and 2018
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (36,684)	$ (76,809)
Changes in non-cash working capital:		
Amounts receivable	(364)	(403)
Accounts payable and accrued liabilities	16,050	(21,964)
Due to/from related parties	(145,507)	25,500
Net cash used in operating activities	(166,505)	(73,676)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration advances	(438,833)	(81,000)
Exploration and evaluation assets	-	(50,000)
Net cash used in investing activities	(438,833)	(131,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of stock options	-	115,000
Proceeds from shares subscribed	1,002,770	-
Repayment of loan from related party	(78,833)	-
Net cash provided by financing activities	923,937	115,000
Change in cash	318,599	(89,676)
Cash, beginning of period	221,301	117,561
Cash, end of period	$ 539,900	$ 27,885

Non-cash investing and financing activities during the three months ended November 30, 2019:

- Issued 1,500,000 shares at a fair value of $210,000 for an exploration and evaluation asset;
- Transferred a fair value of $186,886 to share capital on the exercise of stock options.

Non-cash investing and financing activities during the three months ended November 30, 2018:

- Transferred a fair value of $102,434 to share capital on the exercise of stock options.

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

ZANZIBAR GOLD INC.
Condensed Interim Statements of Changes in Shareholders' Equity
Unaudited – Prepared by Management
(Expressed in Canadian dollars)

	Number of Shares		Capital Stock		Reserves		Share Subscriptions Receivable		Deficit		Total
Balance as at August 31, 2018	11,557,755	$	532,298	$	126,031	$	-	$	(610,712)	$	47,617
Exercise of stock options	1,150,000		217,434		(102,434)		-		-		115,000
Loss for the period	-		-		-		-		(76,809)		(76,809)
Balance as at November 30, 2018	12,707,755	$	749,732	$	23,597	$	-	$	(687,521)	$	85,808
Balance as at August 31, 2019	17,955,130	$	1,598,398	$	188,923	$	-	$	(1,092,819)	$	694,502
Transfer to share capital on exercised of options	-		186,886		(186,886)		-		-		-
Shares subscribed							1,002,770		-		1,002,770
Share issued for exploration and evaluation asset	1,500,000		210,000		-		-		-		210,000
Loss for the period	-		-		-		-		(36,684)		(36,684)
Balance as at November 30, 2019	19,455,130	$	1,995,284	$	2,037	$	1,002,770	$	(1,129,503)	$	1,870,588

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Zanzibar Gold Inc. (the "Company") was incorporated on August 21, 2014 under the Business Corporations Act of British Columbia. 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 common shares of the Company are listed on the Canadian Securities Exchange ("CSE"), and trade under the symbol "ZBR".

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

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 November 30, 2019 the Company has not generated any revenues from operations, has a working capital of $303,452 and accumulated deficit of $1,129,503.

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 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 January 28, 2020 by the directors of the Company.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting using the principles of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and, accordingly, should be read in conjunction with the Company's annual financial statements for the year ended August 31, 2019.

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended August 31, 2019.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the year ended August 31, 2019.

New accounting standards adopted during the period

New standard IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not entered into any leases and the adoption of the new standard had no material effect on its condensed interim financial statements.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Kwedilima Cheetah, Tanzania	Mkuvia & Fakawi Tanzania	Panther1, Canada	Total
Balance – August 31, 2018	$ 392,510	$ -	$ -	392,510
		-		
Deferred costs during the year		-		
Acquisition costs:	-		290,000	290,000
Exploration costs:				
Assays, staking and mapping	-	-	26,400	26,400
Consulting fees	44,219	-	22,100	66,319
Field equipment and supplies	25,096	-	-	25,096
Field work	25,000	-	-	25,000
Other	11,920	-	-	11,920
Travel and accommodation	27,500	-	4,000	31,500
	133,735	-	52,500	186,235
Balance – August 31, 2019	526,245	-	342,500	868,745
Deferred costs during the period				
Acquisition costs:		100,000	210,000	310,000
Exploration costs:				
Assays, staking and mapping	-	100,000	150,000	250,000
Consulting fees	4,685	-	-	4,685
Field equipment and supplies	6,789	50,000	-	56,789
Travel and accommodation	12,631	-	7,000	19,631
	24,105	150,000	157,000	331,105
Balance – November 30, 2019	$ 550,350	$ 250,000	$ 709,500	$ 1,509,850

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.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

The sub-option agreement lapsed and was replaced by an option agreement (the "Option Agreement") between the Company and AFGF dated for reference September 30, 2016. The property that is the subject of the Option Agreement is located on prospecting license 11043/2016 in the Handeni Region, United Republic of Tanzania (the "Property"). The key terms of the Option Agreement are:

The Company can acquire an 80% undivided interest in and to the Property (the "Option") free and clear of all charges, encumbrances and claims in consideration for:

- (i) cash payment of $25,000 to AFGF (paid);
- (ii) issuance of 500,000 common shares of the Company to AFGF on or before September 26, 2017 (issued);
- (iii) incur $75,000 in exploration expenses on or before September 26, 2016 (incurred); and
- (iv) an additional $75,000 in exploration expenses on or before December 31, 2016 (incurred).

Pursuant to the Option Agreement, AFGF further granted the Company an option to purchase up to an additional 20% interest in the Property (the "Second Option") upon exercise of the Option by the Company to earn an 80% interest in the Property.

The Second Option may be fully exercised to attain a further 20% legal and beneficial interest in the Property (for an aggregate of up to 100% legal and beneficial interest in the Property) for a 3 year period from the execution of the Option Agreement in consideration for further payments of:

- (i) $1,000,000 for each additional 5% interest in the Property for up to $4,000,000; or
- (ii) $3,000,000 for an additional 15% interest in the Property whereby the Company may at its sole discretion, pay a further $1,000,000 for a 3% net smelter return (the "Royalty"). The Company is entitled to repurchase up to 2% of the Royalty thereby reducing the Royalty to as low as 2% or 1% net smelter return as the case may be, which may be exercisable at any time, upon the Company giving AFGF notice of exercise together with $1,000,000 for each 1% net smelter return for an aggregate of up to $2,000,000.

During the year ended August 31, 2018, the Company exercised the option granted by the Option Agreement pursuant to an option exercise agreement among the Company, AFGF and its staking agent, Jafari Yassim Sebabili ("Sebabili") (the "Option Exercise Agreement"). The key terms of the Option Exercise Agreement are that the Company will exercise the first option to earn an 80% interest in the Tanzania property and upon such exercise shall be deemed to have earned an additional 20% interest in the Tanzania property for a total 100% legal and beneficial interest. The prospecting license which comprises the Tanzania property (the "PL") is held by Sebabili on behalf of AFGF and was in the process of being transferred to AFGF. Under the Option Exercise Agreement, Sebabili will withdraw the application to transfer the registration in the PL to AFGF and immediately register the Company as the 100% legal and beneficial owner of the PL. Until such registration occurs, Sebabili will hold the 100% legal and beneficial interest in the PL in trust for the Company.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Panther1 Property, Canada

On November 2018, the Company signed an option agreement to acquire an 80% interest in Panther1 Property, a vanadium property located on Vancouver Island, British Columbia. Under the terms of the agreement, the Company will make cash payments of $100,000 to the optionor, issue 2,500,000 common shares to the optionor, and incur $225,000 in exploration expenditures by December 31, 2019 as follows:

- Cash payment of $50,000 to the optionor within five business days upon execution of this Agreement (paid);
- Issuance of 1,000,000 common shares of the optionee to the optionor within five business days upon execution of this Agreement (issued at a fair value of $190,000);
- Incur $75,000 in exploration expenses on or before December 31, 2018 (incurred);
- Payment of $50,000 to the optionor by May 15, 2019 (paid);
- Issuance of 1,500,000 common shares of the optionee to the optionor on or before October 31, 2019 (issued at a fair value of $210,000); and
- Incur $150,000 in exploration expenses on or before December 31, 2019.

As at November 30, 2019, the Company has advanced aggregate funds of $57,286 (August 31, 2019 - $57,286) to various third parties for future exploration work on the properties.

Mkuvia & Fakawi Property, Tanzania

During the period ended November 30, 2019, the Company entered into agreements with the Mkuvia and Fakawi properties. Mkuvia is a placer gold property in Southern Tanzania and Fukawi is a lode gold property in the Handeni area of East central Tanzania.

The Mkuvia Property due diligence agreement contains the following terms: (i) the Company may spend up to $100,000 on its due diligence review, which shall be credited, at the Company's discretion, towards exploration expenditures or cash options requirements on the Mkuvia.

The Company may exercise the option to acquire an 80% net profit interest in the Mkuvia property free and clear of all charges, encumbrances and claims in consideration for:

i. cash payment of US$5,000 within 30 days of the effective date of this agreement;
ii. issuance of 1,000,000 common shares on or before October 15th, 2019;
iii. issuance of 1,000,000 Shares within six months of the effective date of the agreement; and
iv. The Company shall initiate a US$75,000 development and mining program within 60 days of the Financing.

Subject to regulatory approval, the Company can earn a 100% legal and beneficial interest in the licenses on the Fakawi Property, free and clear of all charges and encumbrances, on the following option terms:

i. a cash payment of US$75,000 each within 10 and 60 days of the effective date of the option agreement ($100,000 paid during the period ended November 30, 2019);
ii. the issuance of 1,000,000 common shares to the optionor;
iii. initiate a US$250,000 development and mining program within 6 months of the effective date of the option agreement;
iv. a cash payment of US$100,000 within one year of the effective date of the option agreement; and
v. an issuance of 1,000,000 common shares within one year of the effective date of the option agreement.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK

Authorized – unlimited common and preferred shares without par value

Issued and outstanding:

Share capital transactions during the period ended November 30, 2019 were as follows:

- 1,500,000 shares were issued at a fair value of $210,000 for an exploration and evaluation asset (Note 5).

Share capital transactions during the year ended August 31, 2019 were as follows:

- 2,350,000 stock options were exercised for gross proceeds of $295,000. A fair value of $102,434 was transferred from reserves to share capital on exercise and during the period ended November 30, 2019, a fair value of $186,886 was transferred from reserves to share capital on exercise.
- 3,047,375 warrants and broker's warrants were exercised for proceeds of $457,106. A fair value of $21,560 was transferred from reserves on exercise of agent's warrants.
- 1,000,000 shares were issued at a fair value of $190,000 for an exploration and evaluation asset (Note 5).

Stock options

The Company's plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares. No stock option granted under the plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

A summary of the Company's outstanding share purchase options as at November 30, 2019 and the changes during the period are presented below:

	Number of Options	Weighted Average Exercise Price
Balance – August 31, 2018	1,150,000	$ 0.10
Granted	1,200,000	0.15
Exercised	(2,350,000)	0.13
Balance – August 31, 2019 and November 30, 2019	-	$ -

(Expressed in Canadian Dollars)

6. CAPITAL STOCK (CONTINUED)

Stock based compensation

During the year ended August 31, 2019, the Company granted 1,200,000 stock options at a weighted average exercise price of $0.15 per share.

The weighted average fair value of each stock option granted during the year ended August 31, 2019 was $0.16, calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	2019
Risk-free interest rate	1.80%
Expected life of option	5 years
Expected dividend yield	0%
Expected stock price volatility	150%

Share purchase warrants

A summary of the Company's outstanding share purchase warrants as at November 30, 2019 and the changes during the period are presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding – August 31, 2018	4,320,000	$ 0.20
Exercised	(3,047,375)	0.20
Outstanding – August 31, 2019 and November 30, 2019	1,272,625	$ 0.20

Number of Warrants	Exercise Price ($)	Expiry Date
1,245,000	0.20	July 19, 2020
27,625	0.15	July 18, 2021
1,272,625		

Reserves

Reserves relate to share-based payment reserve, which represent the fair value of stock options or warrants until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

7. RELATED PARTY TRANSACTIONS

As at November 30, 2019, there is $19,589 (August 31, 2019 – $89,256) due to a director of the Company. These amounts are non-interest bearing and have no specified terms of repayment.

As at November 30, 2019, there is $166,160 (August 31, 2019 – $242,000) due to a company controlled by a director of the Company. These amounts are non-interest bearing. and have no specified terms of repayment

As at November 30, 2019, included in loan payable is a balance of $Nil (August 31, 2019 – $78,833) due to a director of the Company. These amounts are non-interest bearing and have no specified terms of repayment.

During the period ended November 30, 2019, the Company incurred $15,000 (2018 - $15,000) in consulting fees from a company controlled by a director of the Company.

During the period ended November 30, 2019, the Company incurred $10,500 (2018 - $10,500) in rent from a company controlled by a director of the Company.

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, loan payable and due to related parties. The fair value of all financial instruments approximate their carrying values. Cash is classified as fair value through profit and loss and amounts receivable is classified at amortized cost. Accounts payable, due to related parties and loan payable are classified as amortized cost.

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 become due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities, loan payable 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.

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. 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 assets are located in Canada and Tanzania.

11. SUBSEQUENT EVENTS

Subsequent to November 30, 2019, the Company:

- Closed a private placement at $0.13 per unit from the sale of 7,713,616 units for gross proceeds of $1,002,770. Each unit comprises of one common share and one share purchase warrant, where each warrant may be exercised to purchase a further common share at a price of $0.15 for a period of three years.