

**Sky Gold Corp.**  
**(formerly Sunvest Minerals Corp.)**

Consolidated Financial Statements

For the years ended June 30, 2019 and 2018

(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Sky Gold Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Sky Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$2,819,741 during the year ended June 30, 2019 and, as of that date, the Company's total deficit was \$10,996,640. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

October 8, 2019

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)****Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

	Notes	June 30, 2019	June 30, 2018
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		595,105	6,961
Commodity tax receivable		4,924	4,479
Subscriptions receivable	10	192,500	-
Prepaid expenses	7	116,667	56,661
		909,196	68,101
Reclamation bond		20,084	8,151
Exploration and evaluation assets	8	1,833,102	2,494,131
Total assets		2,762,382	2,570,383
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9, 12	68,584	143,585
Loan payable	12	-	206,500
		68,584	350,085
Flow-through share premium liability	10	100,000	-
Total liabilities		168,584	350,085
<b>Shareholders' equity</b>			
Share capital	10	11,854,180	8,864,523
Reserves	11	1,736,258	1,535,151
Deficit		(10,996,640)	(8,176,899)
		2,593,798	2,222,775
Non-controlling interest		-	(2,477)
Total shareholders' equity		2,593,798	2,220,298
Total liabilities and shareholders' equity		2,762,382	2,570,383

*Nature of operations (note 1)**Subsequent events (note 15)***Approved on Behalf of the Board of Directors:**/s/ Mike England

Director

/s/ John Masters

Director

See accompanying notes to the consolidated financial statements

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended June 30,**  
(Expressed in Canadian dollars)

	Notes	2019	2018
<b>EXPENSES</b>		\$	\$
Consulting fees	12	454,708	337,223
Foreign exchange		1,611	3,483
Gain on settlement of accounts payable and accrued liabilities	9	-	(72,376)
General and administration		20,587	54,320
Investor relations		46,707	173,947
Loss on write-off of subsidiary	3	1,192	-
Office management services	12	144,000	143,000
Professional fees		73,791	109,979
Regulatory and filing fees		40,679	59,120
Share-based compensation	11	129,000	98,100
Write-off of accounts payable	9	-	(22,070)
Write-off of exploration and evaluation assets	8	1,907,466	20,000
<b>Net loss and comprehensive loss for the year</b>		<b>(2,819,741)</b>	<b>(904,726)</b>
<b>Basic and diluted loss per share</b>		<b>(0.04)</b>	<b>(0.02)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>79,119,716</b>	<b>41,555,074</b>

See accompanying notes to the consolidated financial statements

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian dollars)

	Attributable to the owners of the Company						
	Shares	Share Capital	Reserves	Deficit	Attributable to Owners	Non-Controlling Interest	Total equity
	#	\$	\$	\$	\$	\$	\$
<b>Balance at June 30, 2017</b>	30,402,553	7,268,023	1,431,051	(7,272,173)	1,426,901	(2,477)	1,424,424
Share issuance – private placements	9,110,000	911,000	-	-	911,000	-	911,000
Share issuance costs	-	(36,000)	-	-	(36,000)	-	(36,000)
Finder's warrants issued	-	(12,200)	12,200	-	-	-	-
Share issuance – options exercised	100,000	18,200	(6,200)	-	12,000	-	12,000
Shares issued for evaluation and exploration assets	7,350,000	715,500	-	-	715,500	-	715,500
Share-based payments	-	-	98,100	-	98,100	-	98,100
Net loss for the year	-	-	-	(904,726)	(904,726)	-	(904,726)
<b>Balance at June 30, 2018</b>	46,962,553	8,864,523	1,535,151	(8,176,899)	2,222,775	(2,477)	2,220,298
Share issuance – private placements	55,928,000	2,705,680	-	-	2,705,680	-	2,705,680
Share issuance costs	-	(190,038)	-	-	(190,038)	-	(190,038)
Finder's shares issued	230,000	10,350	-	-	10,350	-	10,350
Finder's warrants issued	-	(88,000)	88,000	-	-	-	-
Flow-through share premium liability	-	(100,000)	-	-	(100,000)	-	(100,000)
Share issuance – options exercised	300,000	24,234	(3,234)	-	21,000	-	21,000
Share issuance – warrants exercised	96,750	19,431	(12,659)	-	6,772	-	6,772
Share-based payments	-	-	129,000	-	129,000	-	129,000
Shares issued for acquisition of 1174679 BC Ltd.	10,000,000	500,000	-	-	500,000	-	500,000
Shares issued for evaluation and exploration assets	2,450,000	108,000	-	-	108,000	-	108,000
Net loss for the year	-	-	-	(2,819,741)	(2,819,741)	2,477	(2,817,264)
<b>Balance at June 30, 2019</b>	115,967,303	11,854,180	1,736,258	(10,996,640)	2,593,798	-	2,593,798

See accompanying notes to the consolidated financial statements

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)**

**Consolidated Statements of Cash Flows**

(Expressed in Canadian dollars)

	<b>Year Ended June 30,</b>	
	<b>2019</b>	2018
<b>Cash flows from operating activities</b>	\$	\$
Net loss for the year	(2,819,741)	(904,726)
Items not affecting cash:		
Write-off of exploration and evaluation assets	1,907,466	20,000
Write-off of accounts payable	-	(22,070)
Loss on write-off of subsidiary	1,192	-
Foreign exchange	1,611	(107)
Share-based compensation	129,000	98,100
Gain on settlement of accounts payable and accrued liabilities	-	(72,376)
Change in non-cash operating working capital items:		
Decrease (increase) in commodity tax receivable	(445)	114,218
Decrease (increase) in prepaid expenses	(60,006)	52,842
Decrease in accounts payable and accruals	(20,836)	(39,495)
<b>Cash flows used in operating activities</b>	<b>(861,759)</b>	<b>(753,614)</b>
<b>Cash flows from investing activities</b>		
Exploration and evaluation assets	(692,861)	(443,802)
Reclamation bond	(12,000)	-
<b>Cash flows used in investing activities</b>	<b>(704,861)</b>	<b>(443,802)</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placements, gross	2,513,180	881,000
Share issuance costs	(179,688)	(36,000)
Options exercised	21,000	12,000
Warrants exercised	6,772	-
Loans received (repayment)	(206,500)	206,500
<b>Cash flows provided by financing activities</b>	<b>2,154,764</b>	<b>1,063,500</b>
<b>Increase in cash</b>	<b>588,144</b>	<b>(133,916)</b>
<b>Cash – beginning of year</b>	<b>6,961</b>	<b>140,877</b>
<b>Cash – end of year</b>	<b>595,105</b>	<b>6,961</b>
<b>Supplemental cash flow information</b>		
Fair value of options exercised	3,234	6,200
Fair value of warrants exercised	12,659	-
Exploration and evaluation assets – share issuance	608,000	765,500
Flow-through share premium liability	100,000	-
Subscriptions receivable	192,500	-
Share issuance costs – finder’s warrants	88,000	12,200
Exploration and evaluation assets included in accounts payable and accrued liabilities	-	58,699
Finder’s shares	10,350	-
Assumed debt related to exploration and evaluation assets	-	72,386

See accompanying notes to the consolidated financial statements

# **Sky Gold Corp. (formerly Sunvest Minerals Corp.)**

## **Notes to Consolidated Financial Statements**

**June 30, 2019 and 2018**

(Expressed in Canadian dollars)

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### **1 Nature of operations**

Sky Gold Corp. (formerly Sunvest Minerals Corp.) (the “Company”) was incorporated as Minati Capital Corp. under the *Business Corporations Act* (British Columbia) on January 8, 2008. The Company was listed on the TSX Venture Exchange (the “Exchange”) formerly under the symbol SRK. On November 21, 2014, the Company changed its name to Strike Diamond Corp. from Strike Graphite Corp. On March 15, 2016, the Company consolidated its share capital on a ten for one basis and changed its name to Sunvest Minerals Corp. These financial statements reflect the share consolidation. On April 16, 2019 the Company changed its name to Sky Gold Corp. The Company is listed on the Exchange under the trading symbol SKYG.

The Company is in the exploration stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

The address of the Company’s corporate office and its principal place of business is Suite 1240 – 789 West Pender Street, Vancouver BC, V6C 1H2, Canada.

#### *Going concern*

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for twelve months and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at June 30, 2019, the Company had not advanced its exploration and evaluation assets to commercial production. At June 30, 2019, the Company has not achieved profitable operations, has accumulated losses of \$10,996,640 (June 30, 2018 - \$8,176,899) since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

### **2 Basis of presentation and statement of compliance**

#### *Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements are authorized for issue by the Board of Directors on October 8, 2019.

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**  
(Expressed in Canadian dollars)

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## **2 Basis of presentation and statement of compliance (cont'd)**

### *Basis of Measurement*

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. They also require management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## **3 Significant accounting policies**

### **Cash**

Cash includes cash on hand, and deposits held at call with financial institutions.

### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiary as at June 30, 2019. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiary as if they formed a single entity. All inter-company transactions and balances between the companies are therefore eliminated in full.

The Company incorporated a subsidiary, Strike Gold Corp., on September 12, 2011 in the Province of British Columbia. The Company held an 89% interest in Strike Gold Corp. (June 30, 2018 – 89%) which was dormant during the years ended June 30, 2019 and 2018. The Company dissolved Strike Gold Corp due to inactivity which resulted in a loss of \$1,192 during the year ended June 30, 2019.

The Company incorporated a subsidiary, 1175528 B.C. Ltd., on September 19, 2018 in the Province of British Columbia. The Company later amalgamated 1174679 B.C. Ltd. (Note 6) and 1175528 B.C. Ltd. into one company under the name 1179985 B.C. Ltd. The Company holds a 100% interest in 1179985 B.C. Ltd. These consolidated financial statements include the accounts of 1179985 B.C. Ltd.

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)**  
**Notes to Consolidated Financial Statements**  
**June 30, 2019 and 2018**  
(Expressed in Canadian dollars)

### 3 Significant accounting policies (cont'd)

#### Financial Instruments

On July 1, 2018, the Company adopted all of the requirements of IFRS 9 – Financial Instruments. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9; therefore, the Company’s accounting policy with respect to financial liabilities is unchanged.

The Company completed an assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial Assets and Liabilities</b>	<b>Original Classification IAS 39</b>	<b>New Classification IFRS 9</b>
Cash	Fair value through profit and loss	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not result in any material changes to the Company’s consolidated financial statements.

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets’ classification, as described below:

Fair value through profit or loss (“FVTPL”): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to net earnings. Financial instruments under this classification include cash.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include accounts payable and accrued liabilities, and loans payable.

Fair value through other comprehensive income (“FVOCI”): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company’s accounts payable and accrued liabilities, and loan payable are classified at amortized cost. The Company does not currently have any FVTPL financial liabilities.

(iii) Impairment of financial assets

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets.

### **3 Significant accounting policies (cont'd)**

#### **Financial Instruments (cont'd)**

IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

#### **Exploration and Evaluation Assets**

##### *Pre-exploration Costs*

Pre-exploration costs are expensed in the period in which they are incurred.

##### *Exploration and evaluation costs for mineral properties*

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the consolidated statement of loss and comprehensive loss.

On an annual basis, the Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

### **3 Significant accounting policies (cont'd)**

#### **Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves.

#### **Basic and Diluted Earnings (Loss) Per Share**

The Company presents basic and diluted earnings (loss) per share data for its common shares, 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. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

#### **Income Taxes**

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss), in which case the income tax is also recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities are presented as non-current.

### **3 Significant accounting policies (cont'd)**

#### **Share-Based Payments**

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of shares that will eventually vest.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes Model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Any consideration paid by directors, officers, employees and non-employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

#### **Rehabilitation Provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the consolidated statement of loss and comprehensive loss for the period. As at June 30, 2019 and 2018, the Company has no known obligations relating to rehabilitation.

### **3 Significant accounting policies (cont'd)**

#### **Impairment of Long-lived Assets**

The Company's long-lived assets are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Flow-Through Shares**

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the tax deductibility of qualifying resource expenditures is transferred to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income on settlement of flow-through share premium liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares or units are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

### **3 Significant accounting policies (cont'd)**

#### **Future accounting pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and the eventual application of these standards is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

IFRS 16 *Leases* specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard is applicable to annual periods beginning on or after January 1, 2019.

Adoption of this standard is not expected to have a material impact on the Company's financial statement presentation.

### **4 Critical estimates and judgments**

The Company makes certain estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments assumptions 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 judgments.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

#### **Recoverability of Capitalized Exploration and Evaluation Expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company and the maintenance of good standing of the mineral titles, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

#### **Valuation of Share-Based Payments**

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the stock options granted. This estimate also requires determining the most appropriate inputs to the valuation model including the expected lives of the stock options, volatility, interest rates and, dividend yield and making assumptions about them. The model and assumptions used for estimating the fair value of share-based payment transactions are disclosed in Note 10.

## **4 Critical estimates and judgments (cont'd)**

### **Recovery of Deferred Tax Assets**

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include the determination of the fair value of the assets acquired, liabilities assumed and consideration provided in respect to the acquisition of 1174679 B.C. Ltd.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements include the determination of the acquisition of 1174679 B.C. Ltd. being an asset acquisition.

## **5 Financial instruments**

### **Fair values of financial instruments**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loan payable. Cash is carried at fair value. The fair values of accounts payable and accrued liabilities, and loan payable approximate their carrying amounts due to their current nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

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## 5 Financial instruments (cont'd)

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Fair Value Hierarchy Level	June 30, 2019	June 30, 2018
<b>Financial assets</b>		\$	\$
Cash	1	595,105	6,961

### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of commodity taxes receivable due from a federal government agency.

### *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. The Company does not consider its exposure to interest rate risk to be significant.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's goal is to have sufficient capital or access to capital to allow it to meet its liabilities when they become due. This goal has not been fully met in recent periods thereby increasing the liquidity risk. As at June 30, 2019, the Company had working capital of \$840,612 as compared to a working capital deficiency of \$281,984 at June 30, 2018. The Company intends to meet its current obligations in the following year with funds to be raised through private placements, shares for debt, loans and related party loans.

### *Market risk*

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

### Interest rate risk

The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

### Foreign currency risk

The Company is exposed to nominal foreign currency risk.

### Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings (loss) due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations may be significant.

**Sky Gold Corp. (formerly Sunvest Minerals Corp.)****Notes to Consolidated Financial Statements****June 30, 2019 and 2018**

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**6 Acquisition of 1174679 B.C. Ltd.**

On September 19, 2018, the Company completed the acquisition of 1174679 B.C. Ltd. by paying \$20,000 in cash and issuing 10,000,000 common shares (issued and valued at \$500,000). In addition, the Company paid transaction costs of \$63,008.

The transaction does not constitute a business combination, as 1174679 B.C. Ltd. does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of 1174679 B.C. Ltd. has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are recorded at fair value. Upon closing of the transaction, 1174679 B.C. Ltd became a wholly-owned subsidiary of the Company. The net assets acquired pursuant to the acquisition are as follows:

<b>Net assets acquired</b>	
	\$
Exploration and evaluation assets	583,008
<b>Total Purchase Price:</b>	
	\$
Cash	20,000
Issuance of 10,000,000 common shares	500,000
Transaction costs	63,008
	583,008

**7 Prepaid expenses**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	\$	\$
Consulting	116,667	31,750
Shareholders communication	-	22,476
Other prepaid expenses	-	2,435
	116,667	56,661

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**8 Exploration and evaluation assets**

	<b>Evening Star Property</b>	<b>Clone Gold Property</b>	<b>Roy Mine (Farr) Property</b>	<b>Brazil Lake Cobalt (Foster Cobalt) Property</b>	<b>Hemlo West Property</b>	<b>Moosehead North Gold Property</b>	<b>McKinnon-Hawkins Gold Property</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>June 30, 2018</b>	506,737	610,560	73,382	232,346	96,167	-	974,939	2,494,131
<i>Acquisition costs</i>								
Cash	10,211	150,000	-	-	-	83,008	-	243,219
Shares issued	10,000	90,000	-	-	8,000	500,000	-	608,000
	20,211	240,000	-	-	8,000	583,008	-	851,219
<i>Deferred exploration costs</i>								
Assays	5,223	-	-	-	-	-	-	5,223
Field work	-	365,635	-	-	-	-	-	365,635
Geological consulting	2,368	6,330	-	-	-	7,517	2,642	18,857
Staking	9,482	3,759	-	-	-	-	-	13,241
Travel	-	-	-	-	-	2,847	-	2,847
	17,073	375,724	-	-	-	10,364	2,642	405,803
Recovery	-	(10,585)	-	-	-	-	-	(10,585)
Write-off	-	-	-	(232,346)	(104,167)	(593,372)	(977,581)	(1,907,466)
<b>June 30, 2019</b>	544,021	1,215,699	73,382	-	-	-	-	1,833,102

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**8 Exploration and evaluation assets (cont'd)**

	<b>McKinnon-Hawkins Gold Property</b>	<b>Evening Star Property</b>	<b>Clone Gold Property</b>	<b>Roy Mine (Farr) Property</b>	<b>Brazil Lake Cobalt (Foster Cobalt) Property</b>	<b>Hemlo West Property</b>	<b>Parrott Lake Property</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>June 30, 2017</b>	682,428	201,846	-	102,382	137,071	55,667	-	1,179,394
<i>Acquisition costs</i>								
Cash	125,000	52,740	97,386	-	-	12,000	20,000	307,126
Shares issued	122,000	24,000	450,000	51,000	90,000	28,500	-	765,500
	247,000	76,740	547,386	51,000	90,000	40,500	20,000	1,072,626
<i>Deferred exploration costs</i>								
Assays	6,420	29,319	3,856	-	-	-	-	39,595
Drilling	-	102,706	-	-	-	-	-	102,706
Field work	-	3,287	25,579	-	-	-	-	28,866
Geological consulting	23,691	63,647	14,024	-	5,275	-	-	106,637
Staking	-	9,445	10,618	-	-	-	-	20,063
Travel	15,400	19,747	9,097	-	-	-	-	44,244
	45,511	228,151	63,174	-	5,275	-	-	342,111
Write-off	-	-	-	-	-	-	(20,000)	(20,000)
Recovery	-	-	-	(80,000)	-	-	-	(80,000)
<b>June 30, 2018</b>	974,939	506,737	610,560	73,382	232,346	96,167	-	2,494,131

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## **8 Exploration and evaluation assets (cont'd)**

### **Evening Star Property, Nevada**

On November 23, 2016, the Company entered into an agreement (amended) to acquire a 100% interest in the Evening Star Property, located in Nevada. The Company received written acceptance of the agreement from the Exchange on January 5, 2017.

To acquire an 80% interest in the Evening Star Property, the Company shall make the following payments:

#### Cash payments

- i) USD \$45,000 upon execution of the agreement (paid);
- ii) USD \$20,000 on or before June 4, 2017 (paid);
- iii) USD \$15,000 on or before January 5, 2018 (paid);
- iv) USD \$25,000 on or before June 4, 2018 (paid);
- v) USD \$17,500 on or before July 5, 2019 (paid); and
- vi) USD \$110,000 on or before January 5, 2020.

#### Share issuances

- i) 250,000 common shares on or before January 5, 2018 (issued at a value of \$24,000);
- ii) 250,000 common shares on or before January 5, 2019 (issued at a value of \$10,000); and
- iii) 250,000 common shares on or before January 5, 2020.

#### Exploration expenditures

- i) incur exploration expenditures of USD\$5,000 on or before June 4, 2017 (incurred); and
- ii) incur exploration expenditures of USD\$5,000 on or before June 4, 2018 (incurred).

The Company has a second option to increase its interest by 20% (to 100%) by making cash payments of \$450,000 and issuing an additional 500,000 common shares over a 24 month period.

A Net Smelter Return Royalty ("NSR") of 0.5% will be granted to the first party. An additional 2% NSR will be granted to the second party, of which 1% can be purchased for cancellation at the Company's option for \$500,000, and the remaining 1% NSR can be purchased for cancellation for \$1,000,000, for a period of five years commencing after the exercise of the second option.

### **Clone Gold Property**

On September 27, 2017, the Company entered into an option agreement with Makena Resources Inc. to acquire a 50% interest in a series of mining claims known as the Clone Gold Property located in British Columbia, Canada for the following consideration:

- i) issuance of 3,000,000 common shares (issued at a value of \$300,000);
- ii) cash payment of \$100,000 on or before October 5, 2018 (paid); and
- iii) cash payment of \$200,000 on or before October 5, 2019.

In addition, the Company assumed \$72,386 of Makena Resources Inc. debt held by Teuton Resources Corp. in consideration of acquiring an interest in the property.

## **8 Exploration and evaluation assets (cont'd)**

### **Clone Gold Property (cont'd)**

Concurrently, the Company entered into an option agreement (subsequently amended) with Teuton Resources Corp. and Silver Grail Resources Ltd. to acquire the remaining 50% interest in the Clone Gold Property for the following consideration:

#### Cash payment

- i) cash payment of \$25,000 upon execution of the agreement (paid);
- ii) cash payment of \$50,000 on or before October 5, 2018 (paid); and
- iii) cash payment of \$100,000 on or before October 5, 2019.

#### Share issuance

- i) issuance of 1,500,000 common shares upon execution of the agreement (issued at a value of \$150,000);
- ii) issuance of 2,000,000 common shares on or before October 5, 2018 (issued at a value of \$90,000); and
- iii) issuance of 2,000,000 common shares on or before October 5, 2019.

#### Exploration expenditures

- i) incur exploration expenditures of \$350,000 on or before October 5, 2018 (incurred);
- ii) incur exploration expenditures of \$600,000 on or before October 5, 2019; and
- iii) incur exploration expenditures of \$1,000,000 on or before October 5, 2020.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,500,000.

During the year ended June 30, 2018, the Company entered into a debt settlement agreement with Teuton Resources Corp. whereby \$72,386 of indebtedness, pursuant to the acquisition of the Clone Gold Property from Makena Resources Inc., was settled for \$10, of which resulted in a gain of \$72,376.

## **8 Exploration and evaluation assets (cont'd)**

### **Roy Mine (Farr) Property, Ontario**

On August 22, 2016, the Company entered into an agreement to acquire a 100% interest in the Roy Mine Property, Ontario.

In consideration of the Roy Mine Property, the Company shall make the following payments:

- i) issue 900,000 shares (issued at a value of \$138,000) to the vendors.
- ii) issue 600,000 shares to the vendors (issued at a value of \$51,000) and incur work commitments of \$50,000 (incurred) on August 22, 2017.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,000,000.

During the year ended June 30, 2017, the Company entered into a joint venture agreement with Battery Mineral Resources Ltd. ("Battery"), whereby Battery will have the right to earn up to an 80% interest in the Roy Mine Property. The agreement required Battery to make the following payments:

- a) acquire a 40% interest in consideration of:
  - i) non-refundable cash payment of \$50,000 upon execution of the agreement (paid);
  - ii) incur exploration expenditures of \$100,000 on or before January 31, 2018 (incurred).
  
- b) acquire an additional 20% interest in consideration of:
  - i) non-refundable cash payment of \$50,000 on or before January 31, 2019 (paid);
  - ii) 150,000 common shares on or before January 31, 2019 (or \$30,000 non-refundable cash payment in lieu of shares at Battery's option) (paid); and
  - iii) incur exploration expenditures of \$200,000 on or before January 31, 2019 (incurred).
  
- c) acquire an additional 15% interest in consideration of:
  - i) cash payment of \$50,000 on or before January 31, 2020;
  - ii) 150,000 common shares on or before January 31, 2020 (or \$37,500 cash in lieu of shares at Battery's option); and
  - iii) incur exploration expenditures of \$200,000 on or before January 31, 2020.
  
- d) acquire the remaining 5% interest in consideration of 150,000 common shares (or \$45,000 cash in lieu of shares at Battery's option).

During the year ended June 30, 2018, Battery acquired the initial 40% interest in the property. The Company exercised their right to acquire the additional 20% interest during the year ended June 30, 2019.

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## **8 Exploration and evaluation assets (cont'd)**

### **McKinnon-Hawkins Gold Property, Ontario**

On September 15, 2016, the Company entered into an agreement to acquire an undivided 100% interest in the McKinnon-Hawkins Gold Property.

In consideration of the McKinnon-Hawkins Gold Property, the Company shall make the following payments:

#### Cash payments

- i) \$25,000 (paid) upon execution of the agreement as a non-refundable deposit;
- ii) \$75,000 on or before November 26, 2016 (paid);
- iii) \$150,000 on or before November 21, 2017 (paid \$100,000 in cash and \$50,000 in shares);
- iv) \$200,000 on or before November 21, 2018;
- v) \$250,000 on or before November 21, 2019; and
- vi) \$300,000 on or before November 21, 2020.

#### Share issuance

- i) that number of shares having an aggregate value equal to \$100,000 on or before November 26, 2016 (533,333 shares issued at a value of \$101,333);
- ii) that number of shares having an aggregate value equal to \$150,000 on or before November 21, 2017 (800,000 shares issued at value of \$72,000);
- iii) that number of shares having an aggregate value equal to \$200,000 on or before November 21, 2018;
- iv) that number of shares having an aggregate value equal to \$250,000 on or before November 21, 2019; and
- v) that number of shares having an aggregate value equal to \$300,000 on or before November 21, 2020.

The Company shall incur an aggregate total of \$2,000,000 of expenditures in or on the property, with \$500,000 of expenditures during each 12 month period immediately prior to the first four anniversaries of this agreement.

During the year ended June 30, 2019, the Company abandoned the property acquisition and wrote off exploration and evaluation assets of \$977,581 (2018 - \$Nil).

### **Brazil Lake Cobalt (Foster Cobalt) Property, Ontario**

On August 3, 2016, the Company entered into an agreement to acquire a 100% interest in the Brazil Lake Cobalt Property (formerly Foster Cobalt Property), located in the Sudbury Mining District in north central Ontario.

In consideration of the Brazil Lake Cobalt Property, the Company shall make the following payments:

- i) issue 600,000 shares (issued at a value of \$114,000) to the vendors and pay \$20,000 cash (paid).
- ii) issue 900,000 shares to the vendors on August 3, 2017 (issued at a value of \$90,000).

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,000,000.

During the year ended June 30, 2017, the Company terminated a sale agreement with Xavier Capital Incorporated ("Xavier") whereby Xavier could acquire a 100% interest in the Brazil Lake Cobalt Property. The agreement required Xavier to make cash payments to the Company of \$150,000 (\$20,000 of non-refundable deposit received) and to grant an additional 0.5% NSR to the Company.

During the year ended June 30, 2019, the Company decided not to proceed further with the acquisition of the Brazil Lake Cobalt Property and wrote off exploration and evaluation assets of \$232,346 (2018 - \$Nil).

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## **8 Exploration and evaluation assets (cont'd)**

### **Hemlo West Property**

On March 20, 2017, the Company entered into an agreement (amended) to acquire a 100% interest in the McKinnon Hemlo West Property (“Hemlo West Property”).

In consideration of the Hemlo West Property, the Company shall make the following payments:

#### Cash payments

- i) \$20,000 upon execution of the agreement as a non-refundable deposit (paid);
- ii) \$20,000 (amended cash payment to \$12,000) on or before March 20, 2018 (paid);
- iii) \$40,000 on or before March 20, 2019; and
- iv) \$70,000 on or before March 20, 2020.

#### Share issuances

- i) 177,777 common shares on or before execution of agreement (issued at a value of \$22,222);
- ii) 177,777 common shares (amended to 300,000 common shares) on or before March 20, 2018 (issued at a value of \$28,500);
- iii) 355,554 common shares on or before March 20, 2019; and
- iv) 622,221 common shares on or before March 20, 2020.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company for \$1,000,000.

In the event that the Company obtains an independent National Instrument 43-101 compliant technical report confirming resources of equal to or greater than 1,000,000 ounces of gold from the property, a bonus payment of \$1,000,000 will be paid to the vendors.

On March 13, 2019, the Company decided not to proceed further with the acquisition of the Hemlo West Property and entered into a termination agreement with the underlying owners. Pursuant to the termination, the Company issued 200,000 common shares valued at \$8,000 as consideration for a full release of any obligations relating to the property’s option agreement. During the year ended June 30, 2019, the Company wrote off exploration and evaluation assets of \$104,167 (2018 - \$Nil).

### **Moosehead North Gold Property, British Columbia**

On September 19, 2018, the Company entered into an agreement to acquire a 100% interest in the Moosehead North Gold Property through the acquisition of 100% of the common shares of a privately held company that owns the property (Note 6).

In consideration of the Moosehead North Gold Property, the Company made the following payments over a period of 6 months:

- i) cash payment of \$20,000 (paid);
- ii) issuance of 10,000,000 common shares (issued and valued at \$500,000); and
- iii) other transaction costs of \$63,008 related to acquiring the privately held company.

A 2% NSR was granted to the vendor upon completion of the transaction.

During the year ended June 30, 2019, the Company decided not to proceed further with the Moosehead North Gold Property and wrote off exploration and evaluation assets of \$593,372 (2018 - \$Nil).

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## 8 Exploration and evaluation assets (cont'd)

### Parrott Lake Property, British Columbia

On December 14, 2017, the Company entered into an agreement to acquire a 100% interest in the Parrott Lake Property, British Columbia.

In consideration of the Parrott Lake Property, the Company shall make the following payments over a period of 6 months:

- iv) cash payment of \$100,000 (paid a non-refundable deposit of \$20,000);
- v) issuance of 4,000,000 common shares.

During the year ended June 30, 2018, the Company abandoned the property acquisition and wrote off exploration and evaluation assets of \$20,000.

## 9 Accounts payable and accrued liabilities

	June 30, 2019	June 30, 2018
Trade accounts payable	\$ 36,644	\$ 118,766
Accrued liabilities	31,940	24,819
	68,584	143,585

During the year ended June 30, 2018, the Company wrote off outstanding accounts payable in the amount of \$22,070.

During the year ended June 30, 2018, the Company recognized a gain in the amount of \$72,376 as a result of settling certain accounts payable.

## 10 Share capital

Authorized:

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Issuances:

### **During the year ended June 30, 2019, the Company:**

- a) issued 100,000 common shares pursuant to the exercise of options for a gross proceeds of \$7,000, and accordingly, the Company reallocated \$1,078 of share-based payment reserve to share capital.
- b) issued 200,000 common shares pursuant to the exercise of options for a gross proceeds of \$14,000, and accordingly, the Company reallocated \$2,156 of share-based payment reserve to share capital.
- c) issued 96,750 common shares pursuant to the exercise of warrants for a gross proceeds of \$6,772, and accordingly, the Company reallocated \$12,659 of share-based payment reserve to share capital.

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## 10 Share capital (cont'd)

- d) closed a non-brokered private placement of 25,928,000 units at \$0.06 per unit for total gross proceeds of \$1,555,680. Each unit is comprised of one common share and one-half of a common share purchase warrant of the Company, of which \$nil was allocated to the warrant component of the unit offering completed. Each full warrant will entitle the holder to purchase one share at an exercise price of \$0.10 until August 23, 2021. The Company paid share issuance costs of \$118,788 cash, and 1,989,800 finder's warrants valued at \$62,600, exercisable at \$0.06 until August 23, 2019. No value was allocated to the warrant component of the unit offering. The Company also paid other issuance costs of \$750.
- e) issued 10,000,000 common shares (valued at \$500,000) pursuant to the acquisition of 1174679 B.C. Ltd. (Note 6).
- f) issued 2,000,000 common shares (valued at \$90,000) pursuant to the option payment of the Clone Gold Property (Note 8).
- g) issued 250,000 common shares (valued at \$10,000) pursuant to the option payment of the Evening Star Property (Note 8).
- h) issued 200,000 common shares (valued at \$8,000) pursuant to a termination agreement on the Hemlo West Property (Note 8).
- i) closed a non-brokered private placement of 20,000,000 flow-through units at a price of \$0.04 per unit for proceeds of \$800,000. Each flow-through unit is comprised of one flow-through common share and one-half of a warrant of the Company, of which \$nil was allocated to the warrant component of the unit offering completed. Each whole warrant entitles the holder to purchase one non flow-through common share at an exercise price of \$0.07 until June 27, 2020. In connection to the private placement, \$100,000 was attributed to the flow-through share premium liability. Additionally, the Company closed a non-brokered non flow-through private placement of 10,000,000 units at \$0.035 per unit for total gross proceeds of \$350,000. Each unit is comprised of one non-flow-through common share and one common share purchase warrant of the Company, of which \$nil was allocated to the warrant component of the unit offering completed. Each full warrant will entitle the holder to purchase one share at an exercise price of \$0.06 until June 27, 2020. The Company paid share issuance costs of \$60,150 cash, 230,000 finder's shares valued at \$10,350, and 1,327,700 finder's warrants valued at \$25,400 and exercisable at \$0.05 until June 27, 2020. Subscriptions of \$192,500 for these private placements were received subsequent to June 30, 2019.

### **During the year ended June 30, 2018, the Company:**

- a) issued 900,000 common shares for the Brazil Lake Cobalt Property valued at \$90,000 (Note 8).
- b) issued 600,000 common shares for the Roy Mine (Farr) Property valued at \$51,000 (Note 8).
- c) issued 4,500,000 common shares for the Clone Gold Property valued at \$450,000 (Note 8).
- d) closed a private placement of 9,110,000 units at a price of \$0.10 per unit for total gross proceeds of \$911,000, of which \$50,000 was settled in McKinnon Hawkins Property payments (Note 8). Each unit is comprised of one common share and one-half of one share purchase warrant exercisable at \$0.15 per share for a period of 18 months. The warrants are subject to an acceleration clause, which states that the Company will have the right to accelerate the expiry date of the warrants if, at any time, the average closing price of the shares is equal to or greater than \$0.25 for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release, announcing that it has elected to exercise this acceleration right. No value was allocated to the warrant component of the unit offering.
- e) The Company paid cash commissions to the finders totaling \$36,000 and issued 210,000 finder's warrants (valued at

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\$12,200) exercisable into one common share of the Company for a period of 18 months at a price of \$0.10.

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## 10 Share capital (cont'd)

- f) issued 800,000 common shares for the McKinnon Hawkins Property valued at \$72,000 (Note 8).
- g) issued 100,000 common shares for the Evening Star Property valued at \$9,000 (Note 8).
- h) issued 150,000 common shares for the Evening Star Property valued at \$15,000 (Note 8).
- i) issued 100,000 common shares pursuant to the exercise of options for a gross proceeds of \$12,000, and accordingly, the Company reallocated \$6,200 of share-based payment reserve to share capital.
- j) issued 300,000 common shares for the Hemlo West Property valued at \$28,500 (Note 8).

Share purchase warrants:

During the year ended June 30, 2019, the Company:

- a) issued 1,989,800 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 12 months at a price of \$0.06. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$62,600 based on the following assumptions: dividend yield of 0%, expected life of 1.00 year, expected volatility of 87.06%, and a risk-free interest rate of 2.09%.
- b) issued 1,327,700 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 12 months at a price of \$0.05. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$25,400 based on the following assumptions: dividend yield of 0%, expected life of 1.00 year, expected volatility of 119.18%, and a risk-free interest rate of 1.49%.

During the year ended June 30, 2018, the Company issued:

- a) 160,000 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 18 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$9,300 based on the following assumptions: dividend yield of 0%, expected life of 1.50 years, expected volatility of 130.72%, and a risk-free interest rate of 1.37%.
- b) 50,000 finder's warrants pursuant to a private placement. Each finder's warrant is exercisable for one common share of the Company for a period of 18 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$2,900 based on the following assumptions: dividend yield of 0%, expected life of 1.50 years, expected volatility of 131.51%, and a risk-free interest rate of 1.44%.

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**10 Share capital (cont'd)**

Details of share purchase warrant activity for the year ended June 30, 2019 and 2018 is as follows:

Share purchase warrants outstanding	Year ended June 30, 2019		Year ended June 30, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of year	22,118,905	0.15	20,204,305	0.16
Granted	31,281,500	0.08	4,765,000	0.15
Exercised	(96,750)	0.07	-	-
Expired/forfeited	(10,082,155)	0.20	(2,850,400)	0.23
Outstanding – end of year	43,221,500	0.09	22,118,905	0.15

As at June 30, 2019, the Company has outstanding share purchase warrants as follows:

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
	#	\$
August 23, 2019*	1,989,800	0.06
February 20, 2020	5,000,000	0.12
June 27, 2020	5,000,000	0.06
June 27, 2020	10,000,000	0.07
June 27, 2020	1,327,700	0.05
October 29, 2020	100,000	0.50
June 15, 2021	6,840,000	0.10
August 23, 2021	12,964,000	0.10
	<u>43,221,500</u>	

\* subsequently expired

The fair value of share purchase warrants issued was calculated using the Black-Scholes Model for total of \$88,000 (2018 - \$12,200) based on the following weighted average assumptions:

	Year ended June 30, 2019	Year ended June 30, 2018
Risk-free interest rate	1.85%	1.39%
Expected life of options	1.00 years	1.50 years
Annualized volatility	99.92%	160.11%
Dividend yield	0%	0%
Fair value per broker's warrants	\$0.03	\$0.06

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## **11 Share-based compensation**

The Company has a Stock Option Plan (the “Plan”) under which it is authorized to grant options to directors, officers, consultants and employees of the Company. The number of options granted under the Plan is limited to 10% of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant of the options and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the discounted market price (as that term is defined in the policies of the Exchange) of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum term of five years, are non-transferable and expire within 90 days of termination of employment or holding office as a director, officer, employee or consultant of the Company and in the case of death, expire within one year thereafter. The options generally vest on the date of grant, however, the Board of Directors may specify a vesting period on a grant-by-grant basis.

During the year ended June 30, 2019, the Company:

- i) granted incentive stock options to purchase 3,000,000 common shares at a price of \$0.05 until January 25, 2020.
- ii) granted incentive stock options to purchase 2,700,000 common shares at a price of \$0.05 until May 1, 2020.
- iii) granted incentive stock options to purchase 1,150,000 common shares at a price of \$0.05 until June 13, 2020.
- iv) granted incentive stock options to purchase 250,000 common shares at a price of \$0.05 until February 27, 2020.
- v) granted incentive stock options to purchase 750,000 common shares at a price of \$0.06 until August 1, 2020.
- vi) granted incentive stock options to purchase 350,000 common shares at a price of \$0.07 until August 16, 2020.

During the year ended June 30, 2018, the Company:

- i) granted incentive stock options to purchase 150,000 common shares at a price of \$0.11 until July 5, 2018.
- ii) granted incentive stock options to purchase 300,000 common shares at a price of \$0.10 until September 8, 2018.
- iii) granted incentive stock options to purchase 200,000 common shares at a price of \$0.10 until September 20, 2018.
- iv) granted incentive stock options to purchase 1,150,000 common shares at a price of \$0.10 until September 24, 2018.
- v) granted incentive stock options to purchase 300,000 common shares at a price of \$0.10 until October 11, 2018.
- vi) granted incentive stock options to purchase 100,000 common shares at a price of \$0.10 until October 23, 2018.
- vii) granted incentive stock options to purchase 600,000 common shares at a price of \$0.10 until October 31, 2018.
- viii) granted incentive stock options to purchase 900,000 common shares at a price of \$0.07 until August 15, 2018.

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**11 Share-based compensation (cont'd)**

The fair value of options granted was calculated using the Black-Scholes Model for total share-based payment expense of \$129,000 (2018 - \$98,100) based on the following weighted average assumptions:

	Year ended June 30, 2019	Year ended June 30, 2018
Risk-free interest rate	1.74%	1.68%
Expected life of options	1.14 years	0.75 years
Annualized volatility	107.49%	87.90%
Dividend yield	0%	0%
<b>Fair value per option</b>	<b>\$0.02</b>	<b>\$0.09</b>

Details of stock option activity for the year ended June 30, 2019 and 2018:

Stock options outstanding	Year ended June 30, 2019		Year ended June 30, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of year	4,050,000	0.11	2,725,000	0.15
Granted	8,200,000	0.05	3,700,000	0.09
Exercised	(300,000)	0.07	(100,000)	0.12
Expired/forfeited	(3,750,000)	0.12	(2,275,000)	0.12
Outstanding – end of year	8,200,000	0.05	4,050,000	0.11

As at June 30, 2019, share purchase options outstanding have a weighted average remaining contractual life of 0.79 years (June 30, 2018 – 0.21 years).

The following table discloses the number of options and vested options outstanding as at June 30, 2019:

Number of options outstanding	Number of options vested	Exercise price	Expiry date
#	#	\$	
3,000,000	3,000,000	0.05	January 25, 2020
250,000	250,000	0.05	February 27, 2020
2,700,000	2,700,000	0.05	May 1, 2020
1,150,000	1,150,000	0.05	June 13, 2020
750,000	750,000	0.06	August 1, 2020
350,000	350,000	0.07	August 16, 2020
8,200,000	8,200,000		

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## 12 Related party transactions

The Company's related parties include its subsidiaries and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

During the year ended June 30, 2019 and 2018, the Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	Year ended June 30, 2019	Year ended June 30, 2018
	\$	\$
Consulting fees	-	21,426
Office management services	144,000	143,000
Share-based compensation	11,158	5,462
	155,158	169,888

Included in accounts payable and accrued liabilities at June 30, 2019 is \$Nil (June 30, 2018 - \$44,100) owed to companies owned by current and former officers/directors of the Company.

During the year ended June 30, 2018, the Company received a non-interest bearing loan of \$206,500 from a company controlled by key management personnel. During the year ended June 30, 2019, the loan was repaid in full.

## 13 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity (deficit), as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

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## 14 Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	June 30, 2019	June 30, 2018
Loss for the year	\$ (2,819,741)	\$ (904,726)
Expected income tax recovery	\$ (761,000)	\$ (240,000)
Change in statutory, foreign tax, foreign exchange rates and other	(59,000)	(15,000)
Permanent differences	39,000	29,000
Share issue costs	(49,000)	(10,000)
Change in unrecognized deductible temporary differences	833,000	236,000
Total income tax expenses (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	June 30, 2019	June 30, 2018
<i>Deferred tax assets (liabilities)</i>		
Exploration and evaluation assets	\$ 1,358,000	\$ 797,000
Share issue costs	61,000	34,000
Non-capital losses available for future periods	1,411,000	1,166,000
	2,830,000	1,997,000
Unrecognized deferred tax assets	(2,830,000)	(1,997,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	June 30, 2019	Expiry Date Range	June 30, 2018	Expiry Date Range
<i>Temporary differences</i>				
Exploration and evaluation assets	\$ 4,917,000	No expiry date	\$ 2,946,000	No expiry date
Share issue costs	225,000	2040 to 2043	125,000	2039 to 2042
Non-capital losses available for future period	5,226,000	2030 to 2039	4,317,000	2029 to 2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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## **15 Subsequent events**

Subsequent to June 30, 2019, the Company:

- i) granted incentive stock options to purchase 350,000 common shares at a price of \$0.05 until July 30, 2020.
- ii) granted incentive stock options to purchase 1,250,000 common shares at a price of \$0.06 until August 8, 2020.