

**Sky Gold Corp.**

Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instruments 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 an auditor has not reviewed the financial statements.

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.

**Sky Gold Corp.****Condensed Interim Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Notes	September 30, 2020	June 30, 2020
<b>Assets</b>		\$	\$
<b>Current assets</b>			
Cash		2,181,259	139,958
Receivable		35,729	3,144
Prepaid expenses	7	157,675	35,000
Mineral advances		38,124	-
		2,412,787	178,102
Reclamation bond		12,000	12,000
Exploration and evaluation assets	8	1,462,056	1,338,455
Total assets		3,886,843	1,528,557
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9, 12	45,135	38,362
Flow-through share premium liability	10	12,282	17,468
Total liabilities		57,417	55,830
<b>Shareholders' equity</b>			
Share capital	10	15,558,161	13,122,212
Reserves	11	2,315,829	1,932,558
Deficit		(14,044,564)	(13,582,043)
Total shareholders' equity		3,829,426	1,472,727
Total liabilities and shareholders' equity		3,886,843	1,528,557

*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 condensed interim consolidated financial statements

**Sky Gold Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Notes	Three Months Ended September 30,	
		2020	2019
<b>EXPENSES</b>		\$	\$
Consulting fees		35,800	142,825
General and administration		1,595	3,980
Income tax recovery		(74,393)	-
Marketing and promotion		26,580	4,130
Office management services	12	45,000	36,000
Other income		(5,186)	(82,532)
Professional fees		23,458	16,161
Regulatory and filing fees		11,567	7,254
Share-based compensation	11, 12	398,100	34,700
Write-off of exploration and evaluation assets	8	-	1,856,429
<b>Net loss and comprehensive loss for the period</b>		<b>(462,521)</b>	<b>(2,018,947)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.17)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>52,757,365</b>	<b>11,596,730</b>

See accompanying notes to the condensed interim consolidated financial statements

**Sky Gold Corp.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Attributable to the owners of the Company				
	Shares	Share Capital	Reserves	Deficit	Total equity
	#	\$	\$	\$	\$
<b>Balance at June 30, 2019</b>	11,596,730	11,854,180	1,736,258	(10,996,640)	2,593,798
Share issuance costs	-	(12,228)	-	-	(12,228)
Share-based payments	-	-	34,700	-	34,700
Net loss for the period	-	-	-	(2,018,947)	(2,018,947)
<b>Balance at September 30, 2019</b>	11,596,730	11,841,952	1,770,958	(13,015,587)	597,323
<b>Balance at June 30, 2020</b>	34,251,730	13,122,212	1,932,558	(13,582,043)	1,472,727
Share issuance – private placements	20,000,000	2,000,000	-	-	2,000,000
Share issuance costs	-	(61,920)	-	-	(61,920)
Options exercised	100,000	15,234	(6,734)	-	8,500
Warrants exercised	4,745,400	482,635	(8,095)	-	474,540
Share-based payments	-	-	398,100	-	398,100
Net loss for the period	-	-	-	(462,521)	(462,521)
<b>Balance at September 30, 2020</b>	59,097,130	15,558,161	2,315,829	(14,044,564)	3,829,426

See accompanying notes to the condensed interim consolidated financial statements

**Sky Gold Corp.****Condensed Interim Consolidated Statements of Cash Flows**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	<b>Three Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>	\$	\$
Net loss for the period	(462,521)	(2,018,947)
Items not affecting cash:		
Write-off of exploration and evaluation assets	-	1,856,429
Foreign exchange	-	(80)
Other income	(5,186)	-
Share-based compensation	398,100	34,700
Change in non-cash operating working capital items:		
Decrease in receivable	(32,585)	(38,346)
Decrease (increase) in prepaid expenses	(122,675)	90,532
Decrease in accounts payable and accruals	6,773	(28,784)
<b>Cash flows used in operating activities</b>	<b>(218,094)</b>	<b>(104,496)</b>
<b>Cash flows from investing activities</b>		
Mineral advances	(38,124)	-
Exploration and evaluation assets	(123,601)	(663,193)
Reclamation bond	-	8,164
<b>Cash flows used in investing activities</b>	<b>(161,725)</b>	<b>(655,029)</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placement, gross	2,000,000	192,500
Share issuance costs	(61,920)	(12,228)
Options exercised	8,500	-
Warrants exercised	474,540	-
<b>Cash flows provided by financing activities</b>	<b>2,421,120</b>	<b>180,272</b>
<b>Increase (decrease) in cash</b>	<b>2,041,301</b>	<b>(579,253)</b>
<b>Cash – beginning of period</b>	<b>139,958</b>	<b>595,105</b>
<b>Cash – end of period</b>	<b>2,181,259</b>	<b>15,852</b>
<b>Supplemental cash flow information</b>		
Fair value of options exercised	8,095	-
Fair value of warrants exercised	6,734	-
Flow-through share premium liability	-	82,532

See accompanying notes to the condensed interim consolidated financial statements

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
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## **1 Nature of operations**

Sky Gold 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.

Effective November 29, 2019, the Company consolidated its common shares on a 10:1 basis. All share and per share amounts in the consolidated financial statements have been retroactively restated to reflect the share consolidation.

### *Going concern*

These condensed interim 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 September 30, 2020, the Company had not advanced its exploration and evaluation assets to commercial production. At September 30, 2020, the Company has not achieved profitable operations, has accumulated losses of \$14,044,564 (June 30, 2020 - \$13,582,043 ) 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

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**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
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## **2 Basis of presentation and statement of compliance**

### *Statement of Compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended June 30, 2020. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year June 30, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements are authorized for issue by the Board of Directors on November 16, 2020.

### *Basis of Measurement*

These condensed interim 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 condensed interim 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 condensed interim consolidated financial statements include the accounts of the Company and its subsidiary as at September 30, 2020. 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 condensed interim 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, Sunvest Nevada Corp., on January 4, 2017 under the laws of Nevada, USA. The Company holds a 100% interest in Sunvest Nevada Corp. These consolidated financial statements include the accounts of Sunvest Nevada Corp.

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 condensed interim consolidated financial statements include the accounts of 1179985 B.C. Ltd.

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

#### **Financial Instruments**

(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.

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 are classified at amortized cost. The Company does not currently have any FVTPL financial liabilities.

(iii) Impairment of financial assets

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.

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.

#### **Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

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

#### **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.

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
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### **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 September 30, 2020 and June 30, 2020, 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.

#### **Change in accounting standards**

The following new accounting standards and interpretations have been adopted during the year:

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

#### **Change in accounting standards**

The IASB issued IFRS 16, Leases (“IFRS 16”), which eliminates the classification of leases as either operating or finance leases for a lessee. IFRS 16 was effective from January 1, 2019. Under IFRS 16, all leases will be recorded on the statement of financial position. The only exemptions to this will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases on the statement of financial position under IFRS 16 will increase “right-of-use” assets and lease liabilities on an entity’s financial statements. IFRS 16 will also change the nature of expenses relating to leases, as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for right-of-use assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about right-of-use assets and expenses and cash flows related to leases, (b) a maturity analysis of lease liabilities and (c) any additional company-specific information that is relevant to satisfying the disclosure objective.

On adoption of IFRS 16, the Company had no lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases.

### **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 11.

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**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
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## 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, and accounts payable and accrued liabilities. Cash is carried at fair value. The fair values of accounts payable and accrued liabilities 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.

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

	Fair Value Hierarchy Level	September 30, 2020	June 30, 2020
<b>Financial assets</b>		\$	\$
Cash	1	2,181,259	139,958

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**September 30, 2020 and 2019**  
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## **5 Financial instruments (cont'd)**

### **Fair values of financial instruments (cont'd)**

#### *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 refundable credits 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 September 30, 2020, the Company had working capital of \$2,355,370 as compared to a working capital of \$122,272 at June 30, 2020. 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.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2020 and 2019**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**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 1,000,000 common shares (issued and valued at \$500,000). In addition, the Company paid transaction costs of \$63,008.

The transaction did not constitute a business combination, as 1174679 B.C. Ltd. did not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of 1174679 B.C. Ltd. was accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed were 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 were as follows:

<b>Net assets acquired</b>	
	\$
Exploration and evaluation assets	583,008
<b>Total Purchase Price:</b>	
	\$
Cash	20,000
Issuance of 1,000,000 common shares	500,000
Transaction costs	63,008
	583,008

**7 Prepaid expenses**

	<b>June 30, 2020</b>	<b>June 30, 2020</b>
	\$	\$
Consulting	80,500	35,000
Marketing and promotion	77,175	-
	157,675	35,000

**Sky Gold Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2020 and 2019**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**8 Exploration and evaluation assets**

	<b>Evening Star Property</b>	<b>Mustang Property</b>	<b>Virginia Property</b>	<b>Roy Mine (Farr) Property</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>June 30, 2020</b>	642,728	558,345	64,000	73,382	1,338,455
<i>Acquisition costs</i>					
Cash	81,008	-	-	-	81,008
Shares	-	-	-	-	-
	81,008	-	-	-	81,008
<i>Deferred exploration costs</i>					
Assays	-	3,360	-	-	3,360
Field work	1,277	-	12,936	-	14,213
Geological consulting	-	25,020	-	-	25,020
	1,277	28,380	12,936	-	42,593
<b>September 30, 2020</b>	725,013	586,725	76,936	73,382	1,462,056

**Sky Gold Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2020 and 2019**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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

	Evening Star Property	Mustang Property	Virginia Property	Roy Mine (Farr) Property	Clone Gold Property	Total
	\$	\$	\$	\$	\$	\$
<b>June 30, 2019</b>	544,021	-	-	73,382	1,215,699	1,833,102
<i>Acquisition costs</i>						
Cash	98,201	144,700	20,000	-	-	262,901
Shares	450	408,500	44,000	-	-	452,950
	98,651	553,200	64,000	-	-	715,851
<i>Deferred exploration costs</i>						
Drilling	-	-	-	-	164,730	164,730
Field work	56	-	-	-	224,158	224,214
Geological consulting	-	5,145	-	-	13,950	19,095
Travel	-	-	-	-	237,872	237,872
	56	5,145	-	-	640,710	645,911
Write-off	-	-	-	-	(1,856,409)	(1,856,409)
<b>June 30, 2020</b>	642,728	558,345	64,000	73,382	-	1,338,455

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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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 first option), 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 \$7,500 on or before January 5, 2019 (paid);
- vi) USD \$8,750 on or before July 29, 2019 (paid)
- vii) USD \$8,750 on or before November 1, 2019 (paid);
- viii) USD \$15,000 on or before January 5, 2020 (paid);
- ix) USD \$25,000 on or before July 5, 2020 (paid); and
- x) USD \$50,000 on or before October 31, 2020 (as amended and paid subsequently).

#### Share issuances

- i) 25,000 common shares on or before January 5, 2018 (issued at a value of \$24,000);
- ii) 25,000 common shares on or before January 5, 2019 (issued at a value of \$10,000); and
- iii) 25,000 common shares on or before January 5, 2020 (issued 5,000 common shares at a value of \$450, and further amended to 500,000 common shares due on or before October 31, 2020 issued subsequently).

#### 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 paid USD\$15,200 in additional staking costs as Evening Star Property's acquisition costs.

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 50,000 common shares.

A Net Smelter Return Royalty ("NSR") of 0.5% will be granted pursuant to the first option. An additional 2% NSR will be granted under the second option, 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.

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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

### **Mustang Property, Newfoundland**

On January 30, 2020, the Company entered into an option agreement to acquire a 100% interest in the Mustang Property located in Newfoundland, Canada.

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

- a) \$35,000 upon execution of the agreement (paid);
- b) 2,650,000 common shares on or before February 16, 2020 (issued at a value of \$291,500); and

Additionally, the Company is responsible for maintaining the property in good standing by making the underlying option payments of the agreement:

- a) \$65,000 on or before February 27, 2020 (paid);
- b) issuance of common shares with a value of \$60,000 on or before February 27, 2020 (issued 600,000 common shares at a value of \$66,000); and
- c) incurring exploration expenditures of \$25,000 on or before January 21, 2021.
- d) incurring exploration expenditures of \$100,000 on or before January 21, 2022.
- e) incurring exploration expenditures of \$300,000 on or before January 21, 2023.

A 3% NSR will be granted to the vendors with 1.5% purchasable by the Company for \$2,000,000.

In connection with the acquisition of the Mustang Property, the Company also paid a finder's fees of \$32,700 cash.

On May 15, 2020, the Company entered into an additional option agreement to acquire a 100% interest in the Mustang Expansion claims in consideration of:

- a) \$12,000 cash upon execution of the agreement (paid); and
- b) share issuance of 600,000 common shares (issued at a value of \$51,000).

In connection with the expansion, a 2% NSR will be granted to the vendors with 1.0 % purchasable by the Company for \$1,000,000.

### **Virginia Property, Newfoundland**

During the year ended June 30, 2020, the Company earned a 100% interest in the Virginia Property located in Newfoundland, Canada, in consideration of cash payment of \$20,000 and issuance of 400,000 common shares at a value of \$44,000.

A 1.5% NSR will be granted to the vendors with 0.5% purchasable by the Company for \$500,000.

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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## **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 90,000 shares (issued at a value of \$138,000) to the vendors.
- ii) issue 60,000 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 would 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) 15,000 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) 15,000 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 15,000 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. As at September 30, 2020, Battery has not met the requirements to acquire the additional 15% interest.

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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

### **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 300,000 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.

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 150,000 common shares upon execution of the agreement (issued at a value of \$150,000);
- ii) issuance of 200,000 common shares on or before October 5, 2018 (issued at a value of \$90,000); and
- iii) issuance of 200,000 common shares on or before October 5, 2019 (below).

#### 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 (incurred); 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, 2020, the Company abandoned the property acquisition, and as a result, the Company wrote off exploration and evaluation assets of \$1,856,409. The Company also issued 200,000 common shares pursuant to the option agreement, however, as the obligations were no longer required by the Company, the vendor returned the share certificate to be cancelled.

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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**9 Accounts payable and accrued liabilities**

	<b>September 30, 2020</b>	<b>June 30, 2020</b>
Trade accounts payable	\$ 7,635	\$ 8,362
Accrued liabilities	37,500	30,000
	45,135	38,362

**10 Share capital**

Authorized:

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

Issuances:

**During the period ended September 30, 2020, the Company:**

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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

**During the year ended June 30, 2020, the Company:**

- i) closed a non-brokered private placement of 10,900,000 units at \$0.05 per unit for total gross proceeds of \$545,000. Each unit is comprised of one 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 \$0.10 until December 23, 2021. The Company paid share issuance costs of \$24,400 cash, and 596,000 finder's warrants valued at \$27,500, exercisable at \$0.10 until December 23, 2019. The Company also paid other issuance costs of \$750.
- ii) issued 5,000 common shares (valued at \$450) pursuant to the option payment of the Evening Star Property (Note 8).
- iii) issued 3,250,000 common shares (valued at \$357,500) pursuant to the option payment of the Mustang Property (Note 8).
- iv) issued 400,000 common shares (valued at \$44,000) pursuant to the option payment of the Virginia Property (Note 8).
- v) closed a non-brokered private placement of 3,940,000 units at \$0.05 per unit for total gross proceeds of \$197,000. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each full warrant will entitle the holder to purchase one share at an exercise price of \$0.10 until April 16, 2022. In connection with the financing, the Company also paid \$9,640 and granted 128,800 broker warrants valued at \$7,300 exercisable at \$0.10 until April 16, 2022 as share issuance costs.
- vi) closed a non-brokered private placement of 1,060,000 units at \$0.05 per unit for total gross proceeds of \$53,000. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each full warrant will entitle the holder to purchase one share at an exercise price of \$0.10 until April 27, 2022. In connection with the financing, the Company also granted 64,000 broker warrants valued at \$3,400, exercisable at \$0.10 until April 27, 2022 as share issuance costs.
- vii) closed a non-brokered private placement of 2,500,000 units at \$0.05 per unit for total gross proceeds of \$125,000. Each unit is comprised of one common share and one common share purchase warrant of the Company. Each full warrant will entitle the holder to purchase one share at an exercise price of \$0.10 until May 19, 2022. In connection with the financing, the Company also paid \$9,600 and granted 192,000 broker warrants valued at \$10,100 exercisable at \$0.10 until May 19, 2022 as share issuance costs.
- viii) issued 600,000 common shares (valued at \$51,000) pursuant to the option payment of the Mustang Expansion (Note 8).

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

## 10 Share capital (cont'd)

Share purchase warrants:

During the year ended June 30, 2020, the Company:

- i) issued 596,000 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 24 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$27,500 based on the following assumptions: dividend yield of 0%, expected life of 2.00 year, expected volatility of 188.22%, and a risk-free interest rate of 1.69%.
- ii) issued 128,800 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 24 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$7,300 based on the following assumptions: dividend yield of 0%, expected life of 2.00 year, expected volatility of 200.50%, and a risk-free interest rate of 0.34%.
- iii) issued 64,000 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 24 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$3,400 based on the following assumptions: dividend yield of 0%, expected life of 2.00 year, expected volatility of 201.93%, and a risk-free interest rate of 0.33%.
- iv) issued 192,000 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 24 months at a price of \$0.10. The warrants were valued using the Black-Scholes Model resulting in a fair value of \$10,100 based on the following assumptions: dividend yield of 0%, expected life of 2.00 year, expected volatility of 201.93%, and a risk-free interest rate of 0.29%.

Details of share purchase warrant activity for the period ended September 30, 2020 and year ended June 30, 2020:

Share purchase warrants outstanding	Period ended September 30, 2020		Year ended June 30, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of period	21,371,200	0.19	4,322,150	0.88
Granted	10,000,000	0.15	19,380,800	0.10
Exercised	(4,745,400)	0.10	-	-
Expired/forfeited	-	-	(2,331,750)	0.77
Outstanding – end of period	26,625,800	0.19	21,371,200	0.19

**Sky Gold Corp.****Notes to Condensed Interim Consolidated Financial Statements****September 30, 2020 and 2019**

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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

As at September 30, 2020, the Company has outstanding share purchase warrants as follows:

<b>Expiry Date</b>	<b>Number of Warrants Outstanding and Exercisable</b>	<b>Exercise Price</b>
	#	\$
October 29, 2020**	10,000	5.00
June 15, 2021	684,000	1.00
August 23, 2021	1,296,400	1.00
December 23, 2021	6,330,000	0.10
December 23, 2021	420,600	0.10
April 16, 2022	3,940,000	0.10
April 16, 2022	128,800	0.10
April 27, 2022	1,060,000	0.10
April 27, 2022	64,000	0.10
May 4, 2022*	2,500,000	0.10
May 4, 2022	192,000	0.10
July 23, 2022	10,000,000	0.15
	<u>26,625,800</u>	

\* 800,000 warrants subsequently exercised

\*\* subsequently expired

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

## 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 period ended September 30, 2020, the Company:

- i) granted incentive stock options to purchase 1,500,000 common shares at a price of \$0.13 until July 8, 2021.
- ii) granted incentive stock options to purchase 350,000 common shares at a price of \$0.18 until July 28, 2021.
- iii) granted incentive stock options to purchase 550,000 common shares at a price of \$0.20 until August 7, 2022.
- iv) granted incentive stock options to purchase 600,000 common shares at a price of \$0.10 until August 10, 2022.

During the year ended June 30, 2020, the Company:

- i) granted incentive stock options to purchase 35,000 common shares at a price of \$0.50 until July 30, 2020.
- ii) granted incentive stock options to purchase 125,000 common shares at a price of \$0.60 until August 8, 2020.
- iii) granted incentive stock options to purchase 1,200,000 common shares at a price of \$0.085 until January 13, 2021.
- iv) granted incentive stock options to purchase 200,000 common shares at a price of \$0.10 until January 23, 2021.
- v) granted incentive stock options to purchase 200,000 common shares at a price of \$0.11 until February 4, 2021.

The fair value of options granted was calculated using the Black-Scholes Model for total share-based payment expense of \$398,100 (2019 - \$34,700) based on the following weighted average assumptions:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Risk-free interest rate	0.24%	1.46%
Expected life of options	1.38 years	1.00 year
Annualized volatility	241.38%	124.79%
Dividend yield	0%	0%
<b>Fair value per option</b>	<b>\$0.133</b>	<b>\$0.02</b>

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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

Details of stock option activity for the period ended September 30, 2020 and year ended June 30, 2020:

Stock options outstanding	Period ended September 30, 2020		Year ended June 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of period	1,775,000	0.14	820,000	0.52
Granted	3,000,000	0.16	1,760,000	0.13
Exercised	(100,000)	0.09	-	-
Expired/forfeited	(175,000)	0.61	(805,000)	0.51
Outstanding – end of period	4,500,000	0.14	1,775,000	0.14

As at September 30, 2020, share purchase options outstanding have a weighted average remaining contractual life of 0.90 years (June 30, 2020 – 0.51 years).

The following table discloses the number of options and vested options outstanding as at September 30, 2020:

Number of options outstanding	Number of options vested	Exercise price	Expiry date
#	#	\$	
1,100,000	1,100,000	0.085	January 13, 2021*
200,000	200,000	0.10	January 23, 2021
200,000	200,000	0.11	February 4, 2021
1,500,000	1,500,000	0.13	July 9, 2021
350,000	350,000	0.18	July 28, 2021
550,000	550,000	0.20	August 7, 2022
600,000	600,000	0.20	August 10, 2022
4,500,000	4,500,000		

**Sky Gold Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2020 and 2019**  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

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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 period ended September 30, 2020 and 2019, the Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	<b>Period ended September 30, 2020</b>	<b>Period ended September 30, 2019</b>
	\$	\$
Office management services	45,000	36,000
Share-based compensation	212,411	15,900
	257,411	51,900

During the three months ended September 30, 2020, the Company:

- i) paid or accrued office management fees of \$45,000 (2019 - \$36,000) to a company owned by an officer and director for management services provided.
- ii) Recorded share-based compensation of \$212,411 (2019 - \$15,900) related to options granted to officers and directors of the Company.

## 13 Segmented information

The Company's primary business is the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

	<b>September 30, 2020</b>	<b>June 30, 2020</b>
	\$	\$
<b>Exploration and evaluation assets</b>		
Canada	737,043	695,727
United States	725,013	642,728
	1,462,056	1,338,455

## **14 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.

## **15 Subsequent events**

Subsequent to September 30, 2020, the Company:

- i) issued 800,000 common shares for gross proceeds of \$80,000 pursuant to the exercise of warrants.
- ii) issued 500,000 common shares pursuant to the amended terms of the acquisition of Evening Star Property.