

Sky Gold Corp.

Consolidated Financial Statements

For the years ended June 30, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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 has not achieved profitable operations and has incurred an accumulated deficit of \$13,582,043 as at June 30, 2020. 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 28, 2020

Sky Gold Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	June 30, 2020	June 30, 2019
Assets		\$	\$
Current assets			
Cash		139,958	595,105
Receivable		3,144	4,924
Subscriptions receivable		-	192,500
Prepaid expenses	7	35,000	116,667
		178,102	909,196
Reclamation bond		12,000	20,084
Exploration and evaluation assets	8	1,338,455	1,833,102
Total assets		1,528,557	2,762,382
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9, 12	38,362	68,584
Flow-through share premium liability	10	17,468	-
		55,830	-
Flow-through share premium liability	10	-	100,000
Total liabilities		55,830	168,584
Shareholders' equity			
Share capital	10	13,122,212	11,854,180
Reserves	11	1,932,558	1,736,258
Deficit		(13,582,043)	(10,996,640)
Total shareholders' equity		1,472,727	2,593,798
Total liabilities and shareholders' equity		1,528,557	2,762,382

Nature of operations (note 1)

Subsequent events (note 16)

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.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended June 30,
(Expressed in Canadian dollars)

	Notes	2020	2019
EXPENSES		\$	\$
Consulting fees		270,031	454,708
Foreign exchange		-	1,611
General and administration		33,197	20,587
Loss on write-off of subsidiary	3	-	1,192
Marketing and promotion		52,770	46,707
Office management services	12	144,000	144,000
Other income	10	(82,532)	-
Professional fees		121,800	73,791
Regulatory and filing fees		41,728	40,679
Share-based compensation	11	148,000	129,000
Write-off of exploration and evaluation assets	8	1,856,409	1,907,466
Net loss and comprehensive loss for the year		(2,585,403)	(2,819,741)
Basic and diluted loss per share		\$ (0.11)	\$ (0.36)
Weighted average number of common shares outstanding – basic and diluted		23,407,374	7,911,972

See accompanying notes to the consolidated financial statements

Sky Gold 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
	#	\$	\$	\$	\$	\$	\$
Balance at June 30, 2018	4,696,255	8,864,523	1,535,151	(8,176,899)	2,222,775	(2,477)	2,220,298
Share issuance – private placements	5,592,800	2,705,680	-	-	2,705,680	-	2,705,680
Share issuance costs	-	(190,038)	-	-	(190,038)	-	(190,038)
Finder's shares issued	23,000	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	30,000	24,234	(3,234)	-	21,000	-	21,000
Share issuance – warrants exercised	9,675	19,431	(12,659)	-	6,772	-	6,772
Shares issued for acquisition of 1174679 BC Ltd.	1,000,000	500,000	-	-	500,000	-	500,000
Shares issued for exploration and evaluation assets	245,000	108,000	-	-	108,000	-	108,000
Share-based payments	-	-	129,000	-	129,000	-	129,000
Net loss for the year	-	-	-	(2,819,741)	(2,819,741)	2,477	(2,817,264)
Balance at June 30, 2019	11,596,730	11,854,180	1,736,258	(10,996,640)	2,593,798	-	2,593,798
Share issuance – private placements	18,400,000	920,000	-	-	920,000	-	920,000
Share issuance costs	-	(56,618)	-	-	(56,618)	-	(56,618)
Finder's warrants issued	-	(48,300)	48,300	-	-	-	-
Shares issued for exploration and evaluation assets	4,255,000	452,950	-	-	452,950	-	452,950
Share-based payments	-	-	148,000	-	148,000	-	148,000
Net loss for the year	-	-	-	(2,585,403)	(2,585,403)	-	(2,585,403)
Balance at June 30, 2020	34,251,730	13,122,212	1,932,558	(13,582,043)	1,472,727	-	1,472,727

See accompanying notes to the consolidated financial statements

Sky Gold Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities	\$	\$
Net loss for the year	(2,585,403)	(2,819,741)
Items not affecting cash:		
Write-off of exploration and evaluation assets	1,856,409	1,907,466
Foreign exchange	(80)	1,611
Loss on write-off of subsidiary	-	1,192
Other income	(82,532)	-
Share-based compensation	148,000	129,000
Change in non-cash operating working capital items:		
Decrease (increase) in receivable	1,780	(445)
Decrease (increase) in prepaid expenses	81,667	(60,006)
Decrease in accounts payable and accruals	(30,222)	(20,836)
Cash flows used in operating activities	(610,381)	(861,759)
Cash flows from investing activities		
Exploration and evaluation assets	(908,812)	(692,861)
Reclamation bond	8,164	(12,000)
Cash flows used in investing activities	(900,648)	(704,861)
Cash flows from financing activities		
Proceeds from private placement, gross	1,112,500	2,513,180
Share issuance costs	(56,618)	(179,688)
Options exercised	-	21,000
Warrants exercised	-	6,772
Loans repayment	-	(206,500)
Cash flows provided by financing activities	1,055,882	2,154,764
Increase (decrease) in cash	(455,147)	588,144
Cash – beginning of year	595,105	6,961
Cash – end of year	139,958	595,105
Supplemental cash flow information		
Fair value of options exercised	-	3,234
Fair value of warrants exercised	-	12,659
Flow-through share premium liability	-	100,000
Exploration and evaluation assets – share issuance	452,950	608,000
Subscription receivable	-	192,500
Share issuance costs – finder’s warrants	48,300	88,000
Finder’s shares	-	10,350
Exploration and evaluation assets included in accounts payable and accrued liabilities	-	-

See accompanying notes to the consolidated financial statements

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

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 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, 2020, the Company had not advanced its exploration and evaluation assets to commercial production. At June 30, 2020, the Company has not achieved profitable operations, has accumulated losses of \$13,582,043 (June 30, 2019 - \$10,996,640) 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.

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 28, 2020.

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

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.

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.

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, 2020 and 2019, 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.

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	June 30, 2020	June 30, 2019
Financial assets		\$	\$
Cash	1	139,958	595,105

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 June 30, 2020, the Company had working capital of \$122,272 as compared to a working capital of \$840,612 at June 30, 2019. 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 Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

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:

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

7 Prepaid expenses

	June 30, 2020	June 30, 2019
Consulting	\$ 35,000	\$ 116,667

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

8 Exploration and evaluation assets

	Evening Star Property	Mustang Property	Virginia Property	Roy Mine (Farr) Property	Clone Gold Property	Total
	\$	\$	\$	\$	\$	\$
June 30, 2019	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)
June 30, 2020	642,728	558,345	64,000	73,382	-	1,338,455

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

8 Exploration and evaluation assets (cont'd)

	Evening Star Property	Clone Gold Property	Roy Mine (Farr) Property	Brazil Lake Cobalt (Foster Cobalt) Property	Hemlo West Property	Moosehead North Gold Property	McKinnon- Hawkins Gold Property	Total
	\$	\$	\$	\$	\$	\$	\$	\$
June 30, 2018	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)
June 30, 2019	544,021	1,215,699	73,382	-	-	-	-	1,833,102

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.

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

On February 7, 2020, the Company entered into an option agreement to acquire a 100% interest in the Virginia Property located in Newfoundland, Canada.

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

- a) \$20,000 upon execution of the agreement (paid); and
- b) share issuance of 400,000 common shares upon execution of the agreement (issued 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.

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 June 30, 2020, the Company has not met the requirements to acquire the additional 15% interest.

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.

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.

The Company made cash payments of \$200,000 and issued 183,333 common shares valued at \$223,333 towards the option agreement. During the year ended June 30, 2019, the Company abandoned the property acquisition and wrote off exploration and evaluation assets of \$977,581.

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.

The Company made a cash payment of \$20,000 and issued 150,000 common shares valued at \$204,000 towards the option agreement.

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.

Hemlo West Property

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

The Company made cash payments of \$32,000 and issued 47,777 common shares valued at \$50,722 towards to option agreement. 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 20,000 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.

Moosehead North Gold Property, Nwfoundland

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).

The Company made a cash payment of \$20,000, issued 1,000,000 common shares (issued at a value of \$500,000); and paid 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.

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

9 Accounts payable and accrued liabilities

	June 30, 2020	June 30, 2019
Trade accounts payable	\$ 8,362	\$ 36,644
Accrued liabilities	30,000	31,940
	38,362	68,584

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, 2020, the Company:

- a) 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.
- b) issued 5,000 common shares (valued at \$450) pursuant to the option payment of the Evening Star Property (Note 8).
- c) issued 3,250,000 common shares (valued at \$357,500) pursuant to the option payment of the Mustang Property (Note 8).
- d) issued 400,000 common shares (valued at \$44,000) pursuant to the option payment of the Virginia Property (Note 8).
- e) 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.
- f) 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.

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

10 Share capital (cont'd)

- g) 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.
- h) issued 600,000 common shares (valued at \$51,000) pursuant to the option payment of the Mustang Expansion (Note 8).

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

- a) issued 10,000 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 20,000 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 9,675 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.
- d) closed a non-brokered private placement of 2,592,800 units at \$0.60 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 \$1.00 until August 23, 2021. The Company paid share issuance costs of \$118,788 cash, and 198,980 finder's warrants valued at \$62,600, exercisable at \$0.60 until August 23, 2019. The Company also paid other issuance costs of \$750.
- e) issued 1,000,000 common shares (valued at \$500,000) pursuant to the acquisition of 1174679 B.C. Ltd. (Note 6).
- f) issued 200,000 common shares (valued at \$90,000) pursuant to the option payment of the Clone Gold Property (Note 8).
- g) issued 25,000 common shares (valued at \$10,000) pursuant to the option payment of the Evening Star Property (Note 8).
- h) issued 20,000 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 2,000,000 flow-through units at a price of \$0.40 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 \$0.70 until June 27, 2020. In connection to the private placement, \$100,000 was attributed to the flow-through share premium liability. During the year ended June 30, 2020, the Company incurred \$660,255 in exploration costs and recorded \$82,532 in flow through premium liability recovery as other income.

10 Share capital (cont'd)

Additionally, the Company closed a non-brokered non flow-through private placement of 1,000,000 units at \$0.35 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 \$0.60 until June 27, 2020. The Company paid share issuance costs of \$72,378 cash (\$12,228 cash was paid during the year ended June 30, 2020), 23,000 finder's shares valued at \$10,350, and 132,770 finder's warrants valued at \$25,400 and exercisable at \$0.50 until June 27, 2020. Subscriptions of \$192,500 for these private placements were received subsequent to June 30, 2019.

Share purchase warrants:

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

- a) 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%.
- b) 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%.
- c) 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%.
- d) 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%.

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

- a) issued 198,980 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 \$0.60. 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 132,770 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 \$0.50. 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%.

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

10 Share capital (cont'd)

Details of share purchase warrant activity for the year ended June 30, 2020 and year ended June 30, 2019 is as follows:

Share purchase warrants outstanding	Year ended June 30, 2020		Year ended June 30, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of year	4,322,150	0.88	2,211,890	1.50
Granted	19,380,800	0.10	3,128,150	0.80
Exercised	-	-	(9,675)	0.70
Expired/forfeited	(2,331,750)	0.77	(1,008,215)	2.00
Outstanding – end of year	21,371,200	0.19	4,322,150	0.88

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

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
	#	\$
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*	10,900,000	0.10
December 23, 2021**	596,000	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
	21,371,200	

*4,570,000 warrants subsequently exercised

** 175,400 warrants subsequently exercised

*** 250,000 warrants subsequently exercised

**** subsequently expired

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

10 Share capital (cont'd)

The fair value of share purchase warrants issued was calculated using the Black-Scholes Model for total of \$48,300 (2019 - \$88,000) based on the following weighted average assumptions:

	Year ended June 30, 2020	Year ended June 30, 2019
Risk-free interest rate	1.15%	1.85%
Expected life of warrants	2.00 years	1.00 years
Annualized volatility	193.41%	99.92%
Dividend yield	0%	0%
Fair value per broker's warrants	\$0.049	\$0.265

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, 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.

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

11 Share-based compensation (cont'd)

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

- i) granted incentive stock options to purchase 300,000 common shares at a price of \$0.50 until January 25, 2020.
- ii) granted incentive stock options to purchase 270,000 common shares at a price of \$0.50 until May 1, 2020.
- iii) granted incentive stock options to purchase 115,000 common shares at a price of \$0.50 until June 13, 2020.
- iv) granted incentive stock options to purchase 25,000 common shares at a price of \$0.50 until February 27, 2020.
- v) granted incentive stock options to purchase 75,000 common shares at a price of \$0.60 until August 1, 2020.
- vi) granted incentive stock options to purchase 35,000 common shares at a price of \$0.70 until August 16, 2020.

The fair value of options granted was calculated using the Black-Scholes Model for total share-based payment expense of \$148,000 (2019 - \$129,000) based on the following weighted average assumptions:

	Year ended June 30, 2020	Year ended June 30, 2019
Risk-free interest rate	1.63%	1.74%
Expected life of options	1.00 year	1.14 years
Annualized volatility	239.48%	107.49%
Dividend yield	0%	0%
Fair value per option	\$0.084	\$0.157

Details of stock option activity for the years ended June 30, 2020 and 2019:

Stock options outstanding	Year ended June 30, 2020		Year ended June 30, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of year	820,000	0.52	405,000	1.13
Granted	1,760,000	0.13	820,000	0.52
Exercised	-	-	(30,000)	0.70
Expired/forfeited	(805,000)	0.51	(375,000)	1.16
Outstanding – end of year	1,775,000	0.14	820,000	0.52

As at June 30, 2020, share purchase options outstanding have a weighted average remaining contractual life of 0.51 years (June 30, 2019 – 0.79 years).

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

11 Share-based compensation (cont'd)

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

Number of options outstanding	Number of options vested	Exercise price	Expiry date
#	#	\$	
25,000	25,000	0.60	August 1, 2020**
125,000	125,000	0.60	August 8, 2020**
25,000	25,000	0.70	August 16, 2020**
1,200,000	1,200,000	0.085	January 13, 2021*
200,000	200,000	0.10	January 23, 2021
200,000	200,000	0.11	February 4, 2021
1,775,000	1,775,000		

* 100,000 options subsequently exercised

** subsequently expired

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

	Year ended June 30, 2020	Year ended June 30, 2019
	\$	\$
Office management services	144,000	144,000
Share-based compensation	66,400	11,158
	210,400	155,158

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

- i) paid or accrued office management fees of \$144,000 (2019 - \$144,000) to a company owned by an officer and director for management services provided.
- ii) Recorded share-based compensation of \$66,400 (2019 - \$11,158) related to options granted to officers and 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.

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

13 Segmented information

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

	June 30, 2020	June 30, 2019
	\$	\$
Exploration and evaluation assets		
Canada	695,727	1,289,081
United States	642,728	544,021
	1,338,455	1,833,102

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.

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

15 Income taxes

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

	June 30, 2020	June 30, 2019
Loss for the year	\$ (2,585,403)	\$ (2,819,741)
Expected income tax recovery	\$ (698,000)	\$ (761,000)
Change in statutory, foreign tax, foreign exchange rates and other	-	(59,000)
Permanent differences	43,000	36,000
Impact of flow through share	173,000	-
Share issue costs	(15,000)	(49,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	82,000	-
Change in unrecognized deductible temporary differences	415,000	833,000
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, 2020	June 30, 2019
<i>Deferred tax assets (liabilities)</i>		
Exploration and evaluation assets	\$ 1,498,000	\$ 1,358,000
Property and equipment	2,000	-
Share issue costs	55,000	61,000
Allowable capital losses and other	54,000	-
Non-capital losses available for future periods	1,636,000	1,411,000
	3,245,000	2,830,000
Unrecognized deferred tax assets	(3,245,000)	(2,830,000)
Net deferred tax assets	\$ -	\$ -

Sky Gold Corp.
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Expressed in Canadian dollars)

15 Income taxes (cont'd)

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, 2020	Expiry Date Range	June 30, 2019	Expiry Date Range
<i>Temporary differences</i>				
Exploration and evaluation assets	\$ 5,550,000	No expiry date	\$ 4,917,000	No expiry date
Property and equipment	6,000	No expiry date	-	No expiry date
Share issue costs	202,000	2041 to 2044	225,000	2040 to 2043
Allowable capital losses and other	199,000	No expiry date	-	No expiry date
Non-capital losses available for future period	6,061,000	2030 to 2040	5,226,000	2030 to 2039

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

16 Subsequent events

Subsequent to June 30, 2020, the Company:

- i) closed a non-brokered private placement of 20,000,000 units at \$0.10 per unit for total gross proceeds of \$2,000,000. Each unit is comprised of one common share and one-half common share purchase warrant of the Company. Each full warrant will entitle the holder to purchase one share at an exercise price of \$0.15 until July 23, 2022.
- ii) issued 4,995,400 common shares for gross proceeds of \$499,540 pursuant to the exercise of warrants.
- iii) issued 100,000 common shares for gross proceeds of \$8,500 pursuant to the exercise of options.
- iv) granted incentive stock options to purchase 1,500,000 common shares at a price of \$0.13 until July 9, 2021.
- v) granted incentive stock options to purchase 350,000 common shares at a price of \$0.18 until July 28, 2021.
- vi) granted incentive stock options to purchase 550,000 common shares at a price of \$0.20 until August 7, 2022.
- vii) granted incentive stock options to purchase 600,000 common shares at a price of \$0.20 until August 10, 2022.