

Sky Gold Corp.

Condensed Interim Consolidated Financial Statements

For the period ended September 30, 2022 and 2021

(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, 2022	June 30, 2022
Assets		\$	\$
Current assets			
Cash		17,229	1,681
Receivable		17,720	6,250
Prepaid expenses	6	15,620	5,320
		50,569	13,251
Mineral advances		235,000	-
Exploration and evaluation assets	7	5,394,875	5,349,591
Total assets		5,680,444	5,362,842
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	115,008	148,379
Shareholders' equity			
Share capital	9	18,753,082	18,287,782
Reserves	10	2,666,738	2,665,338
Deficit		(15,854,384)	(15,738,657)
Total shareholders' equity		5,565,436	5,214,463
Total liabilities and shareholders' equity		5,680,444	5,362,842

Nature of operations (note 1)

Approved on Behalf of the Board of Directors:

/s/ Mike England
Director

/s/ Don McKinnon
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)

		Three months ended September 30,	
	Notes	2022	2021
EXPENSES		\$	\$
Consulting fees	11	11,800	24,000
General and administration		17,550	28,886
Marketing and promotion		13,330	26,244
Office management services	11	39,000	45,000
Professional fees		26,733	31,435
Regulatory and filing fees		7,314	15,417
Share-based compensation	10, 11	-	254,900
Net loss and comprehensive loss for the period		(115,727)	(425,882)
Basic and diluted loss per share		\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		85,563,899	76,636,000

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
	#	\$	\$	\$	\$
Balance at June 30, 2021	76,129,930	18,126,702	2,393,318	(14,852,111)	5,667,909
Options exercised	550,000	129,580	(58,080)	-	71,500
Share-based payments	-	-	254,900	-	254,900
Net loss for the period	-	-	-	(425,882)	(425,882)
Balance at September 30, 2021	76,679,930	18,256,282	2,590,138	(15,277,993)	5,568,427
Balance at June 30, 2022	77,029,930	18,287,782	2,665,338	(15,738,657)	5,214,463
Share issuance – private placements	9,236,667	474,200	-	-	474,200
Share issuance costs - cash	-	(7,500)	-	-	(7,500)
Share issuance costs – warrants	-	(1,400)	1,400	-	-
Net loss for the period	-	-	-	(115,727)	(115,727)
Balance at September 30, 2022	86,266,597	18,753,082	2,666,738	(15,854,384)	5,565,436

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)

	Three months ended September 30,	
	2022	2021
Cash flows from operating activities	\$	\$
Net loss for the period	(115,727)	(425,882)
Items not affecting cash:		
Share-based compensation	-	254,900
Change in non-cash operating working capital items:		
Increase in receivable	(11,470)	(37,414)
(Increase) Decrease in prepaid expenses	(10,300)	8,680
(Decrease) Increase in accounts payable and accruals	(40,466)	15,632
Cash flows used in operating activities	(177,963)	(184,084)
Cash flows from investing activities		
Exploration advances	(235,000)	-
Exploration and evaluation assets	(38,189)	(379,507)
Reclamation bond	-	12,000
Cash flows used in investing activities	(273,189)	(367,507)
Cash flows from financing activities		
Private placements	474,200	-
Share issuance costs	(7,500)	-
Options exercised	-	71,500
Cash flows provided by financing activities	466,700	71,500
Increase (decrease) in cash	15,548	(480,091)
Cash – beginning of period	1,681	1,011,144
Cash – end of period	17,229	531,053
Supplemental cash flow information		
Fair value of options exercised	-	58,080
Fair value of brokers' warrants	1,400	-
Exploration and evaluation assets included in accounts payable and accrued liabilities	55,345	10,503

See accompanying notes to the condensed interim consolidated financial statements

Sky Gold Corp.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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.

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, 2022, the Company had not advanced its exploration and evaluation assets to commercial production. At September 30, 2022, the Company has not achieved profitable operations, has accumulated losses of \$15,854,384 (June 30, 2022 - \$15,738,657) 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 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, 2022. 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, 2022, 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 18, 2022.

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 subsidiaries as at September 30, 2022. 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 subsidiaries 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. 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.

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, 2022 and 2021, the Company has no known obligations relating to rehabilitation.

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.

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

Future accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company does not expect any material impact from future accounting pronouncements.

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.

4 Critical estimates and judgments (cont'd)

Valuation of Share-Based Payments

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

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.

5 Financial instruments

Fair values of financial instruments

The Company's financial instruments consist of cash, receivable, and accounts payable and accrued liabilities. Cash is carried at fair value. The fair values of receivable and 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, 2022	June 30, 2022
Financial assets		\$	\$
Cash	1	17,229	1,681

5 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, 2022, the Company had a working capital deficiency of \$64,439 as compared to working capital of \$87,002 at June 30, 2022. 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, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6 Prepaid expenses

	September 30, 2022	June 30, 2022
Rent	\$ 1,320	\$ 1,320
Professional	4,000	4,000
Insurance	10,300	-
	15,620	5,320

7 Exploration and evaluation assets

	Evening Star Property	Mustang Property	Virginia Property	Imperial Property	Total
	\$	\$	\$	\$	\$
June 30, 2022	1,208,511	2,021,084	139,837	1,980,159	5,349,591
<i>Acquisition costs</i>					
Cash	20,733	-	-	-	20,733
Shares	-	-	-	-	-
	20,733	-	-	-	20,733
<i>Deferred exploration costs</i>					
Assays	-	-	8,952	-	8,952
Drilling	-	-	-	-	-
Field work	3,709	-	-	-	3,709
Geological consulting	1,350	7,690	-	2,850	11,890
Travel	-	-	-	-	-
	5,059	7,690	8,952	2,850	24,551
September 30, 2022	1,234,303	2,028,774	148,789	1,983,009	5,394,875

Sky Gold Corp.**Notes to Condensed Interim Consolidated Financial Statements****September 30, 2022 and 2021**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

7 Exploration and evaluation assets (cont'd)

	Evening Star Property	Mustang Property	Virginia Property	Imperial Property	Total
	\$	\$	\$	\$	\$
June 30, 2021	1,208,511	2,021,084	139,837	1,980,159	5,349,591
<i>Acquisition costs</i>					
Cash	23,669	20,000	-	-	43,669
Shares	-	31,500	-	-	31,500
	23,669	51,500	-	-	75,169
<i>Deferred exploration costs</i>					
Assays	20,071	13,130	-	-	33,201
Drilling	134,580	-	-	-	134,580
Field work	39,835	130,395	12,816	78,281	261,327
Geological consulting	104,713	17,600	35,310	17,378	175,001
Travel	20,762	-	-	-	20,762
	319,961	161,125	48,126	95,659	624,871
June 30, 2022	1,208,511	2,021,084	139,837	1,980,159	5,349,591

7 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 made 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 (amended from \$110,000 and paid).

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) amended to 500,000 common shares due on or before October 31, 2020 (issued at a value of \$72,500).

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.

7 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 (incurred).
- d) incurring exploration expenditures of \$100,000 on or before January 21, 2022 (incurred).
- 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% purchasable by the Company for \$1,000,000.

On November 8, 2020, the Company entered into an additional option agreement to acquire a 100% interest in the Mustang Expansion claims in consideration of:

- a) issue a total of 1,200,000 shares as follows:
 - a) 250,000 shares on or before November 18, 2020 (issued at a value of \$37,500) (Note 9).
 - b) 350,000 shares on or before November 8, 2021 (issued at a value of \$31,500) (Note 9).
 - c) 600,000 shares on or before November 8, 2022; and
- b) pay an aggregate total amount of \$65,000 as follows:
 - a) \$20,000 on or before November 18, 2020 (paid).
 - b) \$20,000 on or before November 8, 2021 (paid).
 - c) \$25,000 on or before November 8, 2022.

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.

The Company is currently negotiating an extension for the outstanding \$25,000 cash payment and 600,000 common shares issuance which was due and remains unpaid subsequent to September 30, 2022.

7 Exploration and evaluation assets (cont'd)

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.

Imperial Property

On May 26, 2021, the Company entered into two option agreements to acquire a 100% interest in the Imperial Property located in Quebec, Canada for the following consideration:

- i) issuance of 10,500,000 common shares (issued at a value of \$1,732,500) (Note 9); and
- ii) cash payment of \$150,000 within five days of approval (paid).

A 3% NSR will be granted to the vendor for each of the two agreements, with 1% purchasable by the Company for \$1,000,000.

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).

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8 Accounts payable and accrued liabilities

	September 30, 2022	June 30, 2022
Trade accounts payable	\$ 57,508	\$ 70,253
Accrued liabilities	57,500	78,126
	115,008	148,379

9 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, 2022, the Company:

- i) closed a non-brokered private placement of 1,236,667 flow-through units at \$0.06 per unit for total gross proceeds of \$74,200. Each flow-through 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 \$0.08 until July 7, 2024.

Concurrently, the Company closed a non-brokered private placement of 8,000,000 non-flow-through units at \$0.05 per unit for total gross proceeds of \$400,000. Each non-flow-through 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 \$0.08 until July 7, 2024.

In connection with the financing, the Company also paid \$7,500 and granted 42,667 broker warrants exercisable at \$0.08 until July 7, 2024 as share issuance costs.

During the year ended June 30, 2022, the Company:

- i) issued 550,000 common shares pursuant to exercise of options for gross proceeds of \$71,500, and accordingly, the Company reallocated \$58,080 of share-based payment reserve to share capital.
- ii) issued 350,000 common shares (valued at \$31,500) pursuant to the amended terms of the acquisition of the Mustang Property (Note 7).

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9 Share capital (cont'd)

Share purchase warrants:

Details of share purchase warrant activity for the period ended September 30, 2022 and year ended June 30, 2022:

Share purchase warrants outstanding	Period ended September 30, 2022		Year ended June 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of period	15,325,000	0.13	21,599,000	0.18
Granted	8,760,001	0.08	-	-
Expired/forfeited	(9,275,000)	0.15	(6,274,000)	0.29
Outstanding – end of period	14,810,001	0.09	15,325,000	0.13

As at September 30, 2022, the Company has outstanding share purchase warrants as follows:

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
	#	\$
December 23, 2023*	6,050,000	0.10
July 7, 2023	41,667	0.08
July 7, 2023	100,000	0.08
July 7, 2024	618,334	0.08
July 7, 2024	8,000,000	0.08
	<u>14,810,001</u>	

*Extended from December 23, 2021 to December 23, 2023

Sky Gold Corp.**Notes to Condensed Interim Consolidated Financial Statements****September 30, 2022 and 2021**

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10 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, 2022, the Company:

- i) granted incentive stock options to purchase 2,100,000 common shares at a price of \$0.13 until July 21, 2023.
- ii) granted incentive stock options to purchase 400,000 common shares at a price of \$0.13 until August 30, 2023.
- iii) granted incentive stock options to purchase 2,000,000 common shares at a price of \$0.08 until April 8, 2024.

The fair value of options granted was calculated using the Black-Scholes Model for total share-based payment expense of \$Nil (2021 - \$254,900) based on the following weighted average assumptions:

	Period Ended September 30, 2022	Period Ended September 30, 2021
Risk-free interest rate	-	0.39%
Expected life of options	-	2.00 years
Annualized volatility	-	199.46%
Dividend yield	-	0%
Fair value per option	-	\$0.102

Sky Gold Corp.**Notes to Condensed Interim Consolidated Financial Statements****September 30, 2022 and 2021**

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10 Share-based compensation (cont'd)

Details of stock option activity for the period ended September 30, 2022 and year ended June 30, 2022:

Stock options outstanding	Period ended September 30, 2022		Year ended June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding – beginning of period	6,050,000	0.15	5,700,000	0.15
Granted	-	-	4,500,000	0.11
Exercised	-	-	(550,000)	0.13
Expired/forfeited	(1,150,000)	0.20	(3,600,000)	0.14
Outstanding – end of period	4,900,000	0.11	6,050,000	0.13

As at September 30, 2022, share purchase options outstanding have a weighted average remaining contractual life of 1.08 years (June 30, 2022 – 1.10 years).

The following table discloses the number of options and vested options outstanding as at September 30, 2022:

Number of options outstanding	Number of options vested	Exercise price	Expiry date
#	#	\$	
100,000	100,000	0.16	November 26, 2022
300,000	300,000	0.16	May 23, 2023
2,100,000	2,100,000	0.13	July 21, 2023
400,000	400,000	0.13	August 30, 2023
2,000,000	2,000,000	0.08	April 8, 2024
6,050,000	6,050,000		

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11 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, 2022 and 2021, the Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel:

	Period ended September 30, 2022	Period ended September 30, 2021
Consulting	\$ 8,000	\$ -
Office management services	39,000	45,000
Share-based compensation	-	131,190
	47,000	176,190

Included in accounts payable and accrued liabilities at September 30, 2022 is \$21,050 (June 30, 2022 - \$44,303) owed to companies owned by current and former officers/directors of the Company.

During the period ended September 30, 2022, the Company:

- i) paid or accrued consulting fee of \$3,000 (2021 - \$Nil) to an officer for consulting services provided.
- ii) paid or accrued consulting fee of \$5,000 (2021 - \$Nil) to a director for consulting services provided.
- iii) paid or accrued office management fees of \$39,000 (2021 - \$45,000) to a company owned by an officer and director for management services provided.
- iv) recorded share-based compensation of \$Nil (2021 - \$131,190) related to options granted to officers and directors of the Company.

12 Segmented information

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

	September 30, 2022	June 30, 2022
Exploration and evaluation assets	\$	\$
Canada	4,160,572	4,092,954
United States	1,234,303	1,208,511
	5,394,875	5,301,465

Sky Gold Corp.**Notes to Condensed Interim Consolidated Financial Statements****September 30, 2022 and 2021**

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13 Capital management

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

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

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