

SYLLA GOLD CORP.
(formerly, Atlantic Industrial Minerals Incorporated)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SYLLA GOLD CORP. (FORMERLY ATLANTIC INDUSTRIAL MINERALS INCORPORATED)

Opinion

We have audited the accompanying consolidated financial statements of Sylla Gold Corp. (formerly Atlantic Industrial Minerals Incorporated) (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at February 28, 2021 and February 29, 2020;
- ◆ the consolidated statements of operations and comprehensive loss for the years then ended;
- ◆ the consolidated statements of changes in deficiency for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended; and
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sylla Gold Corp. (formerly Atlantic Industrial Minerals Incorporated) as at February 28, 2021 and February 29, 2020, and its consolidated financial performance and its consolidated 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 *Auditors' 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 in the consolidated financial statements, which indicates that the Company incurred a net income of \$69,111 during the year ended February 28, 2021 and, as of that date, the Company has a deficit of \$3,098,478. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 comprises of 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above 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 auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

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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 auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 28, 2021

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SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals Incorporated)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

As at	February 28 2021	February 29 2020
ASSETS		
Current		
Cash	\$ 301	\$ 610
Sales tax receivable	5,460	21,476
Prepaid expenses	14,000	-
	19,761	22,086
Land (note 6)	26,500	26,500
	\$ 46,261	\$ 48,586
LIABILITIES		
Current		
Accounts payable and accrued liabilities (notes 7, 11)	\$ 700,450	\$ 789,584
Loans payable (note 11)	475,779	458,081
	1,176,229	1,247,665
DEFICIENCY		
Share capital (note 8)	1,968,510	1,968,510
Deficit	(3,098,478)	(3,167,589)
	(1,129,968)	(1,199,079)
	\$ 46,261	\$ 48,586

Nature of operations and going concern (note 1)

Subsequent events (note 15)

Approved by the Board of Directors

"Greg Isenor"
Director (Signed)

"J. Francois Lalonde"
Director (Signed)

See accompanying notes.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals Incorporated)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

Years ended	February 28 2021	February 29 2020
Expenses		
Corporate and administrative (note 9)	\$ 58,493	\$ 70,637
Exploration and evaluation (note 10)	1,650	40,388
	60,143	111,025
Other income		
Exploration and evaluation recovery (note 10)	(5,000)	-
Expense recovery (note 7)	(123,605)	-
Interest income	(649)	-
Net income (loss) and comprehensive income (loss)	\$ 69,111	\$ (111,025)
Basic and diluted earnings (loss) per share (note 12)	\$ 0.014	\$ (0.023)
Weighted average number of common shares outstanding:		
Basic and diluted	4,926,683	4,926,683

See accompanying notes.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals Incorporated)

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

(expressed in Canadian dollars)

	Share capital		Deficit	Total
	Number*	Amount		
Balance, February 28, 2019	4,926,683	\$ 1,968,510	\$ (3,056,564)	\$ (1,088,054)
Net loss for the year	-	-	(111,025)	(111,025)
Balance, February 29, 2020	4,926,683	1,968,510	(3,167,589)	(1,199,079)
Net income for the year	-	-	69,111	69,111
Balance, February 28, 2021	4,926,683	\$ 1,968,510	\$ (3,098,478)	\$ (1,129,968)

* Reflects a consolidation of 1 new share for 5 old shares

See accompanying notes.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals Incorporated)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

Years ended	2021	2020
Operating activities		
Net income (loss) for the year	\$ 69,111	\$ (111,025)
Adjustments to reconcile loss to net cash used:		
Expense recovery	(123,605)	-
	(54,494)	(111,025)
Changes in non-cash working capital items		
Sales tax receivable	16,016	(12,940)
Prepaid expenses	(14,000)	-
Accounts payable and accrued liabilities	30,148	37,359
	(22,330)	(86,606)
Financing activities		
Loan proceeds received from related parties (note 11)	27,021	102,364
Loan repayments to related parties (notes 11)	(5,000)	(16,500)
	22,021	85,864
Net change in cash	(309)	(742)
Cash, beginning of year	610	1,352
Cash, end of year	\$ 301	\$ 610

See accompanying notes.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

Sylla Gold Corp., formerly, Atlantic Industrial Minerals Incorporated, (the “Company”) is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties. On April 23, 2021, the name of the Company was changed and the Company consolidated its common shares on the basis of 1 new share for 5 old shares. All share and per share information in the consolidated financial statements, including references to the number of common shares, warrants, prices of issued shares, exercise prices of warrants, and earnings (loss) per share, have been adjusted to reflect the impact of the share consolidation. On February 11, 2021, the Company disposed its interest in the Glencoe Carbonate Property (note 10). As a result, the Company does not have an interest in or hold a right to participate in any mineral properties. The address of the Company’s registered office is 1550 Bedford Highway, Suite 802, Bedford, Nova Scotia, B4A 1E6. The Company’s shares are listed on the NEX board of the TSX Venture Exchange under the trading symbol “SYG.H”.

Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company’s ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties, exploration success, and securing title and beneficial interest in its properties.

Further funds will be required for the Company to continue as a going concern, fulfil its obligations and fund its activities. The Company does not produce revenues from its exploration activities or have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

At February 28, 2021, the Company had a working capital deficiency of \$1,156,468 (February 29, 2020 - \$1,225,579), had income for the current year of \$69,111 (February 29, 2020 – loss of \$111,025), and had an accumulated deficit of \$3,098,478 (February 29, 2020 - \$3,167,589). To recapitalize the Company, subsequent to February 28, 2021, the Company: completed a \$1 million private placement; issued common shares to settle trade payables of \$81,058; and, issued common shares to settle \$410,000 of payables owed to a director and a former director (note 15).

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, ability to acquire mineral properties, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate.

These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include the necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

NATURE OF OPERATIONS AND GOING CONCERN (continued)

COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economies has been far-reaching and business around the world have had to cease or limit operations for long or indefinite periods of time. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on our financial position and results, exploration activities, workers, partners, consultants, suppliers and on global financial markets. The Company is proceeding with its search for exploration properties and plans on conducting related exploration activities, as long as the work environment remains safe.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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 IFRS Interpretations Committee ("IFRIC").

Basis of Consolidation and Presentation

These consolidated financial statements include the accounts of the Company and its two wholly-owned Canadian incorporated subsidiaries, Glencoe Resources Inc. and Great Bras d'Or Springs Inc. All significant inter-company transactions and balances have been eliminated on consolidation.

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit or loss. These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements, in conformity with IFRS, requires the Company's management to make certain estimates and judgements that they consider reasonable and realistic. These estimates and judgements are based on historical experience, future expectations, economic conditions and other factors. Despite regular reviews, changes in circumstances and assumptions may result in changes in these estimates and judgements, which could materially impact the reported amount of the Company's assets, liabilities, equity or earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from estimates.

Recovery of Deferred Tax Assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Going Concern Assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Exploration and Evaluation Interests

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property interests. In respect of costs incurred for its mineral property interests, management has determined that acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/studies, accessible facilities, existing permits, and ability to continue development. Management determined that there are no indicators of impairment on its exploration and evaluation interests.

Exploration and Evaluation - Impairment

The assessment of any impairment or recovery of exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions. Judgment is required in assessing the appropriate level of cash generating units to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Accrued Liabilities

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise noted.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. As at February 28, 2021 and February 29, 2020, the Company had no cash equivalents.

Exploration and Evaluation

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Flow-Through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors, subject to a renouncement process. Proceeds received from the issuance of flow-through shares are to be spent on Canadian resource property exploration expenditures prior to the end of calendar year following the year of issuance.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

SIGNIFICANT ACCOUNTING POLICIES (continued)

Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through are issued, eligible expenditures are then incurred and renouncement occurs subsequently). On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. Under the retrospective approach the obligation to renounce is fulfilled when the paperwork to renounce is filed. Once the obligation is fulfilled, the liability is reduced and the balance is charged to the statement of operations and comprehensive income (loss).

Foreign Currency Translation

Foreign currency transactions are initially recorded in the entity's functional currency at the transaction date exchange rate. At each reporting date, monetary assets and liabilities that are denominated in a foreign currency are translated into the functional currency using the end of the reporting period exchange rate. All foreign currency adjustments are recognized in the statement of operations and comprehensive income.

Impairment of Non-financial Assets

The Company's non-financial assets (land and mineral properties) are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. In assessing value in use, 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. Impairment losses are recognized in the statement of operations and comprehensive income/loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of amortization and depletion) that would have been determined had no impairment loss been recognized.

Interest

The Company classifies interest received and interest paid as an operating cash flow within the statement of cash flows.

Land

Land is stated at historical cost less accumulated impairment losses. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Leases

This standard requires the recognition of lease contracts, with exceptions for certain short-term leases and leases of low-value assets, on a lessee's statement of financial position as a 'right-of-use asset' and a lease liability reflecting future lease payments. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

SIGNIFICANT ACCOUNTING POLICIES (continued)

includes the estimated extension of a lease in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Right-of use assets would be depreciated in accordance with the Company's accounting policy for property, plant and equipment. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has no leases and for future leases has elected to apply the available exemptions for short-term leases and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss.

Loss per Share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of shares outstanding during the year. Diluted loss per share is calculated based on the assumed conversion, exercise or contingent issuance of "in the money" securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share, at the weighted average market price during the period.

Provisions

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to discharge the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are recognized in accordance with the Company's accounting policy for exploration and evaluation assets.

Share-based Payments

The Company accounts for share-based payments using the fair value based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used.

The fair value of stock options, adjusted for expected forfeitures, is recognized as share-based payments expense over each tranche's vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when, the stock options are exercised. The fair value of stock options remains in contributed surplus on expiry of options. Any consideration paid on the exercise of stock options is credited to share capital.

Share Issue Costs

Share issue costs are recorded as a reduction of share capital.

Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. Unit proceeds are allocated to shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing.

If and when the warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

In situations where warrants are issued as consideration for goods and services received and some or all of the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and the acquisition of other mineral properties for the benefit of its shareholders.

The Company considers its capital structure to consist of shareholders' equity. In order to maintain its capital structure, the Company is dependent on equity funding and loans from related parties. Funding through equity instruments is comprised of common shares, warrants and incentive stock options. The Board of Directors does not established quantitative targets on its capital criteria for management, however, it relies on management to review its capital management methods and requirements on an ongoing basis and make adjustments, accordingly, to sustain future development of the business.

There were no changes in the Company's management of its capital during the current year. The Company is not subject to any externally imposed capital requirements.

6. LAND

The Company owns a spring water resource property in Victoria County, Cape Breton, Nova Scotia. There are currently no plans to develop this property.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28 2021	February 29 2020
Trade payables	\$ 170,508	\$ 253,170
Accrued liabilities	30,100	36,572
Related parties (note 11)	499,842	499,842
	\$ 700,450	\$ 789,584

Expense recovery of \$123,605 (2020 - \$nil) represents the pre-tax write-off of accounts payable and accrued liabilities.

8. SHARE CAPITAL

Authorized

Unlimited common shares.

Stock Options

Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Company's Board of Directors at the time of grant.

There were no options outstanding or issued during the years ended February 28, 2021 or February 29, 2020.

Warrants

There were no warrants outstanding or issued during the years ended February 28, 2021 or February 29, 2020.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

9. CORPORATE AND ADMINISTRATIVE

	February 28 2021	February 29 2020
Consulting	\$ 3,280	\$ 4,500
Filing and transfer agent fees	19,383	19,946
Office and general	487	2,062
Professional fees	35,343	42,626
Shareholder relations and promotion	-	1,458
Travel	-	45
	\$ 58,493	\$ 70,637

10. EXPLORATION AND EVALUATION

Glencoe Carbonate Property - Nova Scotia

On February 11, 2021, the Company disposed of its 100% interest in the Glencoe Carbonate Property located in Inverness County, Cape Breton, Nova Scotia for proceeds of \$5,000. The disposition was made pursuant to an option agreement made between the Company and a Company director on July 12, 2019.

A production royalty based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold from the property was payable to the Company director and a former director. During the year ended February 28, 2018, the Company paid \$11,000 to acquire an option to purchase the surface rights of two additional properties in the Glencoe vicinity for a total cost of \$70,000. The balance of the purchase price was payable upon the commencement of a commercial extraction plant.

	February 28 2021	February 29 2020
Property costs (recovery)	\$ -	\$ (17,589)
Assaying	-	6,077
Consulting/Contracting (note 11)	1,650	16,055
Drilling	-	17,623
Reports	-	18,222
	\$ 1,650	\$ 40,388

11. RELATED PARTY TRANSACTIONS AND BALANCES

- (i) On February 11, 2021 the Company disposed of its 100% interest in the Glencoe Carbonate Property for proceeds of \$5,000. The disposition was made pursuant to an option agreement between the Company and a Company director on July 12, 2019. The proceeds from the disposition were used to repay loans provided to the Company by the Company director.
- (ii) Project management fees of \$nil (February 29, 2020 - \$9,000) for the current year were paid or became payable to a company controlled by a director of the Company. These fees are related to the Glencoe Carbonate Property and are included in exploration and evaluation expenditures under consulting/contracting.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (iii) Accounts payable and accrued liabilities include \$294,842 (February 29, 2020 - \$294,842) payable to a Company director or companies controlled by Company directors and \$205,000 (February 29 2020 - \$205,000) payable to a former Company director (the "Former Director"), who departed the Company on June 25, 2018.

The amounts payable to the Company director and the Former Director consist of:

- (a) the deferral of a \$350,000 payment pursuant to an agreement made on June 24, 2014, (subsequently amended on February 1, 2017) between the Company and a Company director and the Former Director, which is comprised of unpaid consulting and professional fees and outstanding payments related to the acquisition of the Company's former Kewstoke Carbonate property. The Company director and the Former Director are each owed \$175,000 and the payment of such amounts was deferred until the earlier of either: (a) the Company completing aggregate equity financings of not less than \$750,000; or, (b) June 14, 2020.
- (b) \$60,000 of accrued fees, of which each are owed \$30,000.
- (iv) Loans payable of \$475,779 (February 29, 2020 - \$458,081) consist of \$428,855 (February 29, 2020 - \$411,157) payable to Company directors or companies controlled by Company directors and \$46,924 (February 29, 2020 - \$46,924) payable to the Former Director. During the current year, the Company: received from a director loans of \$27,021 (February 29, 2020 - \$102,364); repaid loans of \$5,000 (February 29, 2020 - \$16,500) from the sale of the Glencoe Carbonate Property; and, wrote-off loans of \$4,323 (February 29, 2020 - \$nil). These amounts represent cash loans and are unsecured, non-interest bearing and have no fixed terms of repayment.

12. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purposes of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

13. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	February 28 2021	February 29 2020
Statutory rate	31.00%	31.00%
Expected income tax recovery	\$ 21,000	\$ (34,000)
Increase (decrease) resulting from:		
Non-deductible expenses and other permanent differences	(17,000)	(19,000)
Change in estimates and tax assets not recognized	(4,000)	53,000
Deferred income tax (recovery)	\$ -	\$ -

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

INCOME TAXES (continued)

The components of the Company's deferred tax assets and liabilities are as follows:

	February 28 2021	February 29 2020
Exploration and evaluation costs	\$ 346,000	\$ 346,000
Share issuance costs and other	1,000	1,000
Non-capital losses	476,000	472,000
Deferred tax asset	823,000	819,000
Less: Deferred tax assets not recognized	(823,000)	(819,000)
Net deferred tax asset	\$ -	\$ -

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

At February 28, 2021, the Company has \$1,535,000 (2020 – \$1,521,000) of non-capital losses available for deduction in future years expiring over various years to 2041. The Company also has Canadian and foreign resource related expenditures totaling approximately \$1,117,000 (2020 - \$1,115,000) which can be used to offset future income taxes.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The carrying value of accounts payable and accrued liabilities and loans payable approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

IFRS 7 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement. The methods and assumptions used to develop fair value measurements are:

- Level 1 - includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - includes inputs, other than quoted prices included in Level 1, that are observable for an asset or liability, either directly (i.e. as process) or indirectly (i.e. derived from process); and,
- Level 3 - includes inputs that are not based on observable data.

As at February 28, 2021 and February 29, 2020, cash was the only financial instrument within the fair value hierarchy and was classified as Level 1.

SYLLA GOLD CORP. (formerly, Atlantic Industrial Minerals incorporated)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Classification of Financial Instruments

		February 2021	February 29 2020
Financial assets			
Cash	Amortized cost	\$ 301	\$ 610
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	\$ 700,450	\$ 789,584
Loans payable	Amortized cost	475,779	458,081

Risk Management

The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The primary risks the Company's financial instruments are exposed to are described below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash. The Company mitigates the risk to its cash by depositing its cash with Canadian banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 5. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans payable have no specific terms of repayment. As at February 28, 2021, the Company had cash of \$301 to settle current liabilities of \$1,176,229. To recapitalize the Company, subsequent to February 28, 2021, the Company: completed a \$1 million private placement; issued common shares to settle trade payables of \$81,058; and, issued common shares to settle \$410,000 of payables owed to a director and the Former Director (note 15).

Currency Risk

The Company is not exposed to foreign currency risk as it operates in Canada and its expenditures are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk. When applicable, excess cash is invested in financial instruments that provide safety and flexibility for early redemption. The Company has no interest-bearing debt.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

15. SUBSEQUENT EVENTS

- (i) On April 9, 2021, the Company issued 324,231 common shares to settle trade payables of \$81,058 at a deemed price of \$0.25 per common share.
- (ii) On April 23, 2021, the Company changed its name to Sylla Gold Corp. from Atlantic Industrial Minerals Incorporated and consolidated its common shares on the basis of one new share for five old shares.
- (iii) On June 22, 2021, the Company settled \$410,000 of payables owed to a Company director and the Former Director by issuing 1,640,000 common shares at a deemed price of \$0.25 per common share. The payables are comprised of \$360,000 for accrued consulting and professional fees and \$50,000 of deferred payments related to the acquisition of the Company's former Kewstoke Carbonate project.
- (iv) On June 22, 2021, the Company completed a private placement by issuing 10,000,000 units at \$0.10 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at \$0.15 for a period of 12 months, expiring on June 22, 2022. Of the amount raised, \$500,000 is to be used to reduce the Company's debt.