

## **SYLLA GOLD CORP.**

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### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended May 31, 2022 and 2021**

**(unaudited)**

**EXPRESSED IN CANADIAN DOLLARS**

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

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The accompanying unaudited condensed interim consolidated financial statements of Sylla Gold Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, Smythe LLP, has not performed a review of these unaudited condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

**SYLLA GOLD CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***(unaudited, expressed in Canadian dollars)*

<b>As at</b>	<b>May 31 2022</b>	<b>February 28 2022</b>
<b>ASSETS</b>		
Current		
Cash	\$ 1,397,289	\$ 20,106
Sales tax receivable	42,450	24,928
Prepaid expenses and deposits (note 13)	308,229	91,223
	<b>1,747,968</b>	136,257
Land (note 7)	26,500	26,500
	<b>\$ 1,774,468</b>	\$ 162,757
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (notes 8,13)	\$ 745,572	\$ 142,507
Loans payable (note 13)	-	186,000
	<b>745,572</b>	328,507
<b>EQUITY (DEFICIENCY)</b>		
Share capital (note 9)	5,008,045	3,202,979
Contributed surplus	543,710	-
Warrants (note 10)	1,256,449	240,051
Deficit	(5,779,308)	(3,608,780)
	<b>1,028,896</b>	(165,750)
	<b>\$ 1,774,468</b>	\$ 162,757

**Nature of operations and going concern (note 1)****Subsequent events (note 16)***See accompanying notes.*

**SYLLA GOLD CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS***(unaudited, expressed in Canadian dollars)*

<b>Three months ended May 31,</b>	<b>2022</b>	<b>2021</b>
<b>Expenses</b>		
Corporate and administrative (notes 11, 13)	\$ 172,927	\$ 38,838
Exploration and evaluation (notes 12, 13)	1,441,250	-
Share-based payments (notes 9, 13)	543,710	-
	<b>(2,157,887)</b>	<b>(38,838)</b>
<b>Other income and expenses</b>		
Foreign exchange loss	(12,641)	-
Gain on debt settlement (note 9)	-	24,318
<b>Net loss and comprehensive loss</b>	<b>\$ (2,170,528)</b>	<b>\$ (14,520)</b>
<b>Basic and diluted loss per share (note 14)</b>	<b>\$ (0.070)</b>	<b>\$ (0.003)</b>
<b>Weighted average number of common shares outstanding:</b>		
<b>Basic and diluted</b>	<b>30,802,299</b>	<b>5,113,468</b>

*See accompanying notes.*

**SYLLA GOLD CORP.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**

*(unaudited, expressed in Canadian dollars)*

	Share capital		Contributed Surplus	Warrants	Deficit	Total
	Number*	Amount				
Balance, February 28, 2021	4,926,683	\$ 1,968,510	\$ -	\$ -	\$ (3,098,478)	\$ (1,129,968)
Shares issued for debt (note 9)	324,231	56,740	-	-	-	56,740
Net loss for the period	-	-	-	-	(14,520)	(14,520)
Balance, May 31, 2021	5,250,914	2,025,250	-	-	(3,112,998)	(1,087,748)
Units issued by private placement (notes 9, 10)	10,000,000	755,050	-	244,950	-	1,000,000
Shares issued for debt (note 9)	1,640,000	434,600	-	-	-	434,600
Share issuance costs	-	(31,820)	-	-	-	(31,820)
Exercise of warrants (note 9)	100,000	19,899	-	(4,899)	-	15,000
Net loss for the period	-	-	-	-	(495,782)	(495,782)
Balance, February 28, 2022	16,990,914	3,202,979	-	240,051	(3,608,780)	(165,750)
Units issued by private placement (notes 9, 10)	13,997,500	1,836,663	-	962,837	-	2,799,500
Broker warrants (notes 9, 10)	-	-	-	64,584	-	64,584
Shares issued for mineral property (note 9)	1,000,000	205,000	-	-	-	205,000
Share issuance costs	-	(281,370)	-	-	-	(281,370)
Exercise of warrants (note 9)	225,000	44,773	-	(11,023)	-	33,750
Share-based payments (note 9)	-	-	543,710	-	-	543,710
Net loss for the period	-	-	-	-	(2,170,528)	(2,170,528)
<b>Balance, May 31, 2022</b>	<b>32,213,414</b>	<b>\$ 5,008,045</b>	<b>\$ 543,710</b>	<b>\$ 1,256,449</b>	<b>\$ (5,779,308)</b>	<b>\$ 1,028,896</b>

\* Reflects a consolidation of 1 new share for every 5 old shares. The consolidation was completed on April 23, 2021.

*See accompanying notes.*

**SYLLA GOLD CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS***(unaudited, expressed in Canadian dollars)*

<b>Three months ended May 31,</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Loss for the period	\$ (2,170,528)	\$ (14,520)
Adjustments to reconcile loss to net cash used:		
Share-based payments	543,710	-
Shares issued for mineral property	205,000	-
Gain on debt settlement	-	(24,318)
	<b>(1,421,818)</b>	<b>(38,838)</b>
Changes in non-cash working capital items		
Sales tax receivable	(17,522)	(2,607)
Prepaid expenses and deposits	(217,006)	14,000
Accounts payable and accrued liabilities	603,065	21,724
	<b>(1,053,281)</b>	<b>(5,721)</b>
<b>Financing activities</b>		
Loan proceeds received	-	6,000
Loan repayments to related parties (note 13)	(186,000)	-
Units issued by private placement	2,799,500	-
Proceeds from exercise of warrants	33,750	-
Share issuance costs	(216,786)	-
	<b>2,430,464</b>	<b>6,000</b>
<b>Net change in cash</b>	<b>1,377,183</b>	<b>279</b>
Cash, beginning of period	20,106	301
<b>Cash, end of period</b>	<b>\$ 1,397,289</b>	<b>\$ 580</b>
<b>Supplemental disclosure</b>		
Shares issued for debt	\$ -	\$ 24,318

*See accompanying notes.*

## **SYLLA GOLD CORP.**

### **NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(unaudited, expressed in Canadian dollars)*

**For the three months ended May 31, 2022 and 2021**

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#### **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 September 15, 2021, the Company entered into an option agreement to acquire the Deguefarakole permit for its Niaouleni Gold Project (note 12) located in Mali, West Africa. On April 14, 2022, the Company graduated from the NEX Board of the TSX Venture Exchange (“TSX-V”) to become a TSX-V tier 2 mining issuer. The Company’s common shares now trade under the symbol “SYG”. The address of the Company’s registered office is 1550 Bedford Highway, Suite 802, Bedford, Nova Scotia, B4A 1E6.

##### 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 May 31, 2022, the Company had working capital of \$1,002,396 (February 28, 2022 - \$192,250 deficiency), incurred a loss for the current three month period of \$2,170,528 (May 31, 2021 – \$14,520), and had an accumulated deficit of \$5,779,308 (February 28, 2022 - \$3,608,780). To recapitalize the Company, the Company completed a private placement for gross proceeds of \$2,799,500 (note 9) in March 2022.

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.**

### **NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(unaudited, expressed in Canadian dollars)*

**For the three months ended May 31, 2022 and 2021**

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#### **NATURE OF OPERATIONS AND GOING CONCERN (continued)**

##### COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. This contagious disease, which has continued to spread, has adversely affected workforces, economies, and financial markets globally. 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 exploration activities, as long as the work environment remains safe.

## **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

### **Statement of Compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements for the three-month period ended May 31, 2022, were approved and authorized for issue by the Company’s board of directors on July 25, 2022.

### **Basis of Presentation and Consolidation**

These consolidated financial statements include the accounts of the Company and its two wholly owned inactive 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 and loss. These consolidated financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries functional currency.

These interim consolidated financial statements do not include all of the disclosure required in annual financial statements and should be read in conjunction with the Company’s audited 2022 annual consolidated financial statements. These interim results are not necessarily indicative of the results that may be anticipated for the entire fiscal year.

## **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.

## **SYLLA GOLD CORP.**

### **NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(unaudited, expressed in Canadian dollars)*

**For the three months ended May 31, 2022 and 2021**

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#### **ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

##### **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, twelve 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.

##### **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.

##### **Fair value of share-based payments and warrants**

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect fair value estimates and the Company's net loss and its equity reserves.

##### **Measurement of shares issued for debt**

The Company measures the fair value of the shares issued to settle debt by using the closing market price of the Company's common shares on the date of issuance. The difference between the fair value of the shares issued and the carrying value of the debt may result in a gain or loss on debt settlement.

##### **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.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Company's accounting policies, as described in Note 4, Significant Accounting Policies, of the Company's audited annual consolidated financial statements for the year ended February 28, 2022, have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise noted.

##### **Adoption of IFRS 9 – Financial Instruments**

The IASB issued an amendment to IFRS 9, Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. On January 1, 2022, the Company adopted IFRS 9, which did not have any effect on the Company's financial statements.

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended May 31, 2022 and 2021

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#### 5. NEW STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET ADOPTED

The following standard has been issued but is not yet effective:

##### IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date.

The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

#### 6. 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 establish 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 three-month period. The Company is not subject to any externally imposed capital requirements.

#### 7. 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.

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>May 31</b>	February 28
	<b>2022</b>	2022
Trade payables	\$ 131,501	\$ 80,176
Accrued liabilities	28,868	29,666
Related parties (note 13)	585,203	32,665
	<b>\$ 745,572</b>	<b>\$ 142,507</b>

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended May 31, 2022 and 2021

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#### 9. SHARE CAPITAL

##### Authorized

Unlimited common shares.

##### Shares issued – Private Placements

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. The fair value of the unit warrants was estimated at \$244,950 using the relative fair value method (note 10).

On March 2, 2022, the Company completed the first tranche of a \$2,799,500 private placement by issuing 11,997,500 units at \$0.20 per unit for gross proceeds of \$2,399,500. On March 31, 2022, the Company completed the second and final tranche of the private placement by issuing 2,000,000 units for gross proceeds of \$400,000. Each unit is comprised of one common share and one common share purchase warrant. Each unit warrant entitles the holder to acquire an additional common share at \$0.32 for a period of twenty-four (24) months. In addition, the Company paid cash commissions of \$132,700 and issued 650,500 finder warrants having identical terms as the unit warrants. Of the finder warrants, 640,000 finder warrants were issued in connection to the first tranche of the private placement and 10,500 finder warrants were issued in connection to the second and final tranche. The fair value of the: unit warrants was estimated at \$962,837; and, \$64,584 for the broker warrants, using the relative fair value method (note 10).

##### Shares Issued - Mineral Properties

On April 12, 2022, the Company issued 1,000,000 common shares at \$0.205 per share in accordance with the option agreement for the Niaouleni Gold Project (notes 12, 13).

##### Shares issued – Debt settlements

On April 9, 2021, the Company issued 324,231 common shares with a fair value of \$0.175 per share to settle trade payables of \$81,058, resulting in a gain of \$24,318.

On June 22, 2021, the Company issued 1,640,000 common shares with a fair value of \$0.265 per share to settle \$410,000 of payables owed to a Company director and a former Company director, resulting in a loss of \$24,600.

##### Shares Issued - Warrants

During the year ended February 28, 2022, the Company issued 100,000 common shares in connection to the exercise of unit warrants for proceeds of \$15,000. The fair value of these warrants was \$4,899. The fair value of these warrants was transferred from the warrant reserve account to share capital.

During the three-month period ended May 31, 2022, the Company issued 225,000 common shares in connection to the exercise of unit warrants for proceeds of \$33,750. The fair value of these warrants was \$11,023. The fair value of these warrants was transferred from the warrant reserve account to share capital.

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended May 31, 2022 and 2021

#### SHARE CAPITAL (continued)

##### 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.

Stock option transactions and the number of stock options outstanding are as follows:

	Number	Weighted average exercise price
Balance, February 28, 2021 and 2022	-	\$0.00
Granted (i)	3,075,000	0.20
<b>Balance, May 31, 2022</b>	<b>3,075,000</b>	<b>\$0.20</b>

- (i) On May 9, 2022, the Company granted 3,075,000 stock options to directors, officers and consultants. These options vested immediately and were issued with an exercise price of \$0.20 and a five-year term, expiring on May 9, 2027.

Fair value of the options issued were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	F2023
Dividend yield	Nil
Expected volatility (based on historical prices)	212%
Risk-free rate of return	2.76%
Expected life	5 Years
Share price	\$0.18

Share-based payment expense recognized for the current three-month period was \$543,710 (May 31, 2021 - \$nil). The offsetting credit was charged to contributed surplus. Consultant options were measured using the Black-Scholes option pricing model due to the absence of a reliable measurement of the services granted.

The following summarizes information on the outstanding stock options:

Expiry Date	Number	Exercise price	Exercisable	Average remaining contractual life (years)
May 9, 2027	3,075,000	\$0.20	3,075,000	4.94

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended May 31, 2022 and 2021

#### 10. WARRANTS

Warrant transactions and number of warrants outstanding are as follows:

	Number	Weighted average exercise price
Balance, February 28, 2021	-	\$0.00
Issued	5,000,000	0.15
Exercised	(100,000)	0.15
Balance, February 28, 2022	4,900,000	0.15
Issued	14,648,000	0.32
Exercised	(225,000)	0.15
<b>Balance, May 31, 2022</b>	<b>19,323,000</b>	<b>\$0.28</b>

Relative fair value of the warrants was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	F2023	F2022
Dividend yield	Nil	Nil
Expected volatility (based on historical prices)	124%	140%
Risk-free rate of return	1.58%	0.41%
Expected life	2 Years	1 Years
Share price	\$0.190	\$0.265

The following summarizes information on the outstanding warrants:

Expiry Date	Number	Exercise price	Weighted average remaining life (years)	Relative fair value
June 22, 2022	4,675,000	\$0.15	0.06	\$ 229,028
March 2, 2024	12,637,500	0.32	1.75	886,209
March 31, 2024	2,010,500	0.32	1.83	141,212
	<b>19,323,000</b>	<b>\$0.28</b>	<b>1.35</b>	<b>\$ 1,256,449</b>

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended May 31, 2022 and 2021

#### 11. CORPORATE AND ADMINISTRATIVE

	Three months ended	
	2022	May 31 2021
Consulting (note 13)	\$ 38,306	\$ 1,662
Filing and transfer agent fees	6,306	19,160
Management fees (note 13)	30,194	-
Office and general	3,205	189
Professional fees	13,386	13,475
Shareholder relations and promotion	45,174	4,352
Travel	36,356	-
	<u>\$ 172,927</u>	<u>\$ 38,838</u>

#### 12. EXPLORATION AND EVALUATION

	Three months ended	
	2022	May 31 2021
Acquisition costs (notes 9, 13)	\$ 358,011	\$ -
Property costs	42,023	-
Consulting/Contracting	85,129	-
Drilling and ancillary costs	561,557	-
Equipment and supplies	374,299	-
Professional fees	424	-
Reports	4,348	-
Site costs	11,848	-
Travel/Transportation	3,611	-
	<u>\$ 1,441,250</u>	<u>\$ -</u>

#### Niaouleni Gold Project – Mali, West Africa

The Niaouleni Gold Project (the “Niaouleni Project”) is located in southwest Mali and is comprised of an option agreement to acquire the Deguefarakole permit and two Letters of Intent to acquire the Samaya South and Niaouleni West permits. Together, these three contiguous permits encompass approximately 15,100 hectares.

#### Dequefarakole Option Agreement (9,400 hectares), effective April 12, 2022

On September 15, 2021, the Company entered into a definitive option agreement (the “Option Agreement”) with Niaouleni Gold Inc. and Niaouleni Gold Mali SARL, a wholly owned subsidiary of Niaouleni Gold Inc., pursuant to which the Company was granted an option (the “Option”) to acquire an indirect 100-per-cent interest in the Deguefarakole gold exploration permit. Mr. Gregory Isenor, a director and former officer of the Company, is also a director, officer and shareholder of Niaouleni Gold Inc. The Company received shareholder approval for the Option Agreement on November 12, 2021, which was accepted by the TSX Venture Exchange on April 12, 2022.

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

**For the three months ended May 31, 2022 and 2021**

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#### EXPLORATION AND EVALUATION (continued)

In order to exercise the Option, the Company shall:

- (a) pay an aggregate of \$700,000 over a three (3) year period (the "Option Period") as follows:
  - (i) \$50,000 on April 12, 2022 (paid);
  - (ii) \$50,000 on April 12, 2023;
  - (iii) \$100,000 on April 12, 2024; and,
  - (iv) \$500,000 on April 12, 2025.
  
- (b) Issue 9,000,000 common shares of the Company in four (4) instalments as follows:
  - (i) issue 1,000,000 common shares on April 12, 2022 (issued);
  - (ii) issue 1,000,000 common shares on April 12, 2023;
  - (iii) issue 2,000,000 common shares on April 12, 2024; and,
  - (iv) issue 5,000,000 common shares on April 12, 2025.
  
- (c) Incur an aggregate of \$1,380,000 of exploration expenditures over the Option Period, as follows:

(i) first year	\$220,000
(ii) second year	\$460,000
(iii) third year	\$700,000

In the event the Option is exercised, Niaouleni Gold Inc. shall retain a 3% net smelter return royalty (NSR). The Company retained the right to purchase up to 2% NSR (resulting in the remaining NSR being at least 1%) for a cost of up to \$2-million.

During the Option Period the Company is required to keep the Deguefarakole permit in good standing. The Company is not entitled to any partial interest in the Deguefarakole permit in the event the Option is not exercised.

#### Samaya South and Niaouleni West Letter of Intent (LOIs)

On May 2, 2022, the Company entered into two separate LOIs with Touba Mining SARL ("Touba") pursuant to which the Company would acquire options to earn a 100% interest in the Samaya South (2,500 hectares) and the Niaouleni West (3,200 hectares) gold exploration permits, located contiguously northwest and west of the company's Deguefarakole permit. The Company has made initial payments totalling \$103,011 (50,000,000 FCFA) to Touba pursuant to the acquisition terms of the LOIs. In addition, the Company is responsible for all permitting costs.

## SYLLA GOLD CORP.

### NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended May 31, 2022 and 2021

#### 13. RELATED PARTY TRANSACTIONS AND BALANCES

	Three months ended May 31	
	2022	2021
Consulting (i)	\$ 12,500	\$ -
Management fees (ii)	30,194	-
Exploration and evaluation (iii)	822,657	-
Share-based payments (v)	433,200	-
	<b>\$ 1,298,551</b>	<b>\$ -</b>

(i) Consulting fees were paid to a company controlled by a Company officer/director for bookkeeping services. These services began on July 1, 2021.

(ii) Management fees were paid or became payable for the services of the Company's:

- President and Chief Executive Officer, which began on August 3, 2021; and,
- Chief Financial Officer, which began on May 9, 2022.

(iii) Exploration and evaluation expenditures represent amounts paid or payable to Niaouleni Gold Inc., which is party to the Option Agreement for the Deguefarakole permit (note 12) and is related by virtue of a common director, as follows:

- \$255,000 of acquisition costs pursuant to the Option Agreement for the Deguefarakole permit; and,
- \$567,657 for the reimbursement of Niaouleni Project exploration expenditures.

(iv) Share-based payments represents the fair value of stock options granted to Company directors and officers.

Prepaid expenses and deposits of \$87,510 (February 28, 2022 - \$nil) represent amounts paid to Niaouleni Gold Inc. for Niaouleni Project exploration activities.

Accounts payable and accrued liabilities include \$585,203 (February 28, 2022 - \$32,665) payable to Company directors/officers or companies controlled by or associated with Company directors/officers.

Loans payable of \$nil (February 28, 2022 - \$186,000) consisted of cash loans from Company directors/officers or companies controlled by Company directors/officers. During the three-month period ended May 31, 2022, the Company repaid loans of \$186,000. These amounts were unsecured, non-interest bearing with no fixed terms of repayment.

#### 14. 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.

## **SYLLA GOLD CORP.**

### **NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(unaudited, expressed in Canadian dollars)*

**For the three months ended May 31, 2022 and 2021**

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#### **15. 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 May 31, 2022, cash was the only financial instrument within the fair value hierarchy and was classified as Level 1.

##### **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 6. 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 May 31, 2022, the Company had cash of \$1,397,289 to settle current liabilities of \$745,572.

##### **Currency Risk**

The Company operates in Canada and Mali and has potential future commitments in Mali that are denominated in the West African CFA franc (FCFA), the Euro (EUR) and the United States dollar (USD), giving rise to market risks from changes in foreign exchange rates. The Company monitors foreign exchange rates on an as needed basis. As at May 31, 2022, a 10% change in the EUR exchange rate would impact the Company's loss by approximately \$51,000.

## **SYLLA GOLD CORP.**

### **NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*(unaudited, expressed in Canadian dollars)*

**For the three months ended May 31, 2022 and 2021**

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#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

##### **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.

#### **16. SUBSEQUENT EVENTS**

- (a) Subsequent to May 31, 2022, the Company received proceeds of \$403,500 from the exercise of 2,690,000 warrants that were to set to expire on June 22, 2022.
- (b) On June 28, 2022, the Company entered into a consulting agreement with Mr. Regan Isenor and RCBI for Mr. Isenor's services as Chief Executive Officer/President of the Company, with an effective date of June 1, 2022 (the "Consulting Agreement"). Pursuant to the Consulting Agreement, Mr. Isenor shall be paid a monthly fee of \$12,500. The Consulting Agreement shall automatically renew for a one-year period on the first day of each March, thereafter, unless terminated. Mr. Isenor shall be paid a lump sum payment equal to two years of remuneration upon a change of control.