

Condensed Interim Financial Statements of

**Sky Ridge Resources Ltd.**

Three and six months ended June 30, 2016 and 2015  
(Expressed in Canadian dollars)  
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements of Sky Ridge Resources Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

# Sky Ridge Resources Ltd.

## Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	June 30, 2016	December 31, 2015 (Restated Note 4)
<b>Assets</b>		
Current assets		
Cash	\$ 354,017	\$ 272,881
Amounts receivable	1,371	1,910
Prepaid expenses	1,250	1,250
<b>Total assets</b>	<b>\$ 356,638</b>	<b>\$ 276,041</b>
<b>Liabilities and equity</b>		
Current liabilities		
Trade and other payables	\$ 4,535	\$ 19,530
Equity		
Share capital (Note 4(b))	23,716,066	23,520,215
Equity reserve (Note 4(c))	2,220,635	2,208,291
Deficit	(25,584,598)	(25,471,995)
<b>Total equity</b>	<b>352,103</b>	<b>256,511</b>
<b>Total liabilities and equity</b>	<b>\$ 356,638</b>	<b>\$ 276,041</b>

Nature and continuance of operations (Note 1)

Subsequent events (Notes 1,4(d),6)

Approved by the Board of Directors and authorized for issue on August 8, 2016:

\_\_\_\_\_  
"Scott Ackerman" Director

\_\_\_\_\_  
"Jeff Durno" Director

# Sky Ridge Resources Ltd.

## Condensed Interim Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>Expenses</b>				
Advisory and consulting	\$ 37,914	\$ 22,500	\$ 84,831	\$ 45,000
Share-based compensation (Note 4(c))	-	-	12,344	-
Office and administration	3,064	3,054	6,163	6,144
Regulatory and transfer agent	1,916	1,865	6,145	4,184
Professional fees	1,500	2,250	3,120	4,467
	(44,394)	(29,669)	(112,603)	(59,795)
Finance income	-	19	-	60
<b>Loss and comprehensive loss</b>	<b>\$ (44,394)</b>	<b>\$ (29,650)</b>	<b>\$ (112,603)</b>	<b>\$ (59,735)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>				
Basic	17,128,107	9,528,107	16,633,079	9,528,107
Diluted	17,128,107	9,528,107	16,633,079	9,528,107

The accompanying notes are an integral part of these unaudited condensed interim financial statements

# Sky Ridge Resources Ltd.

## Condensed Interim Statements of Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Equity	Deficit	Total
	Shares issued	Amount	reserve		equity
<b>At December 31, 2014</b> (Restated Note 4)	9,528,107	\$ 23,228,770	\$ 2,155,146	\$ (25,263,215)	\$ 120,701
Loss and comprehensive loss	-	-	-	(59,735)	(59,735)
<b>At June 30, 2015</b> (Restated Note 4)	9,528,107	23,228,770	2,155,146	(25,322,950)	60,966
Private placement	6,000,000	300,000	-	-	300,000
Share issue costs	-	(8,555)	-	-	(8,555)
Share-based compensation	-	-	53,145	-	53,145
Loss and comprehensive loss	-	-	-	(149,045)	(149,045)
<b>At December 31, 2015</b> (Restated Note 4)	15,528,107	23,520,215	2,208,291	(25,471,995)	256,511
Private placement (Note 4(b)(d))	1,600,000	200,000	-	-	200,000
Share issue costs (Note 4(b))	-	(4,149)	-	-	(4,149)
Share-based compensation (Note 4(c))	-	-	12,344	-	12,344
Loss and comprehensive loss	-	-	-	(112,603)	(112,603)
<b>At June 30, 2016</b>	17,128,107	\$ 23,716,066	\$ 2,220,635	\$ (25,584,598)	\$ 352,103

The accompanying notes are an integral part of these unaudited condensed interim financial statements

# Sky Ridge Resources Ltd.

## Condensed Interim Statements of Cash Flows

For the six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

	2016	2015
<b>Operating activities</b>		
Loss for the period	\$ (112,603)	\$ (59,735)
Adjust for:		
Share-based compensation (Note 4(c))	12,344	-
Finance income	-	(60)
Changes in non-cash working capital items:		
Amounts receivable	539	180
Prepaid expenses	-	(1,250)
Trade and other payables	(14,995)	(5,215)
Interest received	-	60
Cash used in operating activities	(114,715)	(66,020)
<b>Financing activities</b>		
Proceeds on shares issued, net of share issuance costs	195,851	-
Cash provided by financing activities	195,851	-
Increase (decrease) in cash during the period	81,136	(66,020)
Cash, beginning of period	272,881	128,271
<b>Cash, end of period</b>	<b>\$ 354,017</b>	<b>\$ 62,251</b>

*The accompanying notes are an integral part of these unaudited condensed interim financial statements*

# Sky Ridge Resources Ltd.

## Notes to the Condensed Interim Financial Statements

June 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

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### 1. NATURE AND CONTINUANCE OF OPERATIONS

Sky Ridge Resources Ltd. (the "Company") is incorporated under the laws of British Columbia and publicly listed on the NEX board of the TSX Venture Exchange. The address of the Company's registered office is 2200-885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8. The Company's principal business activity is the acquisition and exploration of natural resource properties.

The Company has not generated significant revenues from operations. These unaudited condensed interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2016, the Company had working capital of \$352,103, representing funds available to cover on-going operating costs. The Company has incurred negative cash flows from operations, recorded a loss of \$112,603 for the six months ended June 30, 2016, and has an accumulated deficit of \$25,584,598 as at June 30, 2016. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. These unaudited condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Subsequent to June 30, 2016, the Company announced that it had entered into a letter of intent effective July 4, 2016, pursuant to which the Company has agreed to acquire Southern Arc Minerals Japan KK ("SAMJ") (the "Acquisition"). SAMJ is a wholly-owned subsidiary of Southern Arc Minerals Inc. ("Southern Arc")(Note 6).

### 2. BASIS OF PRESENTATION

#### (a) *Statement of compliance*

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretation Committee. These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

#### (b) *Recent accounting standards not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

*IFRS 9 – Financial Instruments* is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

### 3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2016, the Company retrospectively changed its accounting policy for equity offerings consisting of common shares and warrants when both instruments are classified as equity. The Company no longer bifurcates the proceeds between the common share and the warrant where both qualify as equity instruments.

# Sky Ridge Resources Ltd.

## Notes to the Condensed Interim Financial Statements

June 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 3. CHANGE IN ACCOUNTING POLICY (continued)

The change in accounting policy resulted in changes to the Company's shareholders' equity. There was no other impact to the Company's financial statements.

#### Total shareholders' equity

	Note	As previously reported	Effect of change in accounting policy	As restated under new policy
<b>At December 31, 2014</b>				
Share Capital	(a)	\$ 22,853,736	\$ 375,034	\$ 23,228,770
Equity reserve	(a)	2,530,180	(375,034)	2,155,146
Deficit		(25,263,215)	-	(25,263,215)
		120,701	-	120,701
<b>At June 30, 2015</b>				
Share Capital	(a)	22,853,736	375,034	23,228,770
Equity reserve	(a)	2,530,180	(375,034)	2,155,146
Deficit		(25,322,950)	-	(25,322,950)
		60,966	-	60,966
<b>At December 31, 2015</b>				
Share Capital	(a)	23,078,737	441,478	23,520,215
Equity reserve	(a)	2,649,769	(441,478)	2,208,291
Deficit		(25,471,995)	-	(25,471,995)
		256,511	-	256,511
<b>At June 30, 2016</b>				
Share Capital		23,716,066	-	23,716,066
Equity reserve		2,220,635	-	2,220,635
Deficit		(25,584,598)	-	(25,584,598)
		\$ 352,103	\$ -	\$ 352,103

(a) The proceeds of equity offerings where both instruments were classified as equity were fully allocated to share capital.

### 4. EQUITY

On February 3, 2014, the Company's common shares were consolidated on the basis of one post-consolidated share for every three pre-consolidated shares. All common share, share option and share purchase warrant figures in these financial statements have been retrospectively restated to present post-consolidation amounts.

#### (a) Authorized

Unlimited number of common shares with no par value

Unlimited number of preferred shares with no par value



# Sky Ridge Resources Ltd.

## Notes to the Condensed Interim Financial Statements

June 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 4. EQUITY (continued)

#### (b) Issued and fully paid common shares

During the six months ended June 30, 2016, the Company closed a non-brokered private placement of 1,600,000 units at a price of \$0.125 per unit for gross proceeds of \$200,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at an exercise price of \$0.20 until February 26, 2017. Cash share issue costs of \$4,149 were incurred in relation to the private placement.

As at June 30, 2016, 17,128,107 common shares were issued and outstanding.

#### (c) Share Options

The Company has established a "rolling" Share Option Plan (the "Plan") in compliance with the TSX Venture Exchange's policy for granting share options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. Options have expiry dates of no later than 10 years after the grant date. Vesting of options is determined by the Board of Directors at the time of grant. As at June 30, 2016, all share options are fully vested.

A summary of the changes in share options is presented below:

	Options outstanding	Weighted average exercise price
Balance, December 31, 2014	876,663	\$ 0.15
Granted	675,000	0.10
Balance, December 31, 2015	1,551,663	0.13
Granted	88,000	0.185
Balance, June 30, 2016	1,639,663	\$ 0.13

During the six months ended June 30, 2016, the Company granted 88,000 share options to consultants and charitable organizations of the Company at an exercise price of \$0.185 per share, exercisable until March 16, 2026. Using the Black-Scholes option pricing model, the grant date fair value was \$12,344 (2015: nil), which has been recorded in the statements of loss and comprehensive loss as share-based compensation.

The following assumptions were used in the fair value calculation of the share options that were granted during the six months ended June 30, 2016:

	2016
Risk-free interest rate	1.57%
Expected life (years)	10 years
Annualized volatility	75.00%
Forfeiture rate	0.00%
Dividend rate	0.00%

The following table summarizes information about the share options outstanding at June 30, 2016:

# Sky Ridge Resources Ltd.

## Notes to the Condensed Interim Financial Statements

June 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 4. EQUITY (continued)

#### (c) Share Options (continued)

Outstanding and exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
100,000	\$ 0.15	November 2, 2020	4.3
133,332	0.15	January 19, 2022	5.6
250,000	0.15	March 7, 2022	5.7
316,665	0.15	January 7, 2023	6.5
26,666	0.15	March 25, 2023	6.7
50,000	0.15	April 17, 2023	6.8
675,000	0.10	October 8, 2025	9.3
88,000	0.185	March 16, 2026	9.7
1,639,663	\$ 0.13		7.5

#### (d) Share purchase warrants

During the six months ended June 30, 2016, the Company issued 1,600,000 share purchase warrants in connection with the non-brokered private placement (Note 4(b)). Each warrant is exercisable into one common share at an exercise price of \$0.20 until February 26, 2017.

A summary of changes in share purchase warrants is presented below:

	Outstanding and exercisable	Weighted average exercise price
Balance, December 31, 2014	-	\$ -
Issued	6,000,000	0.06
Balance, December 31, 2015	6,000,000	0.06
Issued	1,600,000	0.20
Balance, June 30, 2016	7,600,000	\$ 0.09

The following table summarizes information about the share purchase warrants outstanding and exercisable at June 30, 2016:

Outstanding & exercisable	Weighted average exercise price	Expiry date	Weighted average remaining contractual life (years)
6,000,000	\$ 0.06	September 24, 2016	0.2
1,600,000	0.20	February 26, 2017	0.7
7,600,000	\$ 0.09		0.3

Subsequent to June 30, 2016, 4,200,000 share purchase warrants were exercised for gross proceeds of \$476,000.

# Sky Ridge Resources Ltd.

## Notes to the Condensed Interim Financial Statements

June 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

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### 5. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2016, share issue costs of \$2,029 (2015: nil) were incurred to Cassels Brock & Blackwell LLP, a company of which Jeff Durno (a director of the Company) is a partner. As at June 30, 2016, nil (December 31, 2015: \$3,105) owed to this firm is included in trade and other payables. These transactions are in the normal course of operations and are recorded at fair value.

### 6. SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the Company announced that it had entered into the Acquisition.

The following are highlights of the Acquisition:

- Launch of Japan Gold Corp., the first foreign mineral exploration company to focus solely on Japan
- 80 mineral prospecting license applications across eight distinct projects prospective for gold and porphyry mineralization, including several historical high-grade gold mines
- Experienced management team and Board of Directors
- Proposed \$7 million financing at \$0.20 to undertake exploration and advance the properties

Southern Arc, an arm's length company, is listed on the TSX Venture Exchange (the "TSX-V") under the symbol "SA". In exchange for its ownership of SAMJ, Southern Arc will receive 50,000,000 pre-Consolidation (as defined below) common shares of the Company.

In connection with the proposed Acquisition, the Company intends to complete a private placement financing involving the issuance of 35,000,000 pre-Consolidation common shares at a price of \$0.20 per share, for gross proceeds to the Company of \$7,000,000 (the "Concurrent Financing").

The Company intends to change its name to "Japan Gold Corp." upon completion of the Acquisition.

Closing of the Acquisition is subject to a number of conditions including entering into definitive agreements, consolidation of the Company's existing share capital on a one (1) for two (2) basis (the "Consolidation"), completion of the Concurrent Financing, receipt of all required shareholder, regulatory and third party consents, including TSX-V approval, and the satisfaction of other customary closing conditions. The Acquisition cannot close until the required approvals are obtained. There can be no assurance that the Acquisition will be completed as proposed or at all.

The Acquisition will constitute a reverse takeover of the Company by Southern Arc under the policies of the NEX Board and the TSX-V. Trading in the Company's common shares will remain halted pending further filings with the TSX-V.