Four Nines Gold Inc.

FINANCIAL STATEMENTS

For the years ended January 31, 2019 and 2018

(Expressed in Canadian Dollars)

charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of:
Four Nines Gold Inc.

Opinion
We have audited the financial statements of Four Nines Gold Inc. (the "Company"), which comprise the statements of financial position as at January 31, 2019 and January 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2019 and January 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of $665,355 during the year ended January 31, 2019 and, as of that date, has an accumulated deficit of $835,755. As stated in Note 2, 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 the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert G. Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 30, 2019

Four Nines Gold Inc.
Statements of Financial Position
As at January 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
ASSETS		
Current assets		
Cash	$ 783,524	$ 228,458
GST receivable	31,308	21,384
	814,832	249,842
Exploration and evaluation assets (Notes 5 and 10)	-	392,032
Total assets	$ 814,832	$ 641,874
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 5, 6 and 10)	$ 115,195	$ 33,988
Convertible debentures (Note 6)	350,856	-
	466,051	33,988
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	1,134,486	759,486
Equity component of convertible debentures (Note 6)	31,250	-
Contributed surplus (Note 7)	18,800	18,800
Deficit	(835,755)	(170,400)
Total shareholders' equity	348,781	607,886
Total liabilities and shareholders' equity	$ 814,832	$ 641,874

Nature and continuance of operations – Note 1
Going concern of operations – Note 2
Subsequent events – Note 12

APPROVED ON BEHALF OF THE BOARD:

"Jim Mustard" Director ***"Geoff Balderson"*** Director

The accompanying notes are an integral part of these financial statements.

Four Nines Gold Inc.
Statements of Loss and Comprehensive Loss
For the years ended January 31, 2019 and 2018
(Expressed in Canadian Dollars)

		2019		**2018**
Expenses				
Bank charges	$	201	$	221
Consulting fees		19,097		-
Filing fees and transfer agent		20,299		26,759
Interest and accretion (Note 6)		15,633		-
Management fees (Note 10)		61,000		50,000
Office and general		8,375		1,562
Professional fees (Note 10)		54,197		51,472
Travel and promotion		2,156		5,724
Impairment of exploration and evaluation asset (Note 5)		484,397		-
Loss and comprehensive loss for the year	$	(665,355)	$	(135,738)
Basic and diluted loss per common share*	$	(0.18)	$	(0.08)
Weighted average number of common shares outstanding*		3,667,886		1,644,873

*Post 1:5 share consolidation (Note 7)

The accompanying notes are an integral part of these financial statements.

Four Nines Gold Inc.
Statements of Changes in Shareholders' Equity
For the years ended January 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Number of Shares*	Share Capital	Equity Component on Convertible Debenture	Contributed Surplus	Deficit	Total
Balance, January 18, 2017	970,900	$ 126,725	$ -	$ -	$ (34,662)	$ 92,063
Cash						
Issuance of shares on IPO (Note 7)	1,500,000	750,000	-	-	-	750,000
Issue cost (Note 7)	-	(128,439)	-	-	-	(128,439)
Fair value of agent's options (Note 7)	-	(18,800)	-	18,800	-	-
Mineral property option (Notes 5 and 7)	60,000	30,000	-	-	-	30,000
Loss and comprehensive loss for the year	-	-	-	-	(135,738)	(135,738)
Balance, January 31, 2018	2,530,900	759,486	-	18,800	(170,400)	607,886
Cash						
Private placement (Note 7)	5,000,000	375,000	-	-	-	375,000
Convertible debenture (Note 6)	-	-	31,250	-	-	31,250
Loss and comprehensive loss for the year	-	-	-	-	(665,355)	(665,355)
Balance, January 31, 2019	7,530,900	$ 1,134,486	$ 31,250	$ 18,800	$ (835,755)	$ 348,781

*Post 1:5 share consolidation (Note 7)

Four Nines Gold Inc.
Statements of Cash Flows
For the years ended January 31, 2019 and 2018
(Expressed in Canadian Dollars)

		2019		2018
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Loss for the year	$	(665,355)	$	(135,738)
Items not affecting cash				
Interest and accretion		15,633		-
Impairment of exploration and evaluation asset		484,397		-
Change in non-cash working capital item:				
GST receivable		(9,924)		(21,384)
Prepaid expenses		-		1,500
Accounts payable and accrued liabilities		(4,169)		(720)
Net cash used in operating activities		(179,418)		(156,342)
FINANCING ACTIVITIES				
Shares issued for cash		375,000		750,000
Share issue cost - cash		-		(128,439)
Convertible debenture		375,000		-
Loans and advances repaid		-		(61,500)
Net cash provided by financing activities		750,000		560,061
INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		-		(10,000)
Deferred exploration and evaluation costs		(15,516)		(271,373)
Net cash provided by investing activities		(15,516)		(281,373)
Increase in cash for the year		555,066		122,346
Cash, beginning of year		228,458		106,112
Cash and cash equivalents, end of year	$	783,524	$	228,458
Cash paid for interest during the year	$	-	$	-
Cash paid for income taxes during the year	$	-	$	-

Non-cash Transactions				
Provision for reclamation work on the Mariposa property (Note 5)	$	80,000	$	-
Issued 300,000 common shares pursuant to the property agreement (Notes 5, 7)	$	-	$	30,000
Issued broker warrants with fair value included in contributed surplus (Note 7)	$	-	$	18,800
Change in mineral property expenditures included in accounts payable	$	(3,151)	$	12,568

The accompanying notes are an integral part of these financial statements.

1 Nature and continuance of operations

The Company was incorporated on March 19, 2015 in British Columbia. The head office, principal address and records office of the Company are located at Suite 1000, 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

The Company has listed on the Canadian Securities Exchange ("Exchange") by completing an initial public offering ("IPO"). On August 24, 2017, the Company announced it had completed its initial public offering of 7,500,000 units (post-consolidation 1,500,000) (the "Units"), each Unit compromising one common share of the Company and one-half common share purchase warrant (each whole warrant, a "Warrant") of the Company, at a price of $0.10 (post consolidation $0.50) per Unit for gross proceeds of $750,000 (the "Offering") with each Warrant exercisable into one share for a period of 24 months following the closing of the Offering at a price of $0.20 (post-consolidation $1.00) in the first year and $0.30 (post-consolidation $1.50) in the second year. The Company commenced trading on the CSE on August 31, 2017 under the symbol "FNAU".

On October 23, 2018, the Company completed a share consolidation of the basis of one post-consolidation common share for every five pre-consolidation common shares. There was no name change or symbol change. The Company did obtain a new CUSIP number (securities identification number). There was a total of 12,654,500 pre-consolidation common shares issued and outstanding. Upon completion of the consolidation, there was 2,530,900 post-consolidation common shares issued and outstanding. All share capital numbers in these financial statements reflect post-consolidated common shares.

2 Basis of preparation

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Reporting Interpretations Committee.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 30, 2019.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars, which is the functionally currency of the Company, unless otherwise specified. All amounts are rounded to the nearest dollar.

2 Basis of preparation – (cont'd)

Going Concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation in the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At January 31, 2019, the Company has not yet achieved profitable operations, has accumulated losses of $835,755 since inception and expects to incur further losses in the development of its business. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

3 Significant Accounting Policies

Cash and cash equivalents

Cash include cash on hand that is readily convertible to known amounts of cash and subject to an insignificant risk of change in value. As at January 31, 2019, the Company had $738,230 held in trust with its legal counsel.

Exploration and Evaluation Assets

General exploration Costs

General exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

3 Significant Accounting Policies – (cont'd)

Exploration and Evaluation Assets – (cont'd)

Exploration and Evaluation Expenditures – (cont'd)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

3 Significant Accounting Policies – (cont'd)

Financial Instruments

The Company has adopted IFRS 9 retrospectively as of February 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9 did not have a material impact on the Company's financial statements.

Financial Assets - Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

The company's cash is measured at amortized cost.

Financial Assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measures at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

3 Significant Accounting Policies – (cont'd)

Financial Instruments – (cont'd)

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and convertible debentures as financial liabilities held at amortized cost.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to units at the option of the holder, and the number of units to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

3 Significant Accounting Policies – (cont'd)

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration and evaluation assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3 Significant Accounting Policies – (cont'd)

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted earnings per share exclude all dilutive potential common shares if their effect is anti-dilutive.

New accounting pronouncements

The International Accounting Standards Board (IASB) issued the following standard which is relevant but have not yet been adopted by the Company:

IFRS 16 *Leases* establishes a single lease accounting model requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting in IFRS 16 substantially unchanged from the predecessor standards IAS 17 Leases. The standard replaces IAS 17 Leases and related interpretations. This standard is effective for reporting periods beginning on or after January 1, 2019. The Company anticipates that there will be no material changes to the financial statements upon adoption.

4 Critical Accounting Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

4 Critical Accounting Estimates and Judgments – (cont'd)

Judgments:

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Going concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year is a judgment. The factors considered by management are disclosed in Note 2.

Estimates:

Asset Retirement Obligation

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. Included in accounts payable and accrued liabilities at January 31, 2019 is $80,000 in reclamation work on the Mariposa property (Note 5).

Valuation of Convertible Debt

The Company's convertible loans are valued using the present value of future cash flows. This method is based on underlying factors such as the current interest rate and the Company's ability to make all interest payments on a timely basis. Changes in the inputs to the calculation could impact the carrying value of the convertible debentures and amount of accretion included in profit or loss.

(Expressed in Canadian Dollars)

5 Exploration and Evaluation Assets

	2019	2018
Acquisition costs:		
Balance, beginning of the year	$ 60,000	$ 20,000
Additions	-	40,000
Balance, end of the year	60,000	60,000
Exploration costs:		
Balance, beginning of the year	332,032	48,091
Additions	12,365	283,941
Reclamation cost	80,000	-
Balance, end of the year	424,397	332,032
Total exploration and evaluation asset	484,397	392,032
Impairment on mineral property	(484,397)	-
Total expenditures on mineral properties	$ -	$ 392,032

Mariposa

On September 12, 2016, the Company entered into an option agreement to purchase an aggregate of 70% interest in the Mariposa Property comprised of 1311 mineral claims in the White Gold region located in the Dawson Mining District, Yukon. The agreement has been amended on February 7, 2017, May 19, 2017, July 31, 2017 and January 1, 2018. The terms of the agreement are as follows:

First option to earn 51%:

Pay the optionor an aggregate of $200,000 as follows:
(1) the payment of $10,000 (paid) on signing;
(2) the payment of $10,000 (paid) on or before December 31, 2016;
(3) the payment of $nil on or before December 31, 2017;
(4) the payment of $30,000 on or before December 31, 2018;
(5) the payment of $50,000 on or before December 31, 2019; and
(6) the payment of $80,000 on or before December 31, 2020;

Incur expenditures in the aggregate amount of not less than $2,500,000 as follows
(1) in the amount of $50,000 (completed) on or before December 31, 2016;
(2) in the amount of $250,000 (completed) on or before December 31, 2017;
(3) in the amount of $200,000 on or before December 31, 2018;
(4) in the amount of $500,000 on or before December 31, 2019; and
(5) in the amount of $1,500,000 on or before December 31, 2020;

5 Exploration and Evaluation Assets – (cont'd)

Mariposa – (cont'd)

Issue an aggregate of 240,000 common shares and 30,000 warrants as follows:
(1) 20,000 common shares and 20,000 warrants within 5 business days of listing of the Company's stock on the CSE at prices as set out in the IPO (issued);
(2) 40,000 common shares and 10,000 warrants on or before December 31, 2017 at prices as set out in the IPO (issued);
(3) 60,000 common shares on or before December 31, 2018;
(4) 60,000 common shares on or before December 31, 2019; and
(5) 60,000 common shares on or before December 31, 2020.

Second option to earn an additional 19%:

Pay the optionor an aggregate of $200,000 as follows:
(1) the payment of $100,000 on or before December 31, 2021; and
(2) the payment of $200,000 on or before December 31, 2022;

Incur expenditures in the aggregate amount of not less than $2,500,000 as follows
(1) in the amount of $1,250,000 on or before December 31, 2021; and
(2) in the amount of $1,250,000 on or before December 31, 2022;

Issue an aggregate of 100,000 common shares as follows:
(1) 50,000 common shares on or before December 31, 2021; and
(2) 50,000 common shares on or before December 31, 2022.

The Vendor will retain a 2% gross royalty of which 1% of the royalty can be purchased for $1,000,000.

On March 8, 2019, the Company received a notice of default in accordance with the terms of the agreement. On termination, the Company became liable for reclamation work on the Mariposa property, which must be completed to the satisfaction of the Mines Inspector. The Company have accordingly included a provision in the amount of $80,000 in accounts payable and accrued liabilities, which is management's best estimate of the cost of the reclamation work. The Company have recorded an impairment of $484,397 to the property.

(Expressed in Canadian Dollars)

6 Convertible Debentures

	Liability component	Equity component	Total
Balance, January 31, 2018	$ -	$ -	$ -
Principal	343,750	31,250	375,000
Accretion	7,106	-	7,106
Balance, January 31, 2019	$ 350,856	$ 31,250	$ 382,106

On November 9, 2018 the Company closed a non-brokered private placement financing (the "Debenture Financing") of secured convertible debentures (each, a "Debenture") for gross proceeds of $375,000. The Debenture has a maturity date of one year from the date of issuance (the "Maturity Date") and the principal amount of the Debenture, together with any accrued and unpaid interest, will be payable on the Maturity Date, unless earlier converted in accordance with its terms. The Debentures bear interest (the "Interest") at the rate of 10% per annum, which Interest will be payable on maturity, unless earlier converted; and the principal amount of the Debenture, together with all accrued and unpaid interest thereon, is convertible into units of the Company at the option of the holder (each, a "Debenture Unit") at a conversion price of $0.10 per Debenture Unit, with each Debenture Unit comprised of one common share of the Company (each, a "Debenture Share") and one transferable share purchase warrant (each, a "Debenture Warrant"), with each Debenture Warrant exercisable into one additional Debenture Share (each, a "Debenture Warrant Share") at an exercise price of $0.10 per Debenture Warrant Share for a period of five (5) years from the date of conversion.

Repayment by the Company of amounts owing under the Debentures are secured by a charge over all of the assets of the Company. All subscribers to the Debenture Financing entered into an agency and inter-lender agreement with the Company and a designated subscriber to the Debenture Financing (the "Agent"), pursuant to which the subscribers appointed the Agent to act on their behalf as to certain matters relating to the Debentures, including with respect to enforcement of the security interest.

For accounting purposes, the Debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash for the convertible debentures assuming a 20% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. The debt component will be accreted systematically to its face value over the term of the note by the recording of additional interest. As at January 31, 2019, the Company recorded $15,633 in interest and accretion cost of which $8,527 relates to interest and is included in accounts payable and accrued liabilities.

7 Share Capital

a) Authorized

Unlimited Class A common shares, without par value.
Unlimited Class B common shares, without par value.

b) Issued

7,530,900 Class A common shares.

During the year ended January 31, 2019:

On October 23, 2018, completed a share consolidation on the basis of one post-consolidation common share for every five pre-consolidation common shares. There was no name change or symbol change. The Company did obtain a new CUSIP number (securities identification number). There were a total of 12,654,500 pre-consolidation common shares issued and outstanding. Upon completion of the consolidation, there were 2,530,900 post-consolidation common shares issued and outstanding.

On November 9, 2018 the Company closed a non-brokered private placement of 5,000,000 units (each, a “Unit”) at a price per Unit of $0.075 for gross proceeds of $375,000. Each Unit is comprised of one common share and one transferable common share purchase warrant exercisable into one common share of the Company at a price of $0.10 per share expiring on November 9, 2023.

During the year ended January 31, 2018

In August, pursuant to the IPO, the Company issued 1,500,000 Units at $0.50 per share. Each Unit compromising one common share of the Company and one-half common share purchase warrant (each whole warrant, a “Warrant”) of the Company, at a price of $0.50 per Unit for gross proceeds of $750,000 (the “Offering”) with each Warrant exercisable into one share until August 24, 2018 at a price of $1.00 each or until August 24, 2019 at a price of $1.50 each.

PI Financial Corp. (the “Agent”) acted as the Company’s agent in connection with the IPO, pursuant to which, the Agent received a cash commission of $52,500, a corporate finance fee of $22,500, costs of $20,629 and 105,000 compensation warrants, each warrant exercisable into one common share for a period of 24 months following the Listing Date, at a price of $1.00 in the first year and $1.50 in the second year. Additional costs associated with the offering were legal of $26,021 and other costs of $6,789. The compensation warrants were valued at $18,800 using the Black-Scholes option pricing model with an average risk-free interest rate of 0.76%, expected life of 2 years, volatility of 100.00% and a dividend yield of 0%.

Pursuant to a mineral property option agreement, the Company issued 20,000 shares at $0.50 per share in August 2017 and issued 40,000 common shares at $0.50 in December 2017. In addition, the Company issued 20,000 compensation warrants in August 2017 and 10,000 compensation warrants in December 2017. Each warrant is exercisable into one common share for a period of 24 months from the date of issuance, at a price of $1.00 in the first year and $1.50 in the second year (Note 5).

(Expressed in Canadian Dollars)

7 Share Capital – (cont'd)

c) Share purchase warrants

Details of share purchase warrants activities for the year ended January 31, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2017	-	-
Issued	750,000	$1.50
Balance, January 31, 2018	750,000	$1.50
Issued	5,000,000	$0.10
Balance, January 31, 2019	5,750,000	$0.28

The weighted average remaining life of the 5,750,000 share purchase warrants is 4.23 years.

As at January 31, 2019, the Company had 5,750,000 share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
750,000	$1.50	August 24, 2019
5,000,000	$0.10	November 9, 2023
5,750,000		

d) Compensation warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2017	-	-
Issued	135,000	$1.50
Balance, January 31, 2018	135,000	$1.50
Issued	-	-
Balance, January 31, 2019	135,000	$1.50

The weighted average remaining life of the 135,000 compensation warrants is 0.59 years.

As at January 31, 2019, the Company had 135,000 compensation warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
105,000	$1.50	August 24, 2019
20,000	$1.50	August 24, 2019
10,000	$1.50	December 31, 2019
135,000		

(Expressed in Canadian Dollars)

7 Share Capital – (cont'd)

e) Contributed Surplus

The Company's equity reserve is comprised of fair value of agent's warrants or compensation warrants.

8 Financial Instruments

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	Level 1	Level 2	Total
January 31, 2018			
Cash	$ 228,458	-	$ 228,458
	228,458	-	228,458
January 31, 2019			
Cash	783,524	-	783,524
Convertible debenture	-	350,856	350,856
	$ 783,524	350,856	$ 1,134,380

Cash is measured using level 1 fair value inputs. As at January 31, 2019, the Company believes the carrying values of accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

The initial fair value of the liability component of the Company's convertible debenture, with a carrying amount of $350,856 at January 31, 2019 was measured using Level 2 inputs to be $343,750. The fair value of the liability component of the convertible debenture was estimated using the discounted cash flows technique. The valuation model considers the present value of expected payments, discounted using a discount rate that approximates the market rate for the Company's loans and borrowings. The estimated fair value would increase (decrease) if the market rate were lower (higher).

8 Financial Instruments – (cont'd)

The Company's financial instruments are exposed to certain financial risks which are in common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. The following note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

General Objectives, Policies and Processes

The Board of Directors have overall responsibility for the determination of the Company's risk management objectives and policies and have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors are kept apprised on the process and would monitor the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash with major financial institutions. As at January 31, 2019, the Company had $738,230 held in trust with its legal counsel.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such as a loss is limited because the convertible debentures bear interest at a fixed rate.

Liquidity risk

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position.

Foreign currency risk

The Company may be exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts payable and accrued liabilities that are denominated in a foreign currency. As at January 31, 2019, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

(Expressed in Canadian Dollars)

9 Capital Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

10 Related Party Transactions

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key management personnel compensation

The Company considers its President, Chief Executive Officer, Chief Financial Officer, and the directors of the Company to be key management.

	Relationship	**2019**	**2018**
Exploration costs			
Project management and implementation			
Chris Verrico	Director	$ -	$ 21,500
Equipment rental			
Chris Verrico	Director	-	50,500
		-	72,000
Management fees			
Jim Mustard	CEO and Director	61,000	50,000
Professional fees			
Casey Forward	Former CFO and Director	27,500	13,000
		88,500	63,000
		$ 88,500	$ 135,000

Included in accounts payable at January 31, 2019, is $5,250 (2018: $13,767) owed to directors and officers of the Company for reimbursements of expenses or unpaid fees. The amount is unsecured, non-interest bearing with no specific terms of repayment.

(Expressed in Canadian Dollars)

11 Income Taxes

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

		2019		2018
Loss before tax	$	(665,355)	$	(135,738)
Income tax recovery at local statutory rates – 27.00% (2018 – 26.00%)	$	(180,000)	$	(35,000)
Items not deductible for tax purposes		2,000		-
Change in tax rates		(3,000)		-
Change in unrecognized tax benefits not recognized		181,000		35,000
	$	-	$	-

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

		2019		2018
Non-capital losses	$	99,000	$	44,000
Undeducted financing costs		21,000		27,000
Resource properties		153,000		22,000
Unrecognized deferred tax assets		(273,000)		(93,000)
	$	-	$	-

As at January 31, 2019, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years, and if not utilized, expire as summarized below:

Year of Expiry		
2036	$	100
2037		31,800
2038		135,800
2039		199,500
Total	$	367,200

12 Subsequent Event

On April 1, 2019, the Company issued 50,000 common shares pursuant to the exercise of share purchase warrants at a price of $0.10 for total proceeds of $5,000.