

Four Nines Gold Inc.

FINANCIAL STATEMENTS

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)



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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2022 and 2021 and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 1 in the financial statements, which indicates that the Company incurred a net loss of \$469,125 during the year ended January 31, 2021 and, as of that date, the Company's total deficit was \$1,551,396. As stated in Note 1, these events and 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.

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 Melyssa Charlton.

Charlton & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

May 27, 2022

Four Nines Gold Inc.
Statements of Financial Position
As at January 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
ASSETS		
Current assets		
Cash	\$ 1,014,975	\$ 378,256
GST receivable	2,505	723
Prepaid expense	10,487	8,100
	<u>1,027,967</u>	<u>387,079</u>
Exploration and evaluation asset (Note 5)	218,054	193,054
Total assets	<u>\$ 1,246,021</u>	<u>\$ 580,133</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 132,062	\$ 50,321
	<u>132,062</u>	<u>50,321</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	2,372,311	1,490,659
Shares subscribed (Note 7)	-	5,000
Equity component of convertible debentures (Note 6)	31,250	31,250
Reserves (Note 7)	261,794	85,174
Deficit	(1,551,396)	(1,082,271)
	<u>1,113,959</u>	<u>529,812</u>
Total shareholders' equity	<u>1,113,959</u>	<u>529,812</u>
Total liabilities and shareholders' equity	<u>\$ 1,246,021</u>	<u>\$ 580,133</u>

Nature and continuance of operations – Note 1

APPROVED ON BEHALF OF THE BOARD:

"Charles Ross" 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, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
Expenses		
Bank charges	\$ 714	\$ 328
Consulting fees (Note 10)	84,396	51,323
Exploration expenses	100,235	-
Filing fees and transfer agent	31,510	26,340
Interest and accretion (Note 6)	-	1,027
Marketing	2,500	-
Office and general	8,806	73
Professional fees	64,344	14,487
Share-based payments (Notes 7 and 10)	176,620	66,374
Loss and comprehensive loss for the year	\$ (469,125)	\$ (159,952)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	14,222,848	10,963,455

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, 2022 and 2021

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Shares subscribed	Equity component on convertible debenture	Reserves	Deficit	Total
Balance, January 31, 2020	7,580,900	\$ 1,139,486	\$ -	\$ 31,250	\$ 18,800	\$ (922,319)	\$ 267,217
Cash							
Private placements	4,725,000	354,375	-	-	-	-	354,375
Share subscriptions received	-	-	5,000	-	-	-	5,000
Share issuance costs	-	(3,202)	-	-	-	-	(3,202)
Share-based payments	-	-	-	-	66,374	-	66,374
Loss for the year	-	-	-	-	-	(159,952)	(159,952)
Balance, January 31, 2021	12,305,900	\$ 1,490,659	\$ 5,000	\$ 31,250	\$ 85,174	\$ (1,082,271)	\$ 529,812
Cash							
Private placements	2,461,863	861,652	-	-	-	-	861,652
Exercise of warrants	200,000	20,000	(5,000)	-	-	-	15,000
Share-based payments	-	-	-	-	176,620	-	176,620
Loss for the year	-	-	-	-	-	(469,125)	(469,125)
Balance, January 31, 2022	14,967,763	\$ 2,372,311	\$ -	\$ 31,250	\$ 261,794	\$ (1,551,396)	\$ 1,113,959

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

Four Nines Gold Inc.
Statements of Cash Flows
For the years ended January 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
CASH FLOWS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the year	\$ (469,125)	\$ (159,952)
Items not affecting cash:		
Interest and accretion	-	1,027
Share-based payments	176,620	66,374
Change in non-cash working capital items:		
GST receivable	(1,782)	177
Prepaid expense	(2,387)	(8,100)
Accounts payable and accrued liabilities	81,741	14,344
Net cash used in operating activities	(214,933)	(86,130)
INVESTING ACTIVITIES		
Acquisition of resource property	(25,000)	(185,000)
Deferred exploration and evaluation costs	-	(8,054)
Net cash used in investing activities	(25,000)	(193,054)
FINANCING ACTIVITIES		
Shares issued for cash	876,652	354,375
Share issuance costs	-	(3,202)
Share subscriptions received	-	5,000
Repayment of convertible debenture	-	(375,000)
Repayment of accrued interest expense	-	(47,055)
Net cash provided by (used in) financing activities	876,652	(65,882)
Change in cash for the year	636,719	(345,066)
Cash, beginning of year	378,256	723,322
Cash, end of year	\$ 1,014,975	\$ 378,256
Supplemental information:		
Cash paid for interest during the year	\$ -	\$ 47,055
Cash paid for income taxes during the year	\$ -	\$ -

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

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

1 Nature and continuance of operations

The Company was incorporated on March 19, 2015 in British Columbia. On August 24, 2017, the Company completed an initial public offering ("IPO") and was listed on the Canadian Securities Exchange ("CSE"). The Company commenced trading on the CSE on August 31, 2017 under the symbol "FNAU".

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.

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, 2022, the Company has a working capital of \$895,905 (2021 - \$336,758) however, it has not yet achieved profitable operations and has an accumulated deficit of \$1,551,396 (2021 - \$1,082,271) and for the year ended January 31, 2022 incurred a loss of \$469,125 (2021 - \$159,952), and expects to incur further losses in the development of its business.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business.

The above material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

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 Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 27, 2022.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

2 Basis of preparation – (cont'd)

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 functional currency of the Company, unless otherwise specified. All amounts are rounded to the nearest dollar.

3 Significant Accounting Policies

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.

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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

3 Significant Accounting Policies – (cont'd)

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.

Financial Instruments

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 FVTPL.

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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

3 Significant Accounting Policies – (cont'd)

Financial Instruments – (cont'd)

Financial Assets – Measurement – (cont'd)

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 measured 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.

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.

Derecognition of Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

3 Significant Accounting Policies – (cont'd)

Financial Instruments – (cont'd)

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 accrued liabilities 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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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.

As at January 31, 2022 and 2021, the Company did not have any rehabilitation provisions.

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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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.

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

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.

Share-Based Payments

The Company grants stock options to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The Company accounts for share-based payments using the fair value method.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Any consideration received on the exercise of stock options together with the related portion of reserves is credited to share capital.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

3 Significant Accounting Policies – (cont'd)

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.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

During the years ended January 31, 2022 and 2021, the Company did not enter into or partake in any lease arrangements.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

3 Significant Accounting Policies – (cont'd)

Foreign Currency

The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions.

New Accounting Standards Interpretations Issue But Not Yet Adopted

IAS 1 –Presentation of Financial Statements (“IAS 1”), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of this amendment.

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.

Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments

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 1.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Judgments – (cont'd)

Exploration and Evaluation Asset and Impairment

The application of the Company's accounting policy for exploration and evaluation assets and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title or interest therein. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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.

Estimates

Share-based payments

The determination of the fair value related to share-based payments are subject to estimate. The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

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5 Exploration and Evaluation Assets

Bonneville Property	2022	2021
Acquisition costs:		
Balance, beginning of the year	\$ 185,000	\$ -
Additions	25,000	185,000
Balance, end of the year	210,000	185,000
Exploration costs:		
Balance, beginning of the year	8,054	-
Geological	-	6,500
Travel	-	1,554
Balance, end of the year	8,054	8,054
Total exploration and evaluation asset	\$ 218,054	\$ 193,054

Bonneville Property, Quebec

On June 18, 2020 and as amended on July 27, 2020, the Company entered into an option agreement with Telford Management Ltd. whereby, the Company may acquire up to 100% interest in the Bonneville Property. This property consists of 36 mineral tenures and is located in central Quebec in the Lac Bachelor gold camp. As consideration for the interest, the Company will pay cash of \$210,000, and incur \$350,000 in exploration expenditures as follows:

- Cash payment of \$35,000 upon signing (June 18, 2020) (Paid);
- Cash payment of \$75,000 upon regulatory authorities' approval (June 22, 2020) (Paid);
- Cash payment of \$75,000 by July 31, 2020 (Paid);
- Cash payment of \$25,000 by June 18, 2021 (Paid); and
- Incur \$350,000 in exploration expenditures on or before June 18, 2022.

In the event of a shortfall of exploration expenditures, the Company can pay the Optionor in cash or shares of the Company as long as the share issuance does not make the Optionor a holder of more than 19.9% of the shares outstanding at the time of issuance.

Should the Company acquire 100% of the property the Optionor will retain a 1% Net Smelter Returns ("NSR") royalty. The Company shall be entitled to buy back the 1% NSR for \$1,000,000.

6 Convertible Debentures

	Liability component	Equity component
Balance, January 31, 2020	\$ 375,000	\$ 31,250
Repurchased	(375,000)	-
Balance, January 31, 2022 and 2021	\$ -	\$ 31,250

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

6 Convertible Debentures – (cont'd)

On November 9, 2018, the Company closed a non-brokered private placement financing (the “Debt Financing”) of secured convertible debentures (each, a “Debt”) for gross proceeds of \$375,000. The Debentures have a maturity date of one year from the date of issuance (the “Maturity Date”). The principal amount of the Debentures, 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 at the rate of 10% per annum and are payable on the earlier of repayment of the Debentures or the Maturity Date.

The Debentures, together with all accrued and unpaid interest thereon, are convertible into units of the Company at the option of the holder (each, a “Debt Unit”) at a conversion price of \$0.10 per Debt Unit, with each Debt Unit comprised of one common share of the Company (each, a “Debt Share”) and one transferable share purchase warrant (each, a “Debt Warrant”). Each Debt Warrant is exercisable into one additional Debt Share (each, a “Debt Warrant Share”) at an exercise price of \$0.10 per Debt Warrant Share for a period of five (5) years from the date of conversion. The Debentures are secured by the assets of the Company.

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 Debt Financing entered into an agency and inter-lender agreement with the Company and a designated subscriber to the Debt 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 using an effective interest rate of 20%. 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.

During the year ended January 31, 2022, the Company recorded \$nil (2021 - \$1,027) in interest and accretion cost of which \$nil (2021 - \$1,027) relates to interest.

On February 14, 2020, the Company repaid the convertible debentures of \$375,000 plus interest of \$47,055.

7 Share Capital

a) Authorized

Unlimited Class A common shares, without par value.

Unlimited Class B common shares, without par value.

b) Issued

During the year ended January 31, 2022:

On April 29, 2021, the Company closed a non-brokered private placement of 2,461,863 units at a price of \$0.35 per unit for total proceeds of \$861,652. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.70 per share expiring on April 29, 2023.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

7 Share Capital – (cont'd)

b) Issued – (cont'd)

During the year ended January 31, 2022: - (cont'd)

During the year ended January 31, 2022, the Company issued 200,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$20,000 of which \$5,000 was included in share subscriptions received at January 31, 2021.

During the year ended January 31, 2021:

On March 2, 2020, the Company closed a non-brokered private placement of 2,720,000 units at a price of \$0.075 per unit for total proceeds of \$204,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per share expiring on March 1, 2025.

On August 21, 2020, the Company closed a non-brokered private placement of 2,005,000 units at a price of \$0.075 per unit for total proceeds of \$150,375. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per share expiring on August 20, 2025.

c) Share purchase warrants

Details of share purchase warrant activities for the years ended January 31, 2022 and 2021 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2020	4,950,000	\$0.10
Issued	4,725,000	\$0.10
Balance, January 31, 2021	9,675,000	\$0.10
Exercised	(200,000)	\$0.10
Issued	1,230,933	\$0.70
Balance, January 31, 2022	10,705,933	\$0.17

The weighted average remaining life of the share purchase warrants is 2.35 years.

As at January 31, 2022, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,230,933	\$0.70	April 28, 2023
4,950,000	\$0.10	November 9, 2023
2,670,000	\$0.10	March 2, 2025
1,855,000	\$0.10	August 21, 2025
10,705,933		

Subsequent to January 31, 2022, 570,000 share purchase warrants were exercised for total proceeds of \$57,000.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

7 Share Capital – (cont'd)

e) Stock options

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (the “Exchange”) under which it is authorized to grant options to directors, officers, employees and consultants to purchase shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding shares. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued shares of the Company. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations.

On December 2, 2021, the Company granted 30,000 stock options exercisable to a consultant. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.64 per share expiring on December 2, 2024 and vested at 25% every three months with the first vesting on March 2, 2022 and every three months thereafter with the last vesting on December 2, 2022. The fair value of the stock options amounted to \$10,800 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.64; Risk-free interest rate of 1.06%; Dividend yield of Nil; Expected volatility of 89%; Expected life of 3 years and forfeiture rate of 0%. Volatility was determined based on the Company’s historical data. As at January 31, 2022, the Company recorded share-based payments totaling \$3,725.

On November 25, 2021, the Company granted 605,000 stock options exercisable to consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.59 per share expiring on November 25, 2024 and vested at 25% every three months with the first vesting on February 25, 2022 and every three months thereafter with the last vesting on November 25, 2022. The fair value of the stock options amounted to \$199,650 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.58; Risk-free interest rate of 1.17%; Dividend yield of Nil; Expected volatility of 91%; Expected life of 3 years and forfeiture rate of 0%. Volatility was determined based on the Company’s historical data. As at January 31, 2022, the Company recorded share-based payments totaling \$76,237.

On February 1, 2021, the Company granted 100,000 stock options to a director of the Company which vest at the date of grant. The stock options entitled the holder the right to purchase one common share for each option at \$0.48 per share expiring on February 1, 2023. The fair value of the stock options amounted to \$23,000 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.46; Risk-free interest rate of 0.23%; Dividend yield of Nil; Expected volatility of 97%; Expected life of 2 years and forfeiture rate of 0%. Volatility was determined based on the Company’s historical data.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

7 Share Capital – (cont'd)

e) Stock options – (cont'd)

On September 21, 2020, the Company granted 760,000 stock options exercisable to directors of the Company and consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.25 per share expiring on September 21, 2025 and vested at 12.5% every three months with the first vesting on December 21, 2020 and every three months thereafter. The fair value of the stock options amounted to \$152,000 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.25; Risk-free interest rate of 0.36%; Dividend yield of Nil; Expected volatility of 116%; Expected life of 5 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data. As at January 31, 2022, the Company recorded share-based payments totaling \$73,658 (2021 – \$66,374).

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2020	-	\$-
Granted	760,000	\$0.25
Balance, January 31, 2021	760,000	\$0.25
Granted	735,000	\$0.58
Balance, January 31, 2022	1,495,000	\$0.41

The weighted average remaining life of the stock options is 3.12 years.

As at January 31, 2022, the Company had 1,495,000 stock options outstanding as follows:

Number of Options	Vested	Exercise Price	Expiry Date
100,000	100,000	\$0.48	February 1, 2023
605,000	-	\$0.59	November 25, 2024
30,000	-	\$0.64	December 2, 2024
760,000	475,000	\$0.25	September 21, 2025
1,495,000	575,000		

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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

8 Financial Instruments – (cont'd)

Determination of Fair Value: - (cont'd)

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.

Cash is measured using level 1 fair value inputs. As at January 31, 2022, 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 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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

8 Financial Instruments – (cont'd)

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. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

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.

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 accounts payable and accrued liabilities that are denominated in a foreign currency. As at January 31, 2022, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

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.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

10 Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. 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	2022	2021
<u>Consulting fees</u>			
Harmony Corporate Services Ltd.	Company controlled by Geoff Balderson, Director and CFO	\$ 22,500	\$ 18,500
<u>Share-based payments</u>			
Charles Ross	Director and CEO	14,538	13,100
Jim Mustard	Director	7,269	6,550
Geoff Balderson	Director and CFO	2,423	2,183
Joseph Yelder	Director	4,846	4,367
Daniel Schieber	Director	23,000	-
David Flint	Director	12,601	-
		64,677	26,200
		\$ 87,177	\$ 44,700

Included in accounts payable and accrued liabilities at January 31, 2022, is \$22,008 (2021 - \$17,133) owed to a director and a Company controlled by the CFO for reimbursements of expenses or unpaid fees. The amounts are unsecured, non-interest bearing with no specific terms of repayment.

Four Nines Gold Inc.

Notes to the Financial Statements

For the years ended January 31, 2022 and 2021

(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:

	2022	2021
Loss before tax	\$ (469,125)	\$ (159,952)
Income tax recovery at local statutory rates – 27.00%	\$ (127,000)	\$ (43,000)
Permanent differences	48,000	18,000
Share issuance costs	(1,000)	(1,000)
Adjustment to prior years provision versus statutory tax returns	-	(15,000)
Change in unrecognized tax benefits not recognized	80,000	42,000
Other	-	(1,000)
Total income tax expense (recovery)	\$ -	\$ -

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

	2022	2021
Non-capital losses	\$ 256,000	\$ 170,000
Share issuance costs	1,000	8,000
Exploration and evaluation assets	132,000	132,000
Unrecognized deferred tax assets	(389,000)	(310,000)
Net deferred tax assets	\$ -	\$ -

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022		2021	
Temporary Differences	\$		\$	
Exploration and evaluation assets	490,000	No expiry date	490,000	No expiry date
Share issuance costs	2,000	2023 to 2025	28,000	2023 to 2025
Non-capital losses available for future periods	947,000	2036 to 2042	628,000	2036 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.