2024 Annual Financial Report

Management's Discussion and Analysis and Consolidated Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Year ended December 31, 2024

This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated March 31, 2025 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2024, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.

SELECTED ANNUAL INFORMATION

	2024	2023	2022
Revenue and Other Income	171,001	12,270	7,861
Net loss from continuing operations	(3,608,045)	(2,850,574)	(2,544,165)
Basic loss per common share	(0.01)	(0.01)	(0.01)
Fully diluted loss per common share	(0.00)	(0.01)	(0.01)
Total assets	4,815,025	1,560,845	898,080
Debt – current	10,278,992	9,274,663	7,976,943
Debt – non-current	—	—	60,000

Revenue and other income has increased over the three-year period as a result of recognizing flow through share premium in 2023 and 2024 as eligible expenditures are renounced. The net loss from continuing operations has increased year over year primarily due to an increase in exploration and evaluation expenditures. Total assets have increased year over year, mainly due to and increase in deposits made on capital assets related to the proposed hydrometallurgical facility in Alberta. The maturity of the current debt has been extended to December 31, 2025, the increase year over year is due to accrued interest which is payable at maturity.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected consolidated financial information that is derived from the unaudited interim condensed consolidated financial statements and audited consolidated financial statements of the Company. The amounts represent the three-month periods ended:

	2024				2023			
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sept-30**	**Jun-30**	**Mar-31**
Revenue and Other Income	48,624	1,994	99,870	20,513	4,193	4,858	1,856	1,363
Net loss	(1,619,313)	(301,130)	(1,064,676)	(622,926)	(533,821)	(973,861)	(656,168)	(686,724)
Basic and fully diluted loss per common share[(1)]	—	—	—	—	—	—	—	—

Notes:
(1) The sum of quarterly income (loss) per common share for any given period may not equal the year-to-date amount due to rounding

Fortune has undertaken the following activities during the year ended December 31, 2024 in support of corporate financing initiatives and the advancement and permitting for its wholly-owned, vertically integrated NICO cobalt-gold-bismuth-copper Critical Minerals project in Canada ("NICO Project"). The NICO Project consists of a planned open pit and underground mine and concentrator ("NICO Mine") in the Northwest Territories ("NWT") and a related hydrometallurgical processing facility ("Hydromet Facility") that the Company will construct in Lamont County, Alberta:

- At the end of 2023, Fortune announced that it had received contribution funding commitments totaling ~C$890,000 from Natural Resources Canada ("NRCan") and Alberta Innovates through their Critical Minerals Research Development and Demonstration ("CMRDD") and Clean Resources Continuous Intake programs, respectively. These funds were awarded to support metallurgical test work and piloting of NICO ores to validate recent process optimizations and to provide more detailed information needed for the process design criteria for the concentrator and Hydromet Facility.
- In Q1, 2024, approximately 15 metric tonnes of NICO ores were collected from stockpiles at the mine site and transported to SGS Canada Inc. ("SGS") in Lakefield, Ontario for metallurgical testing.
- In Q2, 2024, the samples were crushed, ground and subjected to flotation concentration at SGS to produce cobalt and bismuth concentrates for hydrometallurgical tests and piloting. The hydrometallurgical parts of the piloting program are still in progress at SGS.
- On May 16, 2024, Fortune announced that it had been awarded a grant of US$6,380,555 from the United States ("U.S.") Department of Defense ("DoD") pursuant to the Defense Production Act Title III program to expand the domestic capacity and production of cobalt for the battery and high strength alloy supply chains. The funds are being provided to support work in four focus areas needed to advance the NICO Project to a project finance decision. This work includes (i) completing metallurgical tests for cobalt and bismuth process design criteria; (ii) completing an updated Feasibility Study based on the new Alberta Hydromet Facility site, new Tlicho Highway and other recent project optimizations; (iii) securing the remaining authorizations, for construction and operation of the NICO mine and concentrator in the NWT, preparation of management plans, and completion of Indigenous Participation Agreements; and (iv) securing the permits needed to construct and operate the Hydromet Facility in Alberta.
- On May 16, 2024, Fortune also announced that it had secured additional funding from the Government of Canada ("GOC") through a contribution agreement for up to $7.5 million through NRCan's Global Partnerships Initiative ("GPI") program. These funds will be used.to support 75% of the costs for the following work: (i) expanding the test work program to assess NICO Project feed source variability and also blending of intermediates produced by Rio Tinto from Kennecott Smelter wastes in Utah with NICO Project process streams; (ii) completing Feasibility Study sensitivity analysis of engineering and the economic impacts of blending Rio Tinto feed sources; and (iii) completing a Front-End Engineering and Design ("FEED") Study.
- On May 21, 2024, the Company entered into a convertible security funding agreement ("Convertible Security") for an initial principal amount (the "First Tranche") of $1,250,000 as part of an up to $10,000,000 convertible securities facility. As part of the initial drawdown, the Company issued Lind Global Fund II, LP ("Lind") a Convertible Security with a face value of $1,600,000, representing a principal amount of $1,250,000 and an interest amount of $350,000. The First Tranche is due two years from the date of issuance and matures on May 21, 2026. The First Tranche is secured by a lien against the Company's assets and bears interest at 14% per annum. Additional drawdowns can be made and are subject to the agreement of both parties. Most of the proceeds from the first drawdown were used to make a $1 million downpayment on the brownfield site in Lamont County to extend the 2022 Option to June 28, 2024.
- On August 1, 2024, Fortune entered into a new option agreement (the "2024 Option") with JFSL to purchase the brownfield site in Lamont County, Alberta for the NICO Project Hydromet Facility. Pursuant to the 2024 Option, Fortune can acquire the site for $6,000,000 prior to the end of November 2025, provided it makes monthly option payments of $100,000. The monthly option payment and the deposits of $1,437,500 previously paid by Fortune are deductible from the purchase price.
- Fortune has retained Worley Canada Services Ltd. ("Worley") to conduct additional engineering and lead the preparation of an updated Feasibility Study for the NICO Project. Worley is also retained to help permit the Hydromet Facility. This work will be partially funded through the DoD grant awarded on May 16, 2024.
- On December 23, 2024, the Company drew down an additional $1,575,000 (the "Second Tranche") from its Convertible Security with Lind. The Second Tranche has a face value of $1,890,000, representing a principal amount of $1,575,000 and an interest amount of $315,000. The Second Tranche is due two years from the date of issuance and matures on December 23, 2026. The Second Tranche is secured by a lien against the Company's assets and bears interest at 10% per annum. The proceeds from the Second Tranche will be used for general working capital purposes and to fund some of the government supported work on the NICO Project.

- Fortune is engaged with various municipal, territorial, provincial and federal governments to attract political and financial support for the vertically integrated NICO Project and strengthen domestic supply chains for Critical Minerals needed in new technologies and the growing green economy;

Fortune continues to review the NICO Mineral Resource model, engineering, mining, and execution plans for the NICO Project to assess various opportunities to mitigate capital and operating cost escalation and accelerate processing of higher margin ores to improve project economics.

OVERVIEW

Fortune's vision is to become a leading developer, miner, processer and refiner of Critical Minerals needed for the energy transition, new technologies and defense, together with gold and other by-products contained in the Company's mineral deposits. Supporting the vision is Fortune's mission to profitably produce technology and precious metals to meet the needs of our customers and partners, and to attract and develop an exceptional team of people motivated to acquire, explore, develop, mine and reclaim resource properties in a safe and responsible manner. The Company's most significant asset is the NICO Project and the Company has spent approximately $140 million advancing this in-house mineral discovery to a near construction ready development asset.

The Canadian and U.S. governments have signed a Joint Action Plan on Critical Mineral Collaboration to enable more North American production of Critical Minerals. Minerals considered critical for this purpose have important industrial and defense applications, cannot be easily substituted by other minerals, and their supply chains are vulnerable to disruption from geopolitical risks such as geographic concentration of production, political instability and/or sources if supply in jurisdictions that are unfriendly to western democracies or, have environmental-social- governance ("ESG") issues that are not aligned with western standards or values. Cobalt, bismuth and copper are identified as Critical Minerals by the U.S., European Union ("E.U.") and Canadian governments.

On April 7, 2022, the GOC announced $3.8 billion of financial support for domestic production of Critical Minerals in its 2022 Budget. Cobalt, nickel and lithium are a priority for this support because of their use in lithium-ion rechargeable batteries to store power in electric vehicles ("EV")'s, portable electronics and stationary storage cells.

NICO Project

Fortune continues to advance its wholly-owned NICO Project and the Company's business activities have been focused on certain priority critical path activities required to advance test work, engineering and permitting for the planned development as well as identifying future sources of development capital. The NICO Project comprises a proposed open pit and underground mine and concentrator in the NWT, with a dedicated Hydromet Facility that would be constructed in Lamont County, Alberta where concentrates from the mine, and other feed sources, would be processed to value-added products. The Alberta site is brownfield and has the requisite planning approvals in place for industrial operations as well as 42,000 square feet of serviced shops and buildings to materially reduce capital costs for the planned development. The Company entered into a revised option agreement with the vendor (JFSL) in 2024 ("the 2024 Option") in respect of acquiring this site.

In 2014, a Feasibility Study (the "2014 Feasibility Study") assessing the economics for the NICO Project prepared by Micon International Limited ("Micon") and is summarized in a Technical Report, dated May 5, 2014 and entitled "*Technical Report on the Feasibility Study for the NICO Gold-Cobalt-Bismuth-Copper Project, Northwest Territories, Canada*" (the "Technical Report") and a summary is filed on the SEDAR+ website. Fortune has been investigating a number of opportunities to optimize the NICO Project to produce a more financially robust project and will be included in a new Feasibility Study by Worley and an updated Technical Report by Micon. They include:

- A new Mineral Resource model was developed with a more constrained mineralization wireframe boundaries to reduce internal and external modeling dilution and better differentiate higher grade resource blocks for earlier processing;
- The new model also identified additional high-grade drill intercepts that were not included in the previous Mineral Resource estimates and extended the wireframe boundaries to surface where the deposit is known to outcrop, reducing near-surface waste rock stripping;

- A new Mine Plan and Production Schedule has been prepared based on the new Mineral Resource model with a focus on earlier processing of high margin ores, additional high-grade underground ore mining, and a stockpiling strategy to defer processing of low margin ores;
- The Company is reviewing its equipment selection and has prepared tradeoff studies with Worley, replacing cone crushers and the ball mill with high pressure grinding rolls and vertical stir mill comminution to mitigate escalation of capital and operating costs;
- The completion of the new Tlicho Highway in the NWT, which will enable the Company to eliminate redundant facilities and accelerate the construction schedule;
- A new rail terminal in Enterprise, NWT to reduce trucking costs;
- The new brownfield Hydromet Facility site in Lamont County, Alberta, which has buildings and equipment to reduce capital costs and proximity to the human resources, reagents and services to reduce capital and operating costs
- Modifications to simplify the bismuth circuits at the Hydromet Facility and increase metal recoveries;
- The potential for sequential precipitation of gypsum to simplify the cobalt and copper circuits at the Hydromet Facility and potentially produce a by-product to increase revenues and/or reduce waste disposal costs.

Fortune has experienced personnel focused on advancing the NICO Project towards commercial production, while also minimizing the risks associated with its planned development. Fortune is committed to developing the NICO Project in a socially and environmentally responsible manner. Fortune continues to work with a number of private sector companies and potential strategic partners interested in the Critical Minerals and/or the gold contained in the NICO Project and potential investment. The Company is also engaged with Canadian governments to access pools of capital available for Critical Minerals development related to enabling infrastructure, process innovation, Indigenous participation and construction.

The increasing demand for lithium-ion batteries needed to store energy in EV's, portable electronics and stationary storage cells, together with government concerns over the reliability of the current supply chains for Critical Minerals are expected to support strong Critical Minerals prices needed to enable the successful development of the NICO Project. Bismuth consumption is also increasing in the automotive, alloys, and pharmaceutical industries and there is also growing demand as non-toxic and environmentally safe replacement for lead in alloys and chemicals. There are also new applications for bismuth in plugging decommissioned oil and gas wells to prevent greenhouse gas leakage, blowouts and subsurface water contamination, manganese-bismuth magnets, radiation shielding and nuclear coolants, semiconductors and weapons systems. The NICO Project will also produce an important highly liquid and countercyclical gold co-product to help mitigate Critical Mineral price volatility as well as copper as a minor by-product. Fortune will be able to demonstrate supply chain transparency and custody control of metals from ores through to the production of value-added products and mitigate risks from geographic concentration of supply in the Democratic Republic of the Congo and China.

RESULTS OF OPERATIONS

Summary

The Company's net loss for the three and twelve months ended December 31, 2024 was $1,619,313 and $3,608,045, respectively, or $Nil and $0.01 per common share, respectively, compared to a net loss of $533,821 and $2,850,574 or $Nil and $0.01 per common share, respectively, for the same periods in the prior year. The change year over year is primarily due to a decrease in interest expense and stock-based compensation, offset by an increase in exploration and evaluation expenditures, an increase in change in fair value and amortization of deferred day 1 loss related to the convertible security and an increase in interest and other income.

Revenue and Other Income

Revenue and other income increased in 2024 to $48,624 and $171,001 for the three and twelve months ended December 31, 2024, respectively, compared to $4,193 and $12,270 for the same periods in the prior year. The increase is primarily the result of a recognition of flow-through share premium income and an increase in interest income earned on cash and cash equivalent.

Expenses

Expenses, excluding gain on modification of debt, change in fair value of convertible security and amortization of deferred day 1 loss of convertible security, increased in 2024 to $1,657,364 and $3,693,581 for the three and twelve months ended December 31, 2024, respectively, compared to $663,393 and $2,988,223, respectively, for the same period in the prior year.

The increase year over year is primarily attributable to an increase in exploration and evaluation expenditures offset by a decrease in interest expenses related to interest accrued on the Company's debts as a result of the debt being modified in the prior year at a lower effective interest rate and stock based compensation related to an option grant in the prior year.

The change in modification of debt is due to the maturity date of the debt being extended from December 31, 2024 to December 31, 2025 effective September 30, 2024.

The change in fair value of convertible security and amortization of deferred day 1 loss of convertible security relates to the change in value from the time of issuance in May 2024 and December 2024, for the First and Second Tranche, respectively, to December 31, 2024 and recognition of the deferred loss for the period.

Deferred Taxes

The Company has not recognized a net deferred income tax recovery or provision for the three and twelve months ended December 31, 2024 and 2023. During the twelve months ended December 31, 2024, recognition of (i) $956,000 from the estimated tax loss resulted in a tax recovery which was offset by a tax provision of (i) $530,000 for a loss carryforward not recognized; (ii) $393,000 for flow-through renunciation; and (iii) $33,000 for non-deductible stock-based compensation and other expenses.

During the same period in 2023, recognition of $756,000 from the estimated tax loss resulted in a tax recovery which was offset by: (i) a tax provision of $380,000 for a loss carryforward not recognized; (ii) $355,000 for other; and (iii) $21,000 for non-deductible stock-based compensation and other expenses.

During the three months ended December 31, 2024, recognition of (i) $429,000 from the estimated tax loss; and (ii) $96,000 for a loss carryforward not recognized resulted in a tax recovery which was offset by a tax provision of (i) $393,000 for flow-through renunciation; and (ii) $132,000 for non-deductible stock-based compensation and other expenses. During the same period in 2023, recognition of $229,000 from the estimated tax loss; and (ii) $246,000 for a loss carryforward not recognised resulted in a tax recovery which was offset by a tax provision of (i) $355,000 for other; and (ii) $120,000 for non-deductible stock-based compensation and other expenses.

A valuation allowance of $140,115,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Cash Flow

Cash provided in operating activities during the three and twelve months ended December 31, 2024 was $462,039 and $186,522, respectively, compared to cash used of $239,800 and $1,233,793, respectively, for 2023. The decrease in use of cash in operating activities year over year is mainly attributed to an increase in exploration and evaluation expenditures as discussed above in "Expenses" offset by proceeds received and receivable from government grants.

Cash used in investing activities was $305,644 and $1,603,784 respectively, for the three and twelve months ended December 31, 2024 compared to $26,503 and $138,497, respectively, for the same periods in 2023. This increase is related primarily to an increase in amounts paid pursuant to the expired 2022 Option and the new 2024 Option.

Cash provided by financing activities for the three and twelve months ended December 31, 2024 was $1,498,500 and $2,709,000, respectively, compared to $893,500 and $1,993,778 for the three and twelve months ended December 31, 2023, respectively. The difference year over year is primarily a result of the receipt of proceeds from a convertible security in 2024 compared to proceeds on issuance of units in 2023.

Below is a summary of Common Shares issued and net cash proceeds from financing activities for the years ended December 31, 2024 and 2023:	**2024**		**2023**	
	Shares/Warrants Issued	**Shares/Warrants Issued**	**Shares/Warrants Issued**	**Shares/Warrants Issued**
	#	**$**	**#**	**$**
Common shares issued during the year				
Private offerings	—	—	39,892,356	1,784,077
Exercise of Convertible Securities[1]	11,875,408	—	—	—
Exercise of Options	—	—	—	—
Share issuance costs	—	—	—	(139,127)
Total	**11,875,408**	**—**	**39,892,356**	**1,644,950**
Average proceeds per share issued		—		**0.04**
Warrants issued during the year				
Private offerings	—	—	28,015,356	280,023
On Issuance of Convertible Securities	28,838,174	—		
Share issuance costs	—	—	—	(29,552)
Total	**28,838,174**	—	**28,015,356**	**250,471**
Average proceeds per warrant		—		**0.01**
Cash Proceeds from Financing Activities Net		**—**		**1,895,421**

[1] The Convertible Securities can be converted to common shares of the Company at a rate of no more than 1/24th of the face value of the Convertible Security in any given month and at a price per share equal to 80% of the volume weighted average price ["VWAP"] per share for the five consecutive trading days immediately prior to the conversion date. Lind shall have the right at any time to increase the conversion limit to up to $900,000 or $250,000 per month, for the First Tranche and Second Tranche, respectively, providing that increased amount does not exceed 20% of the aggregate trading volume of the shares for the immediately preceding 20 days.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, Fortune had cash and cash equivalents of $1,592,329 and negative working capital of $13,506,564 compared to $673,635 and negative working capital of $8,957,205, respectively, for the prior year. The change in negative working capital is a result of the debt maturity date being extended from December 31, 2024 to December 31, 2025, the issuance of convertible securities and deferred government grants.

The Company regularly reviews its planned activities relative to available funding and prioritizes activities based on what is required to complete critical path activities and budgets accordingly. The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty. With its existing working capital, the Company will require additional financing to conduct certain critical path activities for 2025 and to repay its outstanding debt. The NICO Project will also require further funding to maintain its operations and advance the project through to production. The Company has historically been successful in financing its activities, however, there are no assurances that it will be successful in raising future funds required, especially considering the impacts inflation, increasing interest rates, and the Russia/Ukraine conflict could have on the global financial markets as a whole. Management is continuously pursuing and considering various financing opportunities.

On May 10, 2024, the Company drew down an additional $100,000 on one of its secured loans. On May 21, 2024, the Company entered into a Convertible Security for a First Tranche of $1,250,000 and a potential additional amount of up to $10,000,000 of convertible securities. Pursuant to the agreement, the Company issued a convertible security with a face value of $1,600,000, representing a principal amount of $1,250,000 and an interest amount of $350,000. The First Tranche is due two years from the date of issuance and matures on May 21, 2026. The First Tranche is secured by a lien against the Company's assets and bears interest at 14% per annum. The First Tranche includes covenants typical and customary for secured convertible securities of this nature. In relation to the First Tranche, the Company issued 12,500,000 common share purchase warrants at an exercise price of $0.065 for a term of 60 months from the date of issuance. The First Tranche can be converted to common shares of the Company at a rate of no more than 1/24th of the face value of the First Tranche in any given month and at a price per share equal to 80% of the volume weighted average price ["VWAP"] per share for the five consecutive trading days immediately prior to the conversion date. Lind shall have the right at any time to increase the conversion limit to up to $900,000 per month, providing that increased amount does not exceed 20% of the aggregate trading volume of the shares for the immediately preceding 20 days. The Company has the right to buy-back the outstanding face value of the First Tranche at any time after 180 days following the closing date of the First Tranche for an amount equal to 105% of the amount outstanding. If the Company elects to exercise its buy-back rights, Lind would have the option to convert up to 33% of such face value to common shares of the Company at a price per share that is equal to 80% of the VWAP for the five consecutive days immediately prior. On December 23, 2024, the Company drew down an additional $1,575,000 (the "Second Tranche") from its Convertible Security with Lind. The Second Tranche has a face value of $1,890,000, representing a principal amount of $1,575,000 and an interest amount of $315,000. The Second Tranche is due two years from the date of issuance and matures on December 23, 2026. The Second Tranche is secured by a lien against the Company's assets and bears interest at 10% per annum. The Second Tranche includes covenants typical and customary for secured convertible securities of this nature. In relation to the Second Tranche, the Company issued 16,338,174 common share purchase warrants at an exercise price of $0.0609 for a term of 60 months from the date of issuance. The Second Tranche can be converted to common shares of the Company at a rate of no more than 1/24th of the face value of the Convertible Security in any given month and at a price per share equal to 85% of the volume weighted average price ["VWAP"] per share for the five consecutive trading days immediately prior to the conversion date. Lind shall have the right at any time to increase the conversion limit to up to $250,000 per month, providing that increased amount does not exceed 20% of the aggregate trading volume of the shares for the immediately preceding 20 days. The Company has the right to buy-back the outstanding face value of the Convertible Security at any time after 180 days following the closing date of the Second Tranche for an amount equal to 105% of the amount outstanding. If the Company elects to exercise its buy-back rights, Lind would have the option to convert up to 33% of such face value to common shares of the Company at a price per share that is equal to 80% of the VWAP for the five consecutive days immediately prior

The following is a summary of contractual obligations for the next five years and thereafter:

Contractual Obligations	***Payments Due by Year***				
	Total	***Less than 1 year***	***1-3 years***	***4-5 years***	***After 5 years***
Accounts payable and accrued liabilities	**$ 588,203**	$ 588,203	$ —	$ —	$ —
Lease liability	**182,000**	66,660	115,340	—	—
Current debts	**8,258,651**	8,258,651	—	—	—
Interest on debt	**3,217,957**	3,217,957	—	—	—
Provision for environmental rehabilitation	**167,569**	—	—	—	167,569
Convertible security	**2,850,000**	1,745,000	1,105,000	—	—
Total Contractual Obligations	**$ 15,264,380**	**$ 13,876,471**	**$1,220,340**	**$ —**	**$ 167,569**

The current debts represent a debenture in the principal amount of $5,298,651 held by a previous secured creditor of the Company, a $2,750,000 secured loan, and a $250,000 secured loan, of which $210,000 has been drawn. The Canadian Emergency Business Account loan was repaid during the period when it matured, as a result, $20,000 of the original principal of $60,000 was forgiven. The debenture has an aggregate principal amount of $5,298,651, matures on December 31, 2025, bears interest at a rate of 10% per annum, compounded monthly in arrears, and is secured by all of the assets of the Company, including the NICO Project. The Loan and Security Agreement ("Loan") for $2,750,000, matures on December 31, 2025, bears interest at 9% per annum, compounding annually, and both principal and interest are payable at maturity. The Loan is secured by the mining leases for NICO. The second secured loan ("Loan 2") for $210,000, matures on December 31, 2025, bears interest at 9% per annum, compounding annually, and both principal and interest are payable at maturity. Loan 2 is also secured by the mining leases.

The Loans and debentures balances have been recorded in the consolidated financial statements at their net present value using an effective interest rate of 12%, 14.5% and 14.5%, respectively.

In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO in good standing consist of annual payments of $25,693 plus an additional $2,350 for water licenses.

The Company's current environmental reclamation obligations as defined by government regulators are fully secured by cash held in accounts with a large Canadian financial institution for NICO and Arctos. Additional financing is required to construct mine infrastructure and processing facilities and to acquire additional equipment for the NICO Project. Potential sources for future funding include but are not limited to equity financing, project financing, off-take and royalty agreements, additional strategic partnerships, mergers and acquisitions. The Company continues to evaluate its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer and minimize potential dilution to shareholders.

OUTLOOK

The Company's principal objective is to achieve successful financing and development of the NICO Project. The Company's activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" section below. The most significant risk to meeting its objectives for the NICO Project continues to be the ability to finance the construction costs for the project. Additional risks include completing the purchase of the lands and buildings for the Hydromet Facility and securing the requisite permits for construction and operations of this facility An ideal site has been identified in Alberta, Canada. A significant risk to the NICO Project was removed with the completion of the Tlicho Highway to Whati, which opened to the public on November 30, 2021. . In addition, the Company has completed an Access Agreement with the Tlicho Government that sets out the terms and conditions for the construction of a spur road to the mine. Other risks are primarily from external parties such as government regulators, First Nations and investors who have significant influence over the outcome of the Company's efforts and external factors such as commodity prices, economic conditions and the financial markets. Accordingly, management has sought and continues to seek ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

Major milestones to achieve on the path forward for the development of the NICO Project include:

- completion of various strategies to mitigate capital and operating cost escalation for the vertically integrated project and make it more financially robust;
- completion of the purchase of the Hydromet Facility site;
- engaging with local governments and communities around the Hydromet Facility site and securing the permits required for its construction and operation;
- updating the engineering to incorporate identified optimizations to the 2014 Feasibility Study based on current estimates of costs and commodity prices to support a more financially robust project;
- complete an updated Feasibility Study to support project financing and construction;
- continuing engagement with governments in Canada and the U.S for financial support for the NICO Project development;
- continuing with the programs required to meet water license pre-construction requirements for the NICO Mine site;
- submitting applications to obtain the water licence and land use permit for the NICO Mine access road, renewal of land use permit for the mine, and amendments for the water license;
- advancing the negotiations with the Tlicho Government for a Participation Agreement;

- identifying and engaging strategic partners to support the financing and development for the NICO Project;
- arranging the project financing and potential transactions to finance the NICO Project; and
- continuing engineering and procurement activities.

In the year ended December 31, 2024, Fortune continued its dialogue with potential strategic partners and advanced the metallurgical test work programs, engineering and permitting activities planned pursuant to its contribution funding from various government entities.

The Company has made significant progress towards achieving its milestones through the federal and Tlicho Government approvals for the NICO mine and concentrator environmental assessment, and the renewals for the land use permit and Type A water license for the NICO Mine site. The Company currently holds a land use permit for exploration and renew its other permits as required.

Activities undertaken during 2024 towards achieving the next major milestones for the NICO Project will remain the Company's focus through 2025. As it pursues this objective, the Company will strive to prudently manage capital resources and mitigate risks.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2024, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of $532,681 for salaries and benefits and consulting and/or management services when compared to $508,232 for the same period in the prior year. In addition, there were no stock options granted in the year ended December 31, 2024 when compared to $277,500, using the Black-Scholes option pricing model, for the same period in 2023. At December 31, 2024, $99,265 was owing to these related parties for services received during the period when compared to $21,853 at December 31, 2023.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at December 31, 2024:

Party [1]	Relationship	Business Purpose of Transaction				Total	
		Salaries and Benefits [4]		Consulting Services			
		Paid	Payable	Paid	Payable	Paid/Awarded	Payable
Goad, Robin [2]	President & CEO, Director	$ 6,690	$50,000	$ 240,385	$ 11,538	$ 247,075	$ 61,538
Naik, Mahendra	Director	8,527	-	-	-	8,527	-
Penney, Patricia	Interim CFO	140,395	8,827	-	-	140,395	8,827
Schryer, Richard [3]	VP Environmental & Regulatory Affairs	8,524	20,000	128,160	8,900	136,684	28,900
Total		$ 164,136	$78,827	$ 368,545	$ 20,438	$ 532,681	$ 99,265

[1] No amounts were paid or payable for the year ended December 31, 2024 for Glen Koropchuk, John McVey, David Ramsay, Edward Yurkowski and David Knight.

[2] Robin Goad is engaged to provide services of President and Chief Executive Officer of the Company pursuant to an independent consultant agreement and does not receive additional compensation for his services as a director.

[3] Richard Schryer is engaged to provide services of VP Environmental & Regulatory Affairs of the Company pursuant to an independent consultant agreement.

[4] Salaries and benefits include a base salary plus benefits that are basic in nature, require participants to contribute to the premium costs and includes certain co-pay requirements.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Interests in Mining Properties and Exploration and Development Expenditures

Mineral Reserve and Mineral Resource estimates are not precise and also depend on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ from mineral resource estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar tests;

- the grade of mineral resources may vary from time to time and there can be no assurance that any particular level of recovery can be achieved from the mineral resources; and
- declines in the market prices of contained minerals may render the mining of some or all of the Company's mineral resources uneconomic.

Going Concern Assumption

The recoverability of amounts shown for mineral properties and related exploration and development expenditures is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary permits and financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Currently, the Company does not have a source of revenue other than investment income and it has relied, primarily, on equity financings and strategic partners to fund its activities as well as contribution funding from the U.S. DoD, NRCan and Alberta Innovates for up to C$17.5 million at current exchange rates. The Company may have limited access to capital at an acceptable cost to existing shareholders depending on economic conditions from time to time. The Company had a negative working capital balance of $13,471,564 as a result of debt coming due in December 2025 and the issuance of convertible securities. The Company endeavours to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The Company will require additional financing to extinguish the debt, conduct certain critical path activities in 2025 and to advance the NICO Project to production.

Deferred Income Taxes

The Company follows the deferred tax liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income and substantively enacted tax rates. Prior to 2024, the Company completed feasibility studies and updates thereto for its principal project and is undertaking related permitting and financing activities. The benefit of certain non-capital losses, investment tax credits, undeducted share issuance costs and tax value of exploration and evaluation expenditures and capital assets in excess of book value of $140,115,000, has been offset by a valuation allowance of the same amount due to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Stock Based Compensation, Warrants and Compensation Options

The Company recognizes an expense for option awards using the fair value method of accounting. The Company also records the fair value of warrants granted through private offerings or in lieu of fees and compensation options granted using a fair-value estimate. Management estimates the fair value of stock options, warrants granted through private offerings or in lieu of fees, and compensation options using the Black-Scholes model. The Black-Scholes model, used by the Company to calculate fair values, as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options and warrants, which may significantly differ from the Company's stock option awards or warrant grants. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards. The valuation models are used to provide a reasonable estimate of fair value given the variables used.

Asset Retirement Obligations

Legal or constructive obligations associated with site restoration on the retirement of assets are recognized when they are incurred and when a reasonable estimate of the value of the obligation can be made. While the Company has not commenced commercial operations on its mining properties, certain site development and exploration activities have occurred that have given rise to a constructive obligation related to the reclamation of the site at the NICO Project. As a result, the Company has recognized an environmental rehabilitation provision for the project. Due to the uncertainty around the settlement date and measurement of potential asset retirement obligations for the Company's project, management considers the assumptions used to calculate the present value of such liabilities at each reporting period and updates the value recognized as required.

ENVIRONMENT

Fortune is committed to a program of environmental protection at its exploration sites. Fortune was in compliance with government regulations in 2024. Secured letters of credit have been provided to be held against future environmental obligations with respect to Arctos and NICO sites in the amounts of $25,000, representing 100% of the remaining Arctos JV letter of credit, and $167,569, respectively.

RISK AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in commercial production. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involves significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. In order to continue developing the projects towards commercial production, the Company will be required to make substantial additional capital investments. It is impossible to ensure that the past or proposed exploration and development programs on the properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally inherent to mining, exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability. The activities of the Company may be subject to prolonged disruptions due to weather conditions as a result of the Company's properties in northern Canada. At the proposed NICO mine, the Company is subject to increased risks relating to the dependence on ice roads to supply and equip its work programs. While the Company has obtained insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. For example, the Company has not obtained environmental insurance at its project sites to date and has limited its insured values of its assets to stated amounts approximating the estimated cash invested in its capital assets to date. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The Company has undertaken activities to reduce certain risks related to its major projects by completion of: extensive exploration and drilling programs, environmental baseline studies and environmental assessments, metallurgical test work and piloting engineering and economic studies, assisting with the development of local public infrastructure, and the planned purchase of the Alberta Hydromet Facility site and buildings.

Limited Financial Resources

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources and/or find suitable joint venture partners in order to fund the development of the NICO mine and Refinery. There is no assurance that the Company will be able to obtain such financing or joint venture partners on favourable terms or at all. Failure to obtain financing or joint venture partners could result in delay or indefinite postponement of further exploration and development of the Company's properties.

The Company's ability to raise additional funds is affected by numerous factors outside the Company's control including the global economy. The global economy is currently characterized by increased volatility and uncertainty. Particularly, the invasion of Ukraine by the Russian Federation, and the accompanying international response including economic sanctions, has been disruptive to the world economy, with increased volatility in commodity markets, international trade and financial markets, all of which have a trickle-down effect on supply chains, equipment and construction. There is substantial uncertainty about the extent to which this conflict will continue to impact global economic and financial affairs, and resulting turmoil could have a material adverse effect on the Company's ability to obtain financing and advance development of the NICO Project.

Location of Hydromet Facility
The Company does not currently own any lands on which to build the Hydromet Facility, but has entered into an option agreement to purchase a brownfield site in Alberta. The Company will have until November 2025 to complete the purchase for $6.0 million, less monthly option fees paid to extend the original option agreement deadline. Once purchased, the Company will need to work towards obtaining the necessary approvals and permits as applicable to the site.

Dependence on Key Personnel and Limited Management Team
Fortune is dependent on the services of its senior executives including the President and Chief Executive Officer, Chief Financial Officer, and other skilled and experienced consultants and employees. The loss of such individuals could have a material adverse effect on Fortune's operations. Fortune will need to supplement its existing management team in order to bring any of its projects into production.

Fluctuating Prices
Factors beyond the control of the Company may affect the marketability of cobalt, bismuth, gold, copper or any other minerals discovered. The prices of such commodities have fluctuated widely and are affected by numerous factors beyond the Company's control such as economic downturns, commodity supply shortages, weather events, political instability, and changes in exchange and interest rates. The effect of these factors cannot accurately be predicted. Further, there is opportunity for the product mix of cobalt and bismuth from the NICO Project to be adjusted to produce products with varying prices depending on the market.

Permits and Licenses
The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to expiration, change in regulations and other circumstances. There can be no assurance that the Company will be able to obtain all licenses and permits required to carry out future exploration, development and mining operations at its projects.

Competition
The mining and mineral exploration business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including other resource companies with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties, acquisition of mining equipment and related supplies, and the attraction and retention of qualified personnel. The Company will be constrained in its ability to manage the cost of salaries at the NICO mine and the Refinery during construction and operations as Fortune may be competing for labour with the much larger diamond mining companies operating in the Northwest Territories, oil sands projects in Alberta and potash companies operating in Saskatchewan. There is no assurance that the Company will continue to be able to compete successfully in the acquisition of building materials, sourcing equipment or hiring people.

Environmental and Climate Change Regulation
The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental contamination. A breach of such legislation may result in the

imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The Company has carried out and completed significant environmental baseline studies and environmental monitoring to position the Company to successfully complete required environmental assessments; however, despite this, the Company has not been able to obtain certain environmental certificates in a timely manner due to the complexities of the regulatory requirements and processes. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The impacts of international or domestic climate agreements, carbon taxes and other potential climate change legislation are difficult to predict and are not yet fully understood, including impacts on capital and operating costs.

Indigenous Title and Rights Claims

Indigenous title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The lands that surround the NICO leases are owned by the Tlicho Government pursuant to the terms of an agreement (the "Tlicho Agreement") negotiated among the federal government, the GNWT and the Tlicho Government. The Company is not aware of any Indigenous land claims having been formally asserted or any legal actions relating to Indigenous issues having been instituted with respect to the NICO mine other than certain treaty rights established by the Tlicho Agreement. The Company is aware of certain First Nations that claim certain title and rights with respect to Crown properties related to the Company's projects that may or may not be formally asserted with the Crown in order to seek comprehensive land claim settlements.

The Company has a right of access to the NICO mine site under the Tlicho Agreement with the Crown and Tlicho Government, and an Access Agreement was also entered into in 2019 between the Tlicho Government and the Company for the purposes of constructing an access road through Tlicho territory to the NICO mine site. The Company has a Socio Economic agreement with the GNWT. The Company is aware of the mutual benefits afforded by co-operative relationships with Indigenous communities in conducting exploration and development activities and is supportive of measures established to achieve such cooperation including preferential hiring practices, local business development activities, involvement in environmental stewardship and other forms of accommodation. The Company previously entered into a Cooperative Relationship Agreement and Environmental Assessment Funding Agreement with the Tlicho Government. The Company is committed to open and constructive dialogue with Indigenous communities and stakeholders and will continue to make every effort to increase Indigenous employment and business through its human resources and supply chain policies. However, certain challenges with respect to timely decision making may be encountered when working with Indigenous governments as a result of the limited number of key individuals in leadership positions, turnover of leadership personnel and delays while elections are held. It will also be necessary for the Company to negotiate and enter into appropriate participation agreements with relevant Indigenous Governments in order to bring its projects into production and there is no assurance that the Company will be able to negotiate such agreements on favourable terms or at all. In addition, other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers or land claims by Indigenous peoples, and title may be affected by undetected encumbrances or defects or government actions.

Estimates of Mineral Reserves and Resources May Not be Realized

The Mineral Reserve and Mineral Resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. However, through extensive investment in exploration drilling, test mining, bulk sampling, engineering planning and pilot plant testing, the Company has substantially mitigated and reduced these risks. There is a risk that minerals recovered in small-scale laboratory and large-scale pilot plant tests will be materially different under on-site conditions or in production scale operations. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations.

The Company has engaged expert independent technical consultants to advise it with respect to Mineral Reserve and Mineral Resource and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

Health and Safety Matters
The Company's exploration projects are affected by various laws and regulations, including those which cover health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures. The Company has successfully implemented policies and procedures relating to health and safety matters at its project sites and has a good safety record to date.

FINANCIAL INSTRUMENTS

As at the date hereof, the Company's financial instruments consist of: cash and cash equivalents, reclamation security deposits, and accounts receivable which are financial assets designated as financial assets at amortized cost, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method; accounts payable and accrued liabilities, lease liability and long-term debts, which are financial liabilities designated as financial liabilities at amortized cost, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method and convertible security designated as financial liabilities at fair value through profit or loss, measured at fair value and revalued at each reporting period. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

During the year ended December 31, 2024 and 2023, profit and losses associated with each financial instrument are as follows:

	Impact on Profit (Loss)	
	2024	**2023**
Current debt	(1,102,062)	(1,282,436)
Convertible security	(243,198)	—

ADDITIONAL INFORMATION

Additional information relating to the Company, including its annual information form, is available on SEDAR+ at www.sedarplus.ca.

SHARE DATA

As at the date hereof, the Company has:

1. 528,136,865 common shares issued and outstanding;
2. 48,698,174 warrants outstanding which entitle the holders to purchase one common share at various prices between $0.036 and $0.10 and expiring at various dates between June 15, 2025 and December 23, 2029; and
3. stock options outstanding to purchase an aggregate of 22,800,000 common shares expiring at various dates until August 23, 2026 and exercisable at various prices between $0.045 and $0.105 per common share.

All stock options have vested as at the date hereof.

INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

Disclosure Controls and Procedures
The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2024. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2024 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting
The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2024. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2024 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

The control framework used to design and assess the effectiveness of the Company's internal controls over financial reporting is the *Internal Control - Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company assesses internal controls over financial reporting on an ongoing basis and, where determined appropriate, proactively implements enhancements to the design of controls required to support anticipated changes to and growth of the business. Due to operational, financial and administrative changes planned to occur as the Company transforms from an exploration company to a producer, changes will be required to the Company's internal controls over financial reporting in order to maintain reasonable assurance regarding the reliability of the Company's financial reporting and preparation of financial statements.

No material weaknesses in the Company's internal controls over financial reporting were identified during the year ended December 31, 2024 and there have been no changes made to such internal controls that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

The disclosure of scientific and technical information contained in this MD&A has been approved by Robin Goad, M.Sc., P.Geo., President and Chief Executive Officer of Fortune, who is a "Qualified Person" under National Instrument 43-101.

This document contains certain forward-looking information. This forward-looking information includes, among other things, statements regarding the anticipated development of the NICO Project, including the building or acquisition of a Hydromet Facility in western Canada, purchase of a brownfield site in Lamont County in Alberta's Industrial Heartland Association pursuant to the Option to Purchase Agreement and the expected results of the technical report updating the 2014 Feasibility Study. With respect to forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to acquire an existing site in Lamont County, Alberta for the NICO Project Hydromet Facility or acquire land suitable for the construction of such a facility, the Company's ability to obtain the necessary financing to develop and operate the NICO Project and the related Hydrome Facility, the ability of the Company to obtain all necessary regulatory approvals for the construction and operation of the NICO Project and the related Hydromet Facility, the Company's ability to purchase the brownfield site in Lamont County in Alberta's Industrial Heartland and the timing thereof and the timing of the update of the 2014 Feasibility Study and the results thereof. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward-looking information include: the risk that the Option to Purchase Agreement and its extension may not result *in the purchase* of a *brownfield site in Lamont County in Alberta's Industrial Heartland, the risk that the Company may not be able to carry on operating or to develop, construct and operate the NICO Project, including the related hydrometallurgical refinery; the risk that the Company may not be able to acquire an existing Hydromet Facility or otherwise acquire land suitable for the for the construction of such a facility; uncertainties with respect to the receipt or timing of required permits and agreements for the development of the NICO Project, including the related Hydromet Facility; the risk that the update to the 2014 Feasibility Study may not be completed within the time frame anticipated and may not generate improved economics for the NICO Project to the extent anticipated; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; the inherent risks involved in the exploration and development of mineral properties and in the mining industry in general; uncertainties associated with estimating mineral resources and even if such resources prove accurate the risk that such resources may not be converted into mineral reserves, once economic conditions are applied; labour shortages; workplace accidents; the cost and timing of expansion activities; changes in applicable laws or regulations; competition for, among other things, capital and skilled personnel; unforeseen geological, technical, drilling and processing problems; compliance with and liabilities under environmental laws and regulations; changes to the Company's current business strategies and objectives; and other factors, many of which are beyond the Company's control. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.*

Consolidated Financial Statements

Fortune Minerals Limited

December 31, 2024 and 2023

RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"]. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise as they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis given currently available information to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and its members are outside directors. The Committee meets with management as well as the external auditors to discuss auditing matters and financial reporting issues and to review the consolidated financial statements, the Management's Discussion and Analysis and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements for the years ended December 31, 2024 and 2023 have been audited by McGovern Hurley LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Company's shareholders. The external auditors have free access to the Audit Committee.

[Signed]
Robin Goad
President and
Chief Executive Officer

[Signed]
Patricia Penney
Interim Chief
Financial Officer

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Fortune Minerals Limited

Opinion

We have audited the consolidated financial statements of Fortune Minerals Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our 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 consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 consolidated financial statements, which indicates that the Company's current liabilities exceeded its current assets as at December 31, 2024 and that further funding is required. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

McGovern Hurley

Key audit matter	How our audit addressed the key audit matter
Convertible security	
We draw attention to Note 12 of the consolidated financial statements. Management concluded that the convertible security included a conversion option and buy-back option that were embedded derivatives. Management designated the entire hybrid contract as a financial liability instrument measured at fair value through profit or loss. Management estimates the fair value of the convertible security by using complex valuation models and an external valuation expert. We identified the valuation of the fair value of the convertible security as a key audit matter, as it requires a high degree of management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements	Our audit procedures included, but were not limited to: - Review of the underlying agreement and assessment of management's accounting analysis associated with the convertible security. - We evaluated management's external valuator's expertise, independence and methodology used for the valuation. - Assessment of the reasonableness of the fair values of the warrants and the convertible security by an internal valuation expert as at each measurement date by developing point estimates and by comparing these point estimates to management's estimates. - Reviewed the appropriateness of the disclosures in the consolidated financial statements with regards to the convertible security.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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.

McGovern Hurley

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 31, 2025

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

As at	**December 31, 2024**	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents *[note 9]*	**1,592,329**	673,635
Accounts receivable *[note 3]*	**730,276**	26,328
Prepaid expenses	**154,060**	59,772
Total current assets	**2,476,665**	759,735
Reclamation security deposits *[note 6]*	**199,982**	199,329
Deposits on property and equipment *[note 3i]*	**1,937,500**	355,000
Property and equipment *[note 7]*	**200,878**	246,781
Total assets	**4,815,025**	1,560,845
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	**588,203**	187,451
Lease liability *[note 11]*	**58,484**	53,399
Flow-through share premium	**—**	201,427
Current debt *[note 10]*	**10,278,992**	9,274,663
Convertible security *[note 12]*	**2,286,658**	—
Deferred government grants *[note 3]*	**2,735,892**	—
Total current liabilities	**15,948,229**	9,716,940
Provision for environmental rehabilitation *[note 6]*	**156,551**	138,671
Lease liability *[note 11]*	**110,720**	169,204
Total liabilities	**16,215,500**	10,024,815
SHAREHOLDERS' DEFICIENCY		
Share capital and warrants *[note 4]*	**182,527,005**	182,028,274
Other reserves *[notes 4iii, 5]*	**17,431,528**	17,258,719
Deficit	**(211,359,008)**	(207,750,963)
Total shareholders' deficiency	**(11,400,475)**	(8,463,970)
Total liabilities and shareholders' deficiency	**4,815,025**	1,560,845

See accompanying notes to the consolidated financial statements
See note 2 going concern uncertainty
Commitments and contingencies [notes 10, 11, 12 and 20]

[Signed] *[Signed]*

Robin Goad
Director

Mahendra Naik
Director

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

For the years ended December 31,	**2024**	2023
EXPENSES		
Exploration and evaluation expenditures *[note 3]*	**1,391,503**	379,445
General and administrative	**971,011**	845,041
Stock-based compensation *[note 5]*	**—**	303,740
Interest	**1,114,663**	1,297,423
Corporate development	**149,870**	92,709
Amortization *[note 7]*	**66,534**	69,865
Gain on modification of debt *[note 10]*	**(157,733)**	(125,379)
Change in fair value of convertible security *[note 12]*	**82,090**	—
Amortization of deferred day 1 loss of convertible security *[note 12]*	**161,108**	—
Total expenses	**3,779,046**	2,862,844
INCOME		
Interest and other income *[note 14]*	**171,001**	12,270
Total income	**171,001**	12,270
Net loss and comprehensive loss for the year	**(3,608,045)**	(2,850,574)
Basic and diluted loss per share *[note 18]*	(0.01)	(0.01)

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

For the years ended December 31,

	2024	2023
OPERATING ACTIVITIES		
Net loss for the year from continuing operations	**(3,608,045)**	(2,850,574)
Add (deduct) items not involving cash		
Debt forgiveness	—	(20,000)
Unrealized foreign exchange	**79,700**	—
Amortization *[note 7]*	**66,534**	69,865
Flow-through share premium	**(201,427)**	(4,945)
Stock-based compensation *[note 5]*	**—**	303,740
Interest expense on debentures and loans payable *[note 10]*	**1,102,062**	1,282,436
Interest expense on lease liability *[note 11]*	**12,601**	22,853
Change in fair value related to provision for environmental rehabilitation *[note 6]*	**17,880**	113,155
Gain on modification of debt *[note 10]*	**(157,733)**	(125,379)
Change in fair value of convertible security *[note 12]*	**82,090**	—
Proceeds from government assistance *[note 3]*	**2,656,192**	—
Amortization of deffered day 1 loss of convertible security *[note 12]*	**161,108**	—
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(703,948)**	55,755
Prepaid expenses	**(94,288)**	(7,806)
Accounts payable and accrued liabilities	**400,752**	(52,299)
Cash provided (used) in operating activities	**(186,522)**	(1,213,199)
INVESTING ACTIVITIES		
Purchase of property and equipment *[note 7]*	**(20,631)**	—
Deposits on property and equipment *[note3[i]]*	**(1,582,500)**	(165,000)
Posting of security for reclamation security deposits *[note 6]*	**(653)**	(20,594)
Cash used in investing activities	**(1,603,784)**	(185,594)
FINANCING ACTIVITIES		
Lease payments *[note 11]*	**(66,000)**	(5,500)
Proceeds on issuance of units	**—**	2,064,100
Share issuance costs	—	(168,679)
Proceeds on issuance of debt *[note 10]*	**100,000**	110,000
Debt issuance costs	—	(6,143)
Convertible promissory note proceeds *[note 12]*	**2,825,000**	—
Convertible secuirty fees *[note 12]*	**(110,000)**	—
Repayment of corporate facility *[note 10[d]]*	**(40,000)**	—
Cash provided by financing activities	**2,709,000**	1,993,778
Decrease in cash and cash equivalents during the year, net	**918,694**	594,985
Cash and cash equivalents, beginning of the year	**673,635**	78,650
Cash and cash equivalents, end of the year *[note 9]*	**1,592,329**	673,635
Cash and cash equivalents is comprised of the following;		
Cash on hand and balances with banks	**1,588,148**	174,635
Short-term investments	**4,181**	499,000
Supplemental Cash Flow Disclosure		
Warrants issued for long-term debts	—	829
Issuance of broker warrants	—	55,700
Shares for debt settlement	—	68,365
Conversion of convertible security	**671,540**	68,365

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(expressed in Canadian dollars)

	Common shares		Warrants		Subtotal	Other reserves	Deficit (Note 3)	Total shareholders' deficiency
	#	$	#	$	$	$	$	$
December 31, 2022	**459,751,506**	**180,098,532**	**10,025,750**	**431,499**	**180,530,031**	**16,694,979**	**(204,900,389)**	**(7,675,379)**
Issued as a result of:								
Private offerings *[notes 4i[a][b][c]]*	39,892,356	1,838,058	23,892,356	294,407	2,132,465	—	—	2,132,465
Broker warrants *[notes 4i[a][c]]*	—	—	2,023,000	55,700	55,700	—	—	55,700
Warrants as part of debt issue *[note 4ii[b]]*	—	—	2,100,000	829	829	—	—	829
Flow-through share premium *[note 4i.[b]]*	—	(206,372)	—	—	(206,372)	—	—	(206,372)
Share issuance costs *[notes 4i[a][b][c]]*	—	(172,111)	—	(52,268)	(224,379)	—	—	(224,379)
Stock options granted *[note 5]*	—	—	—	—	—	303,740	—	303,740
Expiration of warrants *[note 4ii[c]]*	—	—	(4,500,000)	(260,000)	(260,000)	260,000	—	—
Net income for the year	—	—	—	—	—	—	(2,850,574)	(2,850,574)
December 31, 2023	**499,643,862**	**181,558,107**	**33,541,106**	**470,167**	**182,028,274**	**17,258,719**	**(207,750,963)**	**(8,463,970)**
Issued as a result of:								
Conversion of convertible security *[note 12]*	11,875,408	671,540	—	—	671,540	—	—	671,540
Warrants issued as part of convertible security *[note 12]*	—	—	28,838,174	—	—	—	—	—
Expiration of warrants *[note 4ii[a]]*	—	—	(5,525,750)	(172,809)	(172,809)	172,809	—	—
Net loss for the year	—	—	—	—	—	—	(3,608,045)	(3,608,045)
December 31, 2024	**511,519,270**	**182,229,647**	**56,853,530**	**297,358**	**182,527,005**	**17,431,528**	**(211,359,008)**	**(11,400,475)**

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

1. CORPORATE INFORMATION

Fortune Minerals Limited's business activity is the exploration and development of mineral properties in Canada. Fortune Minerals Limited is incorporated under the laws of Ontario, domiciled in London, Ontario, Canada, and its shares are publicly traded on the Toronto Stock Exchange ["TSX"] and the OTCQB in the United States.

The consolidated financial statements of Fortune Minerals Limited ["the Company"] for the year ended December 31, 2024, were authorized for issuance by the Board of Directors on March 31, 2025.

2. BASIS OF PRESENTATION

i. *Statement of Compliance*

These consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

ii. *Going Concern of Operations*

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of the Company's assets and discharge of its liabilities and commitments in the normal course of business. With the Company's negative working capital of $13,471,564 on December 31, 2024 [2023 - $8,957,205], which includes $10,278,992 related to debt maturing on December 31, 2025 [2023 - $9,274,663], the Company will require additional further funding to repay these debts. The NICO project also requires further funding to advance the project through to production. This results in the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. The Company has historically been successful in financing its activities, however, there can be no assurances that the Company will be able to obtain continued support from existing lenders or obtain sufficient financing on terms acceptable to management to be able to meet its current liabilities as they come due. These consolidated financial statements do not include adjustments, which may be material, to the amounts and classification of assets and liabilities that would be necessary should the going concern principle not be appropriate.

iii. *Title Risk*

The Company is in the process of exploring its mineral property and the recoverability of the amounts expended on its mineral property is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to exploration properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to other licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

iv. *Basis of Consolidation*

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Fortune Minerals Limited is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. These financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations [“JO”] and joint ventures [“JV”]. A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. As at December 31, 2024 and 2023, the Company assessed its investment in Arctos Anthracite as a JV, and has accounted for it under the equity method. During the years ended December 31, 2024 and 2023, the Arctos JV did not have any assets or liabilities other than the reclamation security deposit, for which the Company is solely responsible for [Notes 3ii and 6].

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

v. *Basis of Measurement*

These consolidated financial statements are presented in Canadian dollars [“CDN”], which is also the Company’s and its subsidiaries’ functional currency.

These consolidated financial statements reflect the financial position and results of operations of the Company and its wholly owned subsidiaries Fortune Minerals NWT Inc. [“FMNWT”], Fortune Minerals Saskatchewan Inc. [“FMSI”], Fortune Coal Limited [“FCL”], and Fortune Minerals Mining Limited [“FMML”]. The Arctos Anthracite Joint Venture [“Arctos JV’] is accounted for as a joint operation and FCL recognizes its 50% interest in the assets, liabilities, income, loss, and expenses. All intercompany transactions and balances have been eliminated upon consolidation.

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

vi. *Judgments and Estimates*

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results, however, may differ from the estimates used in the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

[a] *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

[b] *Share-based payments and warrants*

Management estimates the values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

[c] *Discount rates and lease terms used in application of IFRS 16, Leases*

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment. To determine the appropriate lease term, management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease. Changes in the assumptions used may have a significant effect on the consolidated financial statements.

[d] *Estimation of decommissioning and reclamation costs and timing of expenditure*

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

[e] *Valuation of financial instruments*

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its long-term debts. The fair values are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

[f] *Estimated useful lives and depreciation of property and equipment and right-of-use assets*

Depreciation and amortization of property and equipment and right-of-use assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

[g] *Impairment of property and equipment and right-of-use assets*

The assessment of any impairment on property and equipment and right-of-use assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal ["FVLCD"] and value in use ["VIU"], management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset-specific risks.

[h] *Going concern*

The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company’s ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 2ii.

[i] *Convertible Securities*

The initial value of the convertible security was determined by valuing the components of the hybrid financial instrument, including the host debt, the conversion option and the buy-back option, which required a number of assumptions. The significant assumptions used in determining the value of the convertible security include the discount rate used in the discounted cash flow of the host debt. In determining the appropriate discount rate, the Company considered rates of benchmark yields based on management’s assessment of the Company’s credit rating. The fair value of the conversion option as well as the buy-back option were determined using complex valuation models, such as the Geometric Brownian motion. Management used significant judgement in determining that the fair value on the convertible security on issuance did not equal the transaction price. The resulting difference between the transaction price and the fair value on initial recognition (the “Day 1 loss”) was deferred as the fair value of the convertible security is based on a valuation technique where not all the inputs are observable. The unrecognized Day 1 loss was recorded in net loss only to the extent that it arises from a change in factor that market participants would take into account when pricing the convertible security. The Company believes that time is such a factor specific to the convertible security and the Day 1 loss is recognized on a straight-line basis in the statement of loss over the contractual life of the convertible security.

3. EXPLORATION AND EVALUATION EXPENDITURES

Payments of cash and common shares pursuant to option agreements, costs of staking and all expenditures on exploration and evaluation activities are recorded as exploration and evaluation expenses until it has been established that a mineral property is commercially viable and technically feasible.

Exploration and evaluation expenditures incurred by the Company on its properties during the years ended December 31, 2024 and 2023 were spent on the projects as follows:

	December 31, 2024	December 31, 2023
NICO	$2,609,824	$ 375,990
Other Projects	2,830	3,455
Government assistance	(1,221,151)	—
Total exploration and evaluation expenditures	**$ 1,391,503**	**$ 379,445**

The Company recognizes government grants given on eligible expenditures when it is reasonably assured that the Company will comply with the conditions attached to them and the grants will be received. Grants are recognized as either income over the period(s) necessary to match them with the related costs or if related to a specific expense, as a reduction to the expenses for which they are intended to reimburse. Grants receivable for costs already incurred or for immediate financial support, with no future related costs, are recognized as income in the period in which the grant is receivable. If a grant becomes repayable, it is treated as a change in estimate. Where the original grant related to income, the repayment would be applied first against any related unamortized deferred credit, and any excess would be expensed. Where the original grant related to an asset, the repayment would be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation which would have been charged had the grant not been received would be charged as an expense.

During the year ended December 31, 2024, the Company received a total of $3,281,180 [2023 - $nil] of government funding from Natural Resources Canada, Alberta Innovates and the United States Department of Defense for the advancement of the NICO project.

During the year ended December 31, 2024, the Company had received $1,157,877 of funding it was ineligible to receive. The Company has recorded these amounts as deferred government grants until such time as they can be applied against eligible expenditures or repaid.

The Company has netted $1,221,151 [2023 - $nil] of government funding received and receivable against exploration and evaluation expenditures in the period in which the eligible expenditure were incurred. At December 31, 2024, $628,442 of government funding was receivable and received subsequent to the year end.

i. NICO Project, Northwest Territories [“NICO”]

The NICO project and the related leases in the Marian River Area, Northwest Territories are wholly owned by the Company.

In January 2022, the Company entered into an option to purchase a brownfield site in Alberta [the “2022 Option”]. The site was formerly a steel fabrication plant, and the Company had until July 2022 to carry out additional due diligence and complete the purchase for $5.5 million. A non-refundable deposit of $100,000 was paid as part of the 2022 Option. In July 2022, the Company entered into an extension to the 2022 Option extending the option to September 30, 2022, in consideration for the payment of $15,000 per month, deductible from the purchase price, provided the option has not been exercised on or before the date the consideration is due. The 2022 Option is also subject to the Vendor’s right to list the property, subject to Fortune’s right of first refusal or to complete the option purchase for any month an extension payment has been made at the agreed purchase price. The option had been extended on several occasions on the same terms as the original extension and expired on June 28, 2024.

Effective August 1, 2024, the Company has entered into a new option agreement to purchase the brownfield site. Pursuant to the new option agreement [the "2024 Option"], the Company has the option to acquire the site for $6,000,000 until November 30, 2025. The monthly option payments during the term are $100,000. All of the amounts previously paid by the Company on account of the 2022 Option and 2024 Option are deductible from the purchase price. During the year ended December 31, 2024, the Company had made total option and option extension payments of $1,582,500 [2023 - $165,000]. As at December 31, 2024, the Company has paid a total of $1,937,500 [2023 - $355,000] in deposits.

ii. Arctos Anthracite Project, British Columbia [“Arctos”]

On May 1, 2015, the Comp any, FCL, Posco Canada Ltd. [“POSCAN”] and POSCO Klappan Coal Ltd. [“POSCO Klappan”] entered into an agreement [the “Arctos Sale Agreement”] with Her Majesty the Queen in Right of the Province of British Columbia [the "Province"] and British Columbia Railway Company ["BC Rail"] pursuant to which the Arctos JV sold its interests of the coal licenses comprising the Arctos project to BC Rail.

The Company, FCL, POSCAN and POSCO Klappan also entered into an Amendment to Exploration, Development and Mine Operating Joint Venture Agreement [“Amended Agreement”] to restructure the Arctos JV and share the proceeds from the sale of the Arctos coal licenses on an equal basis after purchasing the royalty held by the previous owner of the property. Pursuant to the Amended Agreement, FCL transferred 30% of its interest in the Arctos JV to POSCO Klappan, thereby reducing its interest from 80% to 50%, in exchange for the elimination of the future capital contribution to be made by FCL. The Company was made solely responsible for reclamation of the Arctos property except for the access road for which the Province will be responsible. The Company was entitled to receive the cash provided as security for its reclamation obligations once the reclamation was completed. Management considers the reclamation to be completed and is awaiting the return of the remainder of the security deposit.

Going forward, under the Arctos Sale Agreement, the Arctos JV partners maintain the exclusive right to purchase back the coal licenses at the same price for a 10-year option period, expiring May 1, 2025. If both partners do not wish to exercise the repurchase option, each of them may do so individually. No value was attributed to the option at the time of the agreement or as at December 31, 2024.

4. SHARE CAPITAL AND RESERVES

The Company’s common shares, share warrants, stock options 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 taxes, from the proceeds.

Any premium between the amount recognized in common shares and the amount that investors pay for flow-through shares is recognized as a liability, which is recognized as income on flow-through share premium when the eligible expenditures have been renounced.

i. Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of December 31, 2024, the weighted average number of common shares outstanding was 504,324,343 [December 31, 2023 - 472,850,054].

[a] On February 3, 2023, March 6, 2023, and March 15, 2023, the Company entered into subscription agreements to sell 2,846,643, 714,285 and 4,331,428 units respectively, raising gross cash proceeds of $484,100. Each unit consists of one common share and one common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 for two years from the date of issuance. The fair value of the shares and warrants issued was $436,268 and $116,197, respectively. The value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility between 76.27% and 76.66%, risk free interest rate between 3.50% and 4.22% and expected life of two years. Of the units issued, 976,643 were issued in lieu of 11 months of rent on the Company's leased office, with a fair value of $68,365. Finder's fees of $18,410 was earned on the transactions and settled in cash and the issuance of 263,000 warrants. The estimated fair value of these warrants was $10,000. These warrants have an exercise price of $0.07 and can be exercised within two years of issuance. The value of these warrants was estimated using the Black-Scholes option pricing model using the same assumptions as above. Share issuance costs of $65,290 were incurred to complete the financing.

[b] On June 15, 2023, the Company entered into a flow-through agreement to issue 10,000,000 units, at a price of $0.07 per share for aggregate gross proceeds of $700,000. Each unit consists of one common share and one-half common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 for two years from the date of issuance. The estimated fair value of the shares and warrants issued was $450,000 and $43,628, respectively. The value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 71.96%, risk free interest rate of 4.49% and expected life of two years. The total flow-through share premium recognized was $206,372, calculated as the difference between the market price of the Company's shares on the day the flow-through financing closed and the price that the investor paid for the shares. Share issuance costs of $17,465 were incurred to complete the financing.

[c] On December 14, 2023, the Company entered into a flow-through agreement to issue 22,000,000 units, at a price of $0.04 per share for aggregate gross proceeds of $880,000. Each unit consists of one common share and one-half common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.07 for two years from the date of issuance. The estimated fair value of the shares and warrants issued was $745,418 and $134,582, respectively. The value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 99.23%, risk free interest rate of 3.91 % and expected life of two

years. There was no flow-through share premium recognized as the market price of the Company's shares on the day the flow-through financing closed was lower than the price that the investor paid for the shares. Finder's fees of $70,400 was earned on the transactions and settled in cash and the issuance of 1,760,000 warrants. The estimated fair value of these warrants was $45,700. These warrants have an exercise price of $0.05 and can be exercised within two years of issuance. The value of these warrants was estimated using the Black-Scholes option pricing model using the same assumptions as above. Share issuance costs of $141,624 were incurred to complete the financing.

ii. Share Purchase Warrants

The following is a summary of changes in warrants for the year ended December 31,

	2024			2023		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of year	**33,541,106**	**$**	**0.08**	10,025,750	$	0.10
Issue of warrants *[note 12]*	**28,838,174**	**$**	**0.06**	28,015,356		0.08
Expiry of Warrants *[notes 4ii[a][c]]*	**(5,525,750)**	**$**	**0.09**	(4,500,000)		0.11
Warrants outstanding, end of year	**56,853,530**	**$**	**0.07**	33,541,106	$	0.08

The following is a summary of the outstanding warrants for year ended December 31, 2024 and December 31, 2023;

Outstanding Warrants December 31, 2024	Outstanding Warrants December 31, 2023	Expiry Date	Exercise Price $
—	1,667,000	August 26, 2024	0.10
—	3,858,750	December 2, 2024	0.08
2,846,643	2,846,643	February 3, 2025	0.10
35,000	35,000	February 3, 2025	0.07
714,285	714,285	March 6, 2025	0.10
4,331,428	4,331,428	March 15, 2025	0.10
228,000	228,000	March 15, 2025	0.07
5,000,000	5,000,000	June 15, 2025	0.10
2,100,000	2,100,000	October 27, 2025	0.04
11,000,000	11,000,000	December 14, 2025	0.07
1,760,000	1,760,000	December 14, 2025	0.05
12,500,000	—	May 21, 2029	0.07
16,338,174	—	December 23, 2029	0.06
56,853,530	33,541,106		

[a] During the year ended December 31, 2024, 5,525,750 warrants with an average exercise price of $0.09 expired unexercised. These warrants had a value of $172,809.

[b] On October 27, 2023, the Company issued 2,100,000 warrants as partial consideration for the advance of a loan. One warrant entitles the holder to purchase one common share of the Company for $0.036 on or before October 27, 2025. The estimated fair value of these warrants was $829. The value of the warrants was estimated as the difference between the present value of the loan and the proceeds received on issuance.

[c] During the year ended December 31, 2023, 4,500,000 warrants with an exercise price of $0.11 expired unexercised. These warrants had a value of $260,000.

[d] Subsequent to December 31, 2024, 7,892,356 and 263,000 warrants with an exercise price of $0.10 and $0.07, respectively, expired unexercised.

iii. Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's Consolidated Statements of Financial Position include 'Other Reserves', 'Deficit' and 'Accumulated Other Comprehensive Income'.

'Other Reserves' is used to recognize the value of stock option grants and amendments and expiration of share purchase warrants.

'Deficit' is used to record the Company's change in deficit from earnings from year to year.

5. STOCK-BASED COMPENSATION

The Company has a fixed stock-based compensation plan, approved by the shareholders at the Company's annual meeting held on June 22, 2005. The plan was most recently confirmed and approved at the Company's annual meeting held on June 28, 2023. Under the plan, the Company may grant options to eligible individuals for up to 10% of the issued and outstanding common shares, subject to certain conditions. As at December 31, 2024, the Company has 28,351,927 [2023 – 21,264,386] options available for grant in addition to any options issued and outstanding. The exercise price of each option is equal to or higher than the market price of the Company's stock on the date of grant. The plan does not provide for a maximum term. Options are granted and their terms determined at the discretion of the Board of Directors.

The Company recognizes an expense for option awards using the fair value method of accounting based on the Black-Scholes model. The fair value of stock options granted is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately. Stock-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services received cannot be reliably measured, and are measured and recorded at the date the goods or services are received.

The estimated fair value of the options granted during the year ended December 31, 2023 was $303,740. The options granted have a maximum term of three years and vested immediately. The value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 83.11%, based on historical share data, risk free interest rate of 4.45% and expected life of 3 years.

A summary of the status of the Company's stock option plan as at December 31, 2024 and December 31, 2023, and changes during the years ended on those dates are presented below:

	December 31, 2024		December 31, 2023	
	Number of shares	**Weighted-average exercise price**	Number of shares	Weighted-average exercise price
	#	**$**	#	$
Options outstanding, beginning of year	**28,200,000**	**0.08**	17,950,000	0.10
Issued	—	—	12,150,000	0.05
Expired	**(5,400,000)**	**0.10**	(1,900,000)	0.11
Options outstanding, end of year	**22,800,000**	**0.07**	28,200,000	0.08
Options vested and outstanding, end of year	**22,800,000**	**0.07**	28,200,000	0.08

The following tables summarizes information about the options outstanding as at December 31, 2024 and 2023:

December 31, 2024

Range of exercise prices	**Number outstanding**	**Number vested and outstanding**	**Weighted average exercise price – all [i]**	**Weighted average remaining contract life – all [i]**
$	#	#	$	years
Nil – 0.11	22,800,000	22,800,000	0.07	1.05

[i] The weighted average exercise price and weighted average remaining contract life are the same for options outstanding and options vested and outstanding.

December 31, 2023

Range of exercise prices	**Number outstanding**	**Number vested and outstanding**	**Weighted average exercise price – all [i]**	**Weighted average remaining contract life – all [i]**
$	#	#	$	years
Nil – 0.11	28,200,000	28,200,000	0.08	1.67

[i] The weighted average exercise price and weighted average remaining contract life are the same for options outstanding and options vested and outstanding.

6. PROVISION FOR ENVIRONMENTAL REHABILITATION AND SECURITY DEPOSITS

Provision is made for asset retirement, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, resulting in a legal or constructive obligation to the Company. Although the ultimate amount of the environmental rehabilitation provision is uncertain, the estimate of these obligations is based on information currently available including the most recently estimated mine life, estimated future expenditures, discount rate, inflation rate and applicable regulatory requirements. Significant closure activities include primarily land rehabilitation for impacts to date.

The provision for environmental rehabilitation and key assumptions are as follows:

	December 31, 2024	December 31, 2023
NICO Project		
Estimated remaining life	**22 years**	**22 years**
Discount rate	**3.33%**	**3.0%**
Average inflation rate	**3.00%**	**2.1%**
Total provision for environmental rehabilitation	**$ 156,551**	**$ 138,671**

The Company has provided reclamation security deposits in the form of a letter of credit in favour of the Government of the Northwest Territories and the Province for NICO and Arctos, respectively, in the amounts of $167,569 and $25,000, respectively.

The following is an analysis of the provision for environmental rehabilitation:

Balance, December 31, 2022	$	25,516
Effect of changes in the inflation and discount rate		113,155
Balance, December 31, 2023	$	138,671
Effect of changes in the inflation and discount rate		17,880
Balance, December 31, 2024	$	156,551

Reclamation security deposits consist of the following:

	December 31, 2024	December 31, 2023
	Deposit amount $	Deposit amount $
NICO Project	**172,150**	**172,649**
Arctos Anthracite Project	**27,832**	**26,680**
Total Net Book Value	**199,982**	**199,329**

The security for the reclamation of the Arctos Anthracite Project is held in the Arctos JV. The Company expects this amount to be released once the Province has completed its reclamation work plan review. The security held for the NICO and Arctos reclamation security deposits consists of cash balances and highly liquid money market funds in investment accounts with a large Canadian financial institution.

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less accumulated amortization and impairment losses.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately are capitalized. Amortization of corporate property and equipment and property and equipment used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of property and equipment at each consolidated statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset. Amortization of right-to-use assets are recorded using the straight line method over the useful life of the asset.

The carrying values of property and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ["CGUs"] for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of loss.

The assets are amortized at the following rates:

Asset class	**Rate of amortization %**
Surface facilities	20
Furniture and fixtures	20 to 30
Camp structures	30
Mobile equipment	30
Computer equipment	30
Site furniture and equipment	30
Software	35
Right-to-use asset	straight line over the lease term

Property and equipment consist of the following for the years ending December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Corporate property and equipment [a]	**167,198**	202,583
Property and equipment at NICO [b]	**33,680**	44,198
Total property and equipment	**$ 200,878**	$ 246,781

[a] Corporate property and equipment

	Computer equipment $	**Furniture and fixtures $**	**Software $**	**Right-to-use Assets $**	**Total $**
Cost					
As at December 31, 2023	177,042	107,363	328,690	353,367	966,462
Additions	20,631	—	—	—	20,631
As at December 31, 2024	**197,673**	**107,363**	**328,690**	**353,367**	**987,093**
Accumulated amortization					
As at December 31, 2023	172,430	102,640	324,746	164,063	763,879
Amortization for the year	3,210	945	1,380	50,481	56,016
As at December 31, 2024	**175,640**	**103,585**	**326,126**	**214,544**	**819,895**
Net book value					
As at December 31, 2023	4,612	4,723	3,944	189,304	202,583
As at December 31, 2024	**22,033**	**3,778**	**2,564**	**138,823**	**167,198**

	Computer equipment $	**Furniture and fixtures $**	**Software $**	**Right-to-use Assets $**	**Total $**
Cost					
As at December 31, 2022	177,042	107,363	328,690	353,367	966,462
As at December 31, 2023	**177,042**	**107,363**	**328,690**	**353,367**	**966,462**
Accumulated amortization					
As at December 31, 2022	170,398	101,459	322,623	113,582	708,062
Amortization for the year	2,032	1,181	2,123	50,481	55,817
As at December 31, 2023	**172,430**	**102,640**	**324,746**	**164,063**	**763,879**
Net book value					
As at December 31, 2022	6,644	5,904	6,067	239,785	258,400
As at December 31, 2023	**4,612**	**4,723**	**3,944**	**189,304**	**202,583**

[b] Property and equipment at NICO

	Surface facilities $	Camp structures $	Mobile equipment $	Site furniture and equipment $	Asset retirement obligation ["ARO"] $	Total $
Cost						
As at December 31, 2023	1,179,717	593,724	609,813	53,369	6	2,436,629
As at December 31, 2024	**1,179,717**	**593,724**	**609,813**	**53,369**	**6**	**2,436,629**
Accumulated amortization						
As at December 31, 2023	1,152,312	592,763	601,006	46,350	—	2,392,431
Amortization for the year	5,482	288	2,642	2,106	—	10,518
As at December 31, 2024	**1,157,794**	**593,051**	**603,648**	**48,456**	**—**	**2,402,949**
Net book value						
As at December 31, 2023	27,405	961	8,807	7,019	6	44,198
As at December 31, 2024	**21,923**	**673**	**6,165**	**4,913**	**6**	**33,680**

	Surface facilities $	Camp structures $	Mobile equipment $	Site furniture and equipment $	Asset retirement obligation ["ARO"] $	Total $
Cost						
As at December 31, 2022	1,179,717	593,724	609,813	53,369	6	2,436,629
As at December 31, 2023	**1,179,717**	**593,724**	**609,813**	**53,369**	**6**	**2,436,629**
Accumulated amortization						
As at December 31, 2022	1,145,459	592,351	597,231	43,342	—	2,378,383
Amortization for the year	6,853	412	3,775	3,008	—	14,048
As at December 31, 2023	**1,152,312**	**592,763**	**601,006**	**46,350**	**—**	**2,392,431**
Net book value						
As at December 31, 2022	34,258	1,373	12,582	10,027	6	58,246
As at December 31, 2023	**27,405**	**961**	**8,807**	**7,019**	**6**	**44,198**

8. EXPENSES BY NATURE

	December 31, 2024	December 31, 2023
Employee and contractor compensation and benefits (i)	**$ 865,721**	$ 753,016
Interest expense on lease liability	**12,601**	22,853
Stock-based compensation	**—**	303,740
Amortization	**66,534**	69,865
Other	**1,291**	497

(i) $442,032 [2023 - $468,070], $380,949 [2023 - $209,802] and $42,740 [2023 - $75,144] of employee and contractor compensation benefits are included in general and administrative, exploration and evaluation and corporate development expenses, respectively, on the consolidated statements of loss and comprehensive loss

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid money market funds and cashable guaranteed investment certificates.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments in order to have funds available on a short-term basis. Where cash is not expected to be required in the short-term, the policy is to invest in investments with an intermediate to long-term horizon that still allows for conversion to cash, if required.

10. CURRENT DEBT

	December 31, 2024	December 31, 2023
Debenture *[a]*	**6,718,929**	6,079,818
Loan *[b]*	**3,341,514**	3,047,619
Loan *[c]*	**218,549**	107,226
CEBA *ii[d]*	—	40,000
Total current debts	**$ 10,278,992**	$ 9,274,663

[a] The Company has a $5,298,651 secured debenture outstanding as of December 31, 2024. The debenture is secured by all of the assets of the Company, including the NICO Project. The debenture bears interest at 10% per annum, compounding monthly, and both principal and interest are payable at maturity. The loan matures on December 31, 2025.

On September 30, 2024, the holder of the debenture agreed to extend the maturity date from December 31, 2024 to December 31, 2025. The extension is not considered a substantial modification. As a result, the debenture was restated to the net present value of the revised cash flows using the original effective interest rate of 10%. As the effective interest rate equates the coupon rate, there was no gain or loss on the modification.

For the year ended December 31, 2024, $639,111 [2023 **-** $572,058] was recognized as accretion expense using the effective interest rate method.

The debenture is summarized as follows for the years ended December 31, 2024 and December 31, 2023:

		December 31, 2024		December 31, 2023
Debenture	**$**	**6,079,818**	$	5,507,760
Accretion		**639,111**		572,058
	$	**6,718,929**	$	6,079,818

[b] The Company has a secured loan agreement for $2,750,000 outstanding as of December 31, 2024. The loan is secured by the NICO leases. The loan bears interest at 9% per annum,

compounding annually and both principal and interest are payable at maturity. The loan matures on December 31, 2025.

On September 30, 2024, the holder of the loan agreed to extend the maturity date from December 31, 2024 to December 31, 2025. The extension is not considered a substantial modification. As a result, the debenture was restated to the net present value of the revised cash flows using the original effective interest rate of 14.5%. A gain on modification of debt of $146,680 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the years ended December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Loan	**$ 3,047,619**	**$ 2,469,183**
Accretion	**440,575**	**703,815**
Gain on modification	**(146,680)**	**(125,379)**
	$ 3,341,514	**$ 3,047,619**

For the year ended December 31, 2024, $440,575 [2023 - $703,815] was amortized to interest expense using the effective interest rate method.

[c] The Company has a secured loan agreement for a maximum amount of $250,000, of which $210,000 has been drawn down as at December 31, 2024. The loan is secured by the NICO leases. The loan bears interest at 9% per annum, compounding annually and both principal and interest are payable at maturity. The loan matures on December 31, 2025.

On September 30, 2024, the holder of the loan agreed to extend the maturity date from December 31, 2024 to December 31, 2025. The extension is not considered a substantial modification. As a result, the debenture was restated to the net present value of the revised cash flows using the original effective interest rate of 14.5%. A gain on modification of debt of $11,053 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the years ended December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Loan	**$ 107,226**	**$ 104,977**
Advance	**100,000**	—
Accretion	**22,376**	**2,249**
Gain on modification	**(11,053)**	—
	$ 218,549	**$ 107,226**

For the year ended December 31, 2024, $22,376 [2023 - $2,249] was amortized to interest expense using the effective interest rate method.

[d] The Company received a $60,000 loan through the Canada Emergency Business Account program ["CEBA"] in 2020. The CEBA was launched by the Government of Canada in response to the global COVID-19 health crisis and has been implemented by financial institutions in cooperation with Export Development Canada.

The CEBA loan was fully repaid by January 18, 2024, and as a result of fully repaying the loan by the deadline, one third, or $20,000, of the loan was forgiven. The $20,000 was recorded at December 31, 2023 as an offset to general and administrative expenses.

The following is a summary of the changes in the loans for the year ended December 31, 2024 and 2023:

		2024		2023
Balance, beginning of year	$	9,274,663	$	7,976,943
Additions		100,000		110,000
Debt issuance cost		—		(6,413)
Warrants issued with new debt		—		(829)
Modifications		(157,733)		(125,379)
Long-term debt reclassfied to current		—		40,000
Repayment of debt		(40,000)		—
Interest and accretion		1,102,062		1,280,341
Balance, end of year	$	10,278,992	$	9,274,663

11. LEASES

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less.

Lease liabilities are initially measured at present value of the contractual payments due to the lessor over the lease term and also include, if applicable, amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised. Subsequent measurement of the lease liability is increased as a result of interest charged based on an effective interest rate and reduced by lease payments made.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognized where the Company is contractually required to dismantle, remove, or restore the leased asset. Right-of-use assets are amortized on a straight-line basis over the term of the lease.

The Company entered into a lease agreement effective September 25, 2020, to lease office space for a term of two years with 5 subsequent renewal periods of one year each and monthly lease payments of $5,000 increasing at an annual rate of 3%. The Company recorded a Right-to-use Asset [ROU Asset] in property and equipment [Note 7] and corresponding lease liability. The ROU Asset is being amortized over the term of the lease, including the estimated extension of the lease terms. Effective September 2022, the Company renewed its lease for a 2-year term. The Company is currently paying month to month.

The lease liability is summarized as follows for the year ended December 31,

		2024		2023
Opening balance	**$**	**222,603**	$	271,250
Interest Expense		**12,601**		17,353
Lease Payments		**(66,000)**		(66,000)
	$	**169,204**	$	222,603
Current portion of lease liability	**$**	**58,484**	$	53,399
Long-term portion of lease liability	**$**	**110,720**	$	169,204

12. CONVERTIBLE SECURITY

The initial fair value of the convertible security was determined by valuing the components of the hybrid financial instrument, including the principal liability component. conversion option component and buy-back feature. The liability component does not meet the fixed for fixed criterion as the security is convertible at a variable share price. The entire hybrid instrument has been recorded at its estimated fair value with the fair value being estimated using the Geometric Brownian motion model. Subsequent to initial recognition, changes in fair value are recorded through the consolidated statement of loss. As part of the instrument, the Company issued warrants to the lender. The warrants meet the criteria to be recorded as equity and were assigned a value of $nil, being the residual value remaining after deducting the fair value from the proceeds received.

On May 21, 2024, the Company entered into a convertible security funding agreement with Lind Global Fund II, LP (“Lind”) for initial proceeds [the “First Tranche”] of $1,250,000 and a potential additional amount of up to $10,000,000 of convertible securities. On December 23, 2024, the Company issued an additional convertible security for an amount [the "Second Tranche"] of $1,575,000.

The convertible securities may be converted to common shares of the Company at a rate of no more than $66,668 and $100,000 of the face value of principal amount of the First and Second Tranche, respectively, in any given month and at a price per share equal to 80% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date. Lind reserves the right at any time to increase the conversion limit to $900,000 and $250,000 in relation to the First and Second Tranche, providing that increased amounts do not exceed 20% of the aggregate trading volume of the shares for the immediately proceeding twenty days.

The Company has the right to buy-back the outstanding face value of the loan face value at any time for an amount equal to 105% of amount outstanding. If the Company elects to exercise its buy-back rights, Lind will have the option to convert up to 33% of such face value to common shares of the Company at the price that is equal to 80% of the volume weighted average price per share for the five consecutive trading days immediately prior.

The convertible security agreement contains a clause that allows Lind to convert an unlimited amount of the outstanding balance to shares under certain market capitalization or cash balance events. As at December 31, 2024, the Company's market capitalization fell below the $27,000.000 level qualifying as a market capitalization event with respect to the First Tranche. Management considered the holder's' ability to convert up to $250,000 of face value of principal per month in the classification of the Second Tranche as a current liability. As a result, the Company has classified the First and Second Tranche of the convertible security as a current liability in the consolidated financial statements at December 31, 2024.

On May 21, 2024, the Company executed the First Tranche for an initial principal amount of $1,600,000, due two years from the date of issuance, maturing on May 21, 2026. The First Tranche is secured by all of the assets of the Company. The First Tranche includes covenants that the Company must comply with on a regular basis, and as at December 31, 2024, the Company believes it has met the covenants.

In relation to the First Tranche, the Company issued to Lind, 12,500,000 common share purchase warrants at an exercise price of $0.065 for a term of 60 months from the date of issuance, expiring May 24, 2029.

On the issuance date, the fair value of the First Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 127.7% based on historical volatility of the Company's common shares, risk-free rate of 4.24%, share price on issuance date of $0.09 and expected life of 2 years. The fair value of the First Tranche of the convertible security is $1,595,038, which resulted in a loss of $395,038 compared to proceeds received of $1,200,000, net of the first closing fee of $50,000. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss, but rather should be deferred against the convertible security and realized over the term of the convertible security, as factors that a market participant would include in pricing the instrument including time, become observable.

On December 23, 2024, the Company drew down an additional principal amount of $1,890,000, the Second Tranche, due two years from the date of issuance, maturing on December 23, 2026. The Second Tranche is secured by all of the assets of the Company. The Second Tranche includes covenants that the Company must comply with on a regular basis, and as at December 31, 2024, the Company has met the covenants.

In relation to the Second Tranche, the Company issued to Lind, 16,338,174 common share purchase warrants at an exercise price of $0.061 for a term of 60 months from the date of issuance, expiring December 23, 2029.

On the issuance date, the fair value of the Second Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 133.17% based on historical volatility of the Company's common shares, risk-free rate of 3.01%, share price on issuance date of $0.05 and expected life of 2 years. The fair value of the Second Tranche of the convertible security is $1,753,226, which resulted in a loss of $233,226 compared to proceeds received of $1,515,000, net of the second closing fee of $60,000. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss, but rather should be deferred against the convertible security and realized over the term of the convertible security, as factors that a market participant would include in pricing the instrument including time, become observable.

The Company has recorded the convertible security at fair value through profit and loss. The convertible security has been recorded at Level 3 in the fair value hierarchy.

During the year ended December 31, 2024, 11,875,408 shares with a book value of $671,540, have been issued pursuant to conversions to shares under the convertible security agreement,

The fair value of the Convertible Security as at December 31, 2024 is as follows;

Convertible Security	**Tranche #1**	**Tranche #2**	**Total**
Issued at fair value	$ 1,595,038	$1,753,226	$ 3,348,264
Early conversions	(671,540)	—	(671,540)
Loss (gain) on fair value adjustment	87,391	(5,301)	82,090
Balance at year end	1,010,889	1,747,925	2,758,814
Unrecognized Day 1 Loss	(395,038)	(238,226)	(633,264)
Recognized loss during the year	158,561	2,547	161,108
Balance at end of year	(236,477)	(235,679)	(472,156)
Total balance at end of year	$ 774,412	$1,512,246	$ 2,286,658

Subsequent to December 31, 2024, the Company issued 16,617,595 shares on conversion of a portion of the outstanding convertible security.

13. FINANCIAL INSTRUMENTS

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss [“FVTPL”], at fair value through other comprehensive income (loss) [“FVTOCI”] or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading and the convertible security are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company classified cash, cash equivalents, reclamation security deposits, amounts receivable, accounts payable and accrued liabilities, lease liability, current and long-term debt and deferred government grants at amortized cost.

(ii) Measurement

Financial assets and liabilities at amortized cost

- Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost, using the Effective Interest Rate method, less any impairment.

Financial assets and liabilities at FVTPL

- Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

(iii) 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 if 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 loss and comprehensive 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.

(iv) Derecognition

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.

Financial liabilities

- The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and /or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(v) Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The Company is exposed to risks through its operations that arise from its use of financial instruments, which include credit risk, commodity price risk, liquidity risk and foreign exchange risk. Under the normal course of operations, the Company's management believes that these risks are minimal due to the nature of the financial instruments. The principal financial instruments used by the Company, from which financial instrument risk arises, are cash and cash equivalents, reclamation security deposits, amounts receivable, accounts payable and accrued liabilities, lease liability, and current debts.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the years ended December 31, 2024 and 2023.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and cash equivalents, reclamation security deposits and amounts receivable. Cash and cash equivalents and reclamation security deposits are held with major banks in Canada. Amounts receivable are due from the governments of Canada and the United States. Management believes that the credit risk with respect to its financial instruments is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2024, the Company's current assets of $2,476,665 [2023 - $759,735] were not sufficient to settle current liabilities. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk.

i. Financial instruments by category

Financial assets

	Financial assets at amortized cost	
	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 1,592,329	$ 673,635
Reclamation security deposits	199,982	199,329
Amounts receivable	730,276	26,328
Total financial assets	$ 2,522,587	$ 899,292

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Accounts payable and accrued liabilities	$ —	$ —	$ 588,203	$ 187,451
Lease liability	—	—	169,204	222,603
Current debts	—	—	10,278,992	9,274,663
Convertible security	2,286,658	—	—	—
Total financial liabilities	$ 2,286,658	—	$ 11,036,399	$ 9,684,717

ii. Financial instruments at amortized cost

The fair value of the Company's cash and cash equivalents, reclamation security deposits, amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair value of the lease liability measured at amortized cost has a fair value of approximately $164,000 [2023 - $220,000] estimated using an 8% discount rate. The fair value of the current debt measured at amortized cost has a fair value of approximately $9,116,000 [2023 - $9,070,000] estimated using a 14.5% discount rate.

iii. Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	Level 3	
	December 31, 2024	December 31, 2023
Convertible security	$ 2,286,658	—

There were no transfers between levels during the year.

The Company determined the estimated fair value of the convertible security using the Geometric Brownian motion model. Note 12 outlines the key assumptions used by the Company in determining the estimated fair values of its convertible security.

The fair value sensitivity for changes in the most significant key assumptions are as follows:

Fair value impact of changing the discount rate +/-10% would change the fair value of the convertible security by +/- $24,000.
Fair value impact of changing the volatility by +/-10% would change the fair value of the convertible security by +/- $34,000.

iv. Contractual maturities of financial liabilities

The following table details the Company’s contractual maturities for its financial liabilities as at December 31, 2024. Payments due by year are as follows:

		December 31, 2024			
	Total	2025	2026	2027	Greater than 3 years
Accounts payable and accrued liabilities	$ 588,203	$ 588,203	$ —	$ —	$ —
Lease liability	182,000	66,660	68,660	46,680	—
Provision for environmental rehabilitation	167,569	—	—	—	167,569
Current debt	8,258,651	8,258,651	—	—	—
Accrued interest on current debt	3,217,957	3,217,957	—	—	—
Convertible security	2,850,000	—	2,850,000	—	—
	$15,264,380	$ 12,131,471	$2,918,660	$ 46,680	$ 167,569

14. INTEREST AND OTHER INCOME

Interest and other income consist of the following for the years ended December 31,

	2024	2023
Interest income	**$ 20,144**	$ 7,822
Foreign exchange loss	**(50,570)**	(497)
Flow-through share premium income	**201,427**	4,945
Total Interest and Other Income	**$ 171,001**	$ 12,270

15. INCOME TAXES

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the year-end date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

The Company has non-capital loss carryforwards totaling $60,885,000, net capital loss carryforwards of $20,167,000, un-deducted debt and share issuance costs of $360,000 and unused investment tax credits on pre-production mining costs of $1,974,000. The non-capital losses will begin to expire in 2026. The benefit of certain non-capital losses and undeducted share issuance costs has been recorded in the consolidated financial statements only to the extent of existing taxable temporary differences. The potential benefits of these carry-forward non-capital losses, capital losses, and other deductible temporary differences have not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2024 **$**	December 31, 2023 $
Unrecognized deferred tax assets		
Non-capital loss carry-forwards	**60,885,000**	57,870,000
Share issue costs	**360,000**	239,000
Mineral property costs	**65,069,000**	45,318,000
Other temporary differences	**13,801,000**	14,275,000
Total temporary differences	**140,115,000**	117,702,000

The reconciliation of income taxes computed at the statutory income tax rates to the provision for (recovery of) income taxes is as follows:

	December 31, 2024 **$**	December 31, 2023 $
Combined federal and provincial/state income tax rate	**26.50%**	26.50%
(Loss) before income taxes	**(3,608,045)**	(2,850,574)
Corporate income tax recovery at statutory rate	**(956,000)**	(756,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	**33,000**	21,000
Flow-through renunciation	**393,000**	—
Other	—	355,000
Tax value of loss carryforwards not recognized	**530,000**	380,000
	—	—

16. MANAGEMENT OF CAPITAL

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and associated forecasts or budgets are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use of its capital, except for in relation to the Second Tranche of the convertible security, whereby the Company will be in default if the cash falls below $250,000. In order to maximize ongoing development efforts, the Company does not pay out dividends currently.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

17. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2024 and 2023, the Company paid key management personnel including officers, directors or their related entities for salaries and benefits and consulting services and/or management services.

The following compensation was earned by key management personnel for services provided during the year ended:

	December 31, 2024	December 31, 2023
Salaries and benefits	**$ 172,963**	$ 172,395
Consulting services	**458,983**	357,690
Fair value of stock options granted	—	277,500
	$ 631,946	$ 807,585

As at December 31, 2024, $99,265 [2023 - $21,853] was owing to key management personnel for services provided during the year. The outstanding amounts are unsecured, not-interest bearing with no fixed terms of repayment.

18. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year by the weighted average number of common shares outstanding in each respective year. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants is the same as basic loss per share. For the 2024 and 2023 years presented, the conversion of stock options and warrants was not included in the diluted loss per share calculation because the calculation would be anti-dilutive.

		December 31, 2024		December 31, 2023
Net loss	**$**	**(3,608,045)**	**$**	**(2,850,574)**
Weighted average number of common shares		**504,324,343**		**472,850,054**
Basic loss per share	**$**	**(0.01)**	**$**	**(0.01)**

19. STANDARDS, AMENDMENTS, AND INTERPRETATIONS

i. New accounting standards adopted by the Company on January 1, 2024

- IAS 1 – Presentation of Financial Statements ["IAS 1"] – effective for the December 31, 2024 year end. This standard has been adopted by the Company and there is no significant impact on the Company's consolidated financial statements.

ii. Future accounting standards

The Company has not yet determined the full extent of the impact of the following new standards, amendments, and interpretations, which have not been applied in these consolidated financial statements:

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statement to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

20. COMMITMENT AND CONTINGENCIES

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

21. FLOW-THROUGH SHARES

Upon the issuance of flow-through shares ("F-T Shares"), the Company records the initial proceeds to share capital, net of tax liability, if any. The flow-through share premium liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow- through share financing. The financial liability pertaining to the premium is recognized in the statement of loss consistent with expenditure renunciations. As the Company incurs eligible Canadian Exploration Expenditures ("CEE") to meet flow-through requirements, a corresponding flow-through share premium recovery is recognized in the statement of loss pro-rata as the expenditures are incurred.

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issued flow-through common shares on eligible qualifying CEE. Certain interpretations are required to assess the eligibility of flow-through expenditures that if changed, could result in the denial of renunciation.

The Company has indemnified current and previous flow-through subscribers for any tax and related costs payable by them in the event the Company does not incur the required exploration expenditures. No amounts have been recorded in these financial statements for potential liabilities relating to these indemnities as a triggering event has not taken place.