Interim Condensed Consolidated Financial Statements

Fortune Minerals Limited

June 30, 2026

Fortune Minerals Limited

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

unaudited

As at	**June 30, 2026**	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents *[note 9]*	**2,296,791**	2,257,451
Accounts receivable *[note 3]*	**625,756**	1,534,337
Prepaid expenses	**153,938**	142,380
Total current assets	**3,076,485**	3,934,168
Reclamation security deposits *[note 6]*	**206,437**	204,643
Property and equipment *[note 7]*	**6,125,616**	6,154,575
Total assets	**9,408,538**	10,293,386
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities *[note 17]*	**360,287**	698,637
Lease liability *[note 11]*	**61,089**	63,923
Current debt *[note 10]*	**3,826,391**	15,255,153
Convertible security *[note 12]*	**9,294,513**	2,432,280
Deferred government grants *[note 3]*	**1,421,095**	1,678,847
Total current liabilities	**14,963,375**	20,128,840
Provision for environmental rehabilitation *[note 6]*	**151,226**	148,369
Lease liability *[note 11]*	**18,017**	46,797
Total liabilities	**15,132,618**	20,324,006
SHAREHOLDERS' DEFICIENCY		
Share capital and warrants *[note 4]*	**197,563,757**	187,421,910
Other reserves *[note 5]*	**18,326,854**	18,431,124
Deficit	**(221,614,691)**	(215,883,654)
Total shareholders' deficiency	**(5,724,080)**	(10,030,620)
Total liabilities and shareholders' deficiency	**9,408,538**	10,293,386

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

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

unaudited

For the three and six months ended June 30,	**2026**	2025	**2026**	2025
EXPENSES				
Exploration and evaluation expenditures *[note 3]*	**(191,237)**	116,061	**1,009,243**	129,042
General and administrative	**332,858**	195,933	**486,878**	400,469
Stock-based compensation *[note 5]*	—	754,330	**—**	754,330
Interest *[note 10 and 11]*	**177,537**	298,138	**564,933**	588,618
Corporate development	**82,186**	9,045	**147,554**	19,165
Depreciation *[note 7]*	**15,682**	16,664	**31,346**	33,329
Loss on extinguishment of debt *[note 10]*	**2,329,611**	—	**2,329,611**	—
Loss on modification of debt *[note 10]*	—	—	**1,648**	—
Change in fair value of convertible security *[note 12]*	**545,591**	344,273	**655,518**	678,141
Amortization of deferred day 1 loss of convertible security *[note 12]*	**279,399**	102,407	**466,914**	222,132
Total expenses	**3,571,627**	1,836,851	**5,693,645**	2,825,226
INCOME				
Interest and other income *[note 14]*	**2,713**	64,150	**(37,392)**	79,281
Total income	**2,713**	64,150	**(37,392)**	79,281
Net loss and comprehensive loss for the year	**(3,568,914)**	(1,772,701)	**(5,731,037)**	(2,745,945)
Basic and diluted loss per share *[note 18]*	**0.01**	0.00	**(0.01)**	(0.01)

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

unaudited

For the six months ended June 30,	**2026**	2025
OPERATING ACTIVITIES		
Net loss for the year from continuing operations	**(5,731,037)**	(2,745,945)
Add (deduct) items not involving cash		
Debt forgiveness		
Unrealized foreign exchange		
Amortization *[note 7]*	**31,346**	33,329
Stock-based compensation *[note 5]*	**—**	754,330
Interest expense on debentures and loans payable *[note 10]*	**412,258**	584,522
Interest expense on lease liability *[note 11]*	**1,386**	4,096
Posting of security for reclamation security deposits *[note 6]*	**(1,794)**	(2,518)
Loss on extinguishment of debt *[notes 4 and 10]*	**2,329,611**	—
Change in fair value related to provision for environmental rehabilitation *[note 6]*	**2,857**	2,606
Loss on modification of debt *[note 10]*	**1,648**	—
Change in fair value of convertible security *[note 12]*	**655,518**	678,141
Amortization of deferred day 1 loss of convertible security *[note 12]*	**466,914**	222,132
Changes in non-cash working capital balances related to operations		
Accounts receivable	**908,581**	336,920
Prepaid expenses	**(11,558)**	43,024
Accounts payable and accrued liabilities	**(338,350)**	(197,374)
Change in government receivable, net *[note 3]*	**(257,752)**	(211,039)
Cash used in operating activities	**(1,530,372)**	(497,776)
INVESTING ACTIVITIES		
Purchase of capital assets *[note 7]*	**(2,387)**	—
Deposits on land and building	**—**	(600,000)
Cash used in investing activities	**(2,387)**	(600,000)
FINANCING ACTIVITIES		
Lease payments *[note 11]*	**(33,000)**	(33,000)
Proceeds on exercise of options	**163,750**	—
Convertible security proceeds *[note 12]*	**10,000,000**	—
Convertible security fees *[note 12]*	**(300,000)**	—
Repayment of debt	**(8,258,651)**	—
Cash provided in financing activities	**1,572,099**	(33,000)
Decrease in cash and cash equivalents during the year, net	**39,340**	(1,130,776)
Cash and cash equivalents, beginning of the year	**2,257,451**	1,592,329
Cash and cash equivalents, end of year *[note 9]*	**2,296,791**	461,553
Cash and cash equivalents is comprised of the following;		
Cash on hand and balances with banks	**2,292,527**	457,372
Short-term investments	**4,264**	4,181
Supplemental Cash Flow Disclosure		
Conversion of convertible security	**3,960,199**	1,610,959

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(expressed in Canadian dollars)

unaudited

	Common shares		Warrants		Subtotal	Other reserves	Deficit (Note 3)	Total shareholders' deficiency
	#	$	#	$	$	$	$	$
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)**
Issued as a result of:								
Conversion of convertible security *[note 12]*	27,777,601	1,610,959	—	—	1,610,959	—	—	1,610,959
Stock options granted *[note 5]*	—	—	—	—	—	754,330	—	754,330
Expiration of warrants *[note 4ii[c]]*	—	—	(13,155,356)	(147,116)	(147,116)	147,116	—	—
Net loss for the year	—	—	—	—	—	—	(2,745,945)	(2,745,945)
June 30, 2025	**539,296,871**	**183,840,606**	**43,698,174**	**150,242**	**183,990,848**	**18,332,974**	**(214,104,953)**	**(11,781,131)**
December 31, 2025	**593,264,271**	**187,421,910**	**44,479,467**	**—**	**187,421,910**	**18,431,124**	**(215,883,654)**	**(10,030,620)**
Issued as a result of:								
Private offerings *[notes 4i[a][b][c]]*	35,840,170	5,913,628	—	—	5,913,628	—	—	5,913,628
Conversion of convertible security *[note 12]*	35,609,287	3,960,199	—	—	3,960,199	—	—	3,960,199
Warrants issued as part of convertible security *[note 12]*	—	—	28,801,843	—	—	—	—	—
Exercise of stock options *[note 5]*	3,150,000	268,020	—	—	268,020	(104,270)	—	163,750
Net loss for the year	—	—	—	—	—	—	(5,731,037)	(5,731,037)
June 30, 2026	**667,863,728**	**197,563,757**	**73,281,310**	**—**	**197,563,757**	**18,326,854**	**(221,614,691)**	**(5,724,080)**

See accompanying notes to the consolidated financial statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2026

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 interim condensed consolidated financial statements of Fortune Minerals Limited ["the Company"] for the six months ended June 30, 2026, were authorized for issuance by the Board of Directors on August 13, 2026.

2. BASIS OF PRESENTATION

i. *Statement of Compliance*

These interim condensed consolidated financial statements of the Company have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ["IASB"] and in accordance with International Accounting Standard ["IAS"] 34, *Interim Financial Reporting*.

ii. *Going Concern of Operations*

These interim condensed 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 $11,886,890, on June 30, 2026 [December 31, 2025 - $16,194,672], which includes $3,826,391 related to debt due on demand [December 31, 2025 –$15,255,153], the Company will require additional further funding to repay this debt on demand. 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 interim condensed 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 interim condensed 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 interim condensed 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 June 30, 2026, the Company assessed its investment in Arctos Anthracite as a JV, and has accounted for it under the equity method. During the six months ended June 30, 2026, 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 interim condensed consolidated financial statements have been prepared on a historical cost basis. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

v. *Basis of Measurement*

These interim condensed consolidated financial statements are presented in Canadian dollars ["CDN"], which is also the Company's and its subsidiaries' functional currency.

These interim condensed 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 Alberta Inc. ["FMAI"] [formerly Fortune Minerals Saskatchewan Inc.], 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 interim condensed consolidated financial statements, unless otherwise indicated.

vi. *Judgments and Estimates*

The preparation of interim condensed 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 interim condensed 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 interim condensed 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

Exploration and evaluation expenditures incurred by the Company on its properties during the three and six months ended June 30, 2026 and 2025 were spent on the projects as follows:

	Three months ended June 30, 2026	**Six months ended June 30, 2026**
NICO	$1,894,710	$3,712,645
Other	2,830	2,830
Government awards	(1,526,453)	(2,706,232)
Total exploration and evaluation expenditures	**$371,087**	$ 1,009,243

	Three months ended June 30, 2025	**Six months ended June 30, 2025**
NICO	$779,435	$1,523,586
Other	2,255	2,255
Government awards	(665,629)	(1,396,799)
Total exploration and evaluation expenditures	**$ 116,061**	**$ 129,042**

During the six months ended June 30, 2026, the Company received a total of $3,476,963 [2025 - $2,143,503] 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 six months ended June 30, 2026, the Company has netted $2,706,232 [2025 - $1,396,799] and $191,803 [2025 - $82,755] of government funding received and receivable against exploration and evaluation expenditures and general and administrative expenses, respectively, in the period in which the eligible expenditures were incurred. Grants received in advance of incurring the eligible expenditures are recorded to deferred government grants in the statement of financial position. There was no government funding received during the year related to an asset.

At June 30, 2026, $468,080 [2025 - $298,088] of government funding was receivable.

i. NICO Project

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2026

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

On May 1, 2015, the Company, 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 completed the vast majority of the reclamation and most of the reclamation security was released by the B.C. Government. A $25,000 amount is still being held pending the removal of a pallet of sand and cement from the airstrip at the site (completed subsequent to June 30, 2026) after which the BC Government indicates the remainder will be released.

4. SHARE CAPITAL AND RESERVES

i. Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of June 30, 2026, the weighted average number of common shares outstanding was 622,270,798 [December 31, 2025 - 548,948,128].

[a] On April 30, 2026, the Company issued 35,840,170 common shares at a deemed price of $0.10 per share to settle the interest accrued as at April 30, 2026 on the debt which was settled on the same date (see Note 10). The fair value of the shares at the time of settlement was $5,913,628 and the carrying value of the accrued interest at the time of settlement was $3,584,017. The difference has been recorded as a loss on extinguishment of debt in the consolidated statements of loss and comprehensive loss.

ii. Share Purchase Warrants

The following is a summary of changes in warrants for the six months ended June 30;

	2026			2025		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of period	**44,479,467**	**$**	**0.08**	56,853,530	$	0.07
Issue of warrants	**28,801,843**	**$**	**0.23**	—		—
Expiry of Warrants	—		—	(13,155,356)		0.10
Warrants outstanding, end of period	**73,281,310**	**$**	**0.14**	43,698,174	$	0.06

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2026

The following is a summary of the outstanding warrants for six months ended June 30, 2026 and June 30, 2025;

Outstanding Warrants June 30, 2026	Outstanding Warrants June 30, 2025	Expiry Date	Exercise Price $
—	2,100,000	October 27, 2025	0.04
—	11,000,000	December 14, 2025	0.07
—	1,760,000	December 14, 2025	0.05
12,500,000	12,500,000	May 21, 2029	0.07
16,338,174	16,338,174	December 23, 2029	0.06
15,641,293	—	July 31, 2030	0.11
28,801,843	—	April 30, 2031	0.23
73,281,310	43,698,174		

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 and Deficit.

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

A summary of the status of the Company's stock option plan as at June 30, 2026 and December 31, 2025, and changes during the periods ended on those dates are presented below:

	June 30, 2026		December 31, 2025	
	Number of shares #	**Weighted-average exercise price $**	Number of shares #	Weighted-average exercise price $
Options outstanding, beginning of period	**29,550,000**	**0.06**	22,800,000	0.07
Granted	—	—	17,650,000	0.07
Expired	—	—	(10,650,000)	0.105
Exercised	**(3,150,000)**	**0.05**	(250,000)	0.045
Options outstanding, end of period	**26,400,000**	**0.06**	29,550,000	0.06
Options vested and outstanding, end of period	**26,400,000**	**0.06**	29,550,000	0.06

The following tables summarizes information about the options outstanding as at June 30, 2026:

June 30, 2026

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 – 0.075	26,400,000	26,400,000	0.06	1.14

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

During the six months ended June 30, 2026, 3,150,000 options with a book value of $104,270 were exercised for gross proceeds of $163,500.

Subsequent to June 30, 2026, 2,250,000 options were exercised raising gross proceeds of $101,250.

6. PROVISION FOR ENVIRONMENTAL REHABILITATION AND SECURITY DEPOSITS

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:

	June 30, 2026	December 31, 2025
NICO Project		
Estimated remaining life	**21 years**	**22 years**
Discount rate	**3.85%**	**3.85%**
Average inflation rate	**3.00%**	**3.00%**
Total provision for environmental rehabilitation	**$ 151,226**	**$ 148,369**

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.

Reclamation security deposits consist of the following:

	June 30, 2026 **Deposit amount** **$**	December 31, 2025 Deposit amount $
NICO Project	**177,680**	176,143
Arctos Anthracite Project	**28,757**	28,500
Total Net Book Value	**206,437**	204,643

The security for the reclamation of the Arctos Anthracite Project is held in the Arctos JV. 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 consist of the following for the periods ending June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
Corporate property and equipment [a]	**82,435**	108,406
Property and equipment at NICO [b]	**6,043,181**	6,046,169
Total property and equipment	**$ 6,125,616**	$ 6,154,575

[a] Corporate property and equipment

	Computer equipment $	**Furniture and fixtures $**	**Software $**	**Right-to-use Assets $**	**Total $**
Cost					
As at December 31, 2025	197,673	105,443	328,690	353,367	985,173
Additions	1,280	1,107	—	—	2,387
As at June 30, 2026	**198,953**	**106,550**	**328,690**	**353,367**	**987,560**
Accumulated depreciation					
As at December 31, 2025	182,250	102,469	327,023	265,025	876,767
Depreciation for the period	2,419	407	292	25,240	28,358
As at June 30, 2026	**184,669**	**102,876**	**327,315**	**290,265**	**905,125**
Net book value					
As at December 31, 2025	15,423	2,974	1,667	88,342	108,406
As at June 30, 2026	**14,284**	**3,674**	**1,375**	**63,102**	**82,435**

[b] Property and equipment at NICO

	Buildings $	Land $	Surface facilities $	Camp structures $	Mobile equipment $	Site furniture and equipment $	Asset retirement obligation ["ARO"] $	Total $
Cost								
As at December 31, 2025	4,267,625	1,752,775	1,179,717	593,724	609,813	53,369	6	8,457,029
As at June 30, 2026	**4,267,625**	**1,752,775**	**1,179,717**	**593,724**	**609,813**	**53,369**	**6**	**8,457,029**
Accumulated depreciation								
As at December 31, 2025	—	—	1,162,180	593,252	605,498	49,930	—	2,410,860
Depreciation for the period	—	—	1,754	70	648	516	—	2,988
As at June 30, 2026	—	—	**1,163,934**	**593,322**	**606,146**	**50,446**	**—**	**2,413,848**
Net book value								
As at December 31, 2025	4,267,625	1,752,775	17,537	472	4,315	3,439	6	6,046,169
As at June 30, 2026	**4,267,625**	**1,752,775**	**15,783**	**402**	**3,667**	**2,923**	**6**	**6,043,181**

8. EXPENSES BY NATURE

	June 30, 2026	June 30, 2025
Employee and contractor compensation and benefits (i)	**$ 683,780**	$ 527,747
Interest expense on lease liability	**1,386**	4,096
Depreciation	**31,346**	33,329
Foreign exchange (gain) loss	**66,509**	(64,625)

(i) $247,316 [2025 - $210,417], $377,028 [2025 - $307,614] and $59,436 [2025 - $9,716] 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

<u>Current Debt</u>

	June 30, 2026	December 31, 2025
Debenture *[a]*	—	7,424,470
Loan *[b]*	—	3,765,049
Loan *[c]*	—	247,180
Mortgage *[d]*	**3,826,391**	3,818,454
Total current debts	**$ 3,826,391**	$ 15,255,153

[a] On April 22, 2026, the Company entered into an agreement with the lenders to settle the debenture by its maturity date, April 30, 2026. The original principal of $5,298,651, was repaid with cash raised through a convertible security financing (see Note 12) and interest accrued up to April 30, 2026 in the amount of $2,373,954 was settled through the issuance of shares at $0.10 per share (see Note 4). The debenture was secured by all of the assets of the Company, including the NICO Project. The debenture bore interest at 10% per annum, compounding monthly, and both principal and interest were payable at maturity. At April 30, 2026, all loan documents were terminated and all security and collateral was fully discharged and released.

On March 25, 2026 the holder of the debenture agreed to extend the maturity date from April 7, 2026 to April 30, 2026. The extension was 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 equated the coupon rate, there was no gain or loss on the modification.

For the six months ended June 30, 2026, $248,135 [December 31, 2025 - $705,541] was recognized as accretion expense using the effective interest rate method and capitalized to the carrying value of the debt.

The debenture is summarized as follows for the periods ended June 30, 2026 and December 31, 2025:

		June 30, 2026		December 31, 2025
Debenture	**$**	**7,424,470**	$	6,718,929
Interest		**248,135**		705,541
Repayment of debenture		**(7,672,605)**		—
	$	**—**	$	7,424,470

[b] On April 22, 2026, the Company entered into an agreement with the lenders to settle the loan by its maturity date, April 30, 2026. The Company's secured loan agreement with an original principal of $2,750,000 was repaid with cash raised through a convertible security financing (see Note 12) and interest accrued up to April 30, 2026 in the amount of $1,164,902 was settled through the issuance of shares at $0.10 per share (see Note 4). The loan was secured by the

NICO leases. The loan bore interest at 9% per annum, compounding annually and both principal and interest were payable at maturity. At April 30, 2026, all loan documents were terminated and all security and collateral was fully discharged and released.

On March 25, 2026 the holder of the debenture agreed to extend the maturity date from April 7, 2026 to April 30, 2026. The extension was 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 loss on modification of debt of $1,452 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the periods ended June 30, 2026 and December 31, 2025:

		June 30, 2026		December 31, 2025
Loan	**$**	**3,765,049**	$	3,341,514
Interest		**148,401**		442,675
Loss (gain) on modification		**1,452**		(19,140)
Repayment of loan		**(3,914,902)**		—
	$	**—**	$	3,765,049

For the six months ended June 30, 2026, $148,401 [December 31, 2025 - $442,675] was amortized to interest expense using the effective interest rate method.

[c] On April 22, 2026, the Company entered into an agreement with the lenders to settle the loan by its maturity date, April 30, 2026. The Company's secured loan agreement for a maximum amount of $250,000, of which $210,000 was outstanding, was repaid with cash raised through a convertible security financing (see Note 12) and interest accrued up to April 30, 2026 in the amount of $45,161 was settled through the issuance of shares at $0.10 per share (see Note 4). The loan was secured by the NICO leases. The loan bore interest at 9% per annum, compounding annually and both principal and interest were payable at maturity. At April 30, 2026, all loan documents were terminated and all security and collateral was fully discharged and released.

On March 25, 2026 the holder of the debenture agreed to extend the maturity date from April 7, 2026 to April 30, 2026. 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 loss on modification of debt of $196 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the periods ended June 30, 2026 and December 31, 2025:

		June 30, 2026		December 31, 2025
Loan	**$**	**247,180**	$	218,549
Interest		**7,785**		26,159
Loss (gain) on modification		**196**		2,472
Repayment of loan		**(255,161)**		—
	$	—	$	247,180

For the six months ended June 30, 2026, $7,785 [December 31, 2025 - $26,159] was amortized to interest expense using the effective interest rate method.

[d] The Company has a secured mortgage of $3,800,000 at June 30, 2026. The mortgage is secured by the property purchased. The mortgage bears interest at 8.45% per annum, compounding monthly. Interest only payments will be made for the first 24 months and a blended principal and interest payments thereafter. The mortgage has a term of 5 years and is due on demand.

The mortgage is summarized as follows for the periods ended June 30, 2026 and December 31, 2025:

		June 30, 2026	December 31, 2025
Mortgage	**$**	**3,800,000**	$ 3,800,000
Accrued Interest		**26,391**	18,454
	$	**3,826,391**	$ 3,818,454

11. LEASES

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 six months ended June 30, 2026 and the year ended December 31, 2025;

		June 30, 2026		December 31, 2025
Opening balance	**$**	**110,720**	$	169,204
Interest Expense		**1,386**		7,516
Lease Payments		**(33,000)**		(66,000)
	$	**79,106**	$	110,720
Current portion of lease liability	**$**	**61,089**	$	63,923
Long-term portion of lease liability	**$**	**18,017**	$	46,797

12. CONVERTIBLE SECURITY

On May 21, 2024, the Company entered into a convertible security funding agreement with Lind Global Fund II, LP ("LGF II") 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. On July 29, 2025, the Company entered into a new convertible security funding agreement with Lind Global Fund III, LP ("LGF III") for an amount [the "Third Tranche"] of $3,155,000. On April 30, 2026, the Company issued an additional convertible security for an amount [the "Fourth Tranche"] of $11,800,000. LGF II and LGF III will be collectively referred to as Lind.

The convertible securities may be converted to common shares of the Company at a rate of no more than $66,668, $100,000, $157,250 and $491,667 of the face value of principal amount of the First, Second, Third and Fourth Tranche, respectively, in any given month and at a price per share equal to 80%, 85%, 85% and 85% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date for the First, Second, Third and Fourth Tranche, respectively. Lind reserves the right at any time to increase the conversion limit to $900,000, $250,000, $300,000 and $1,000,000 in relation to the First, Second, Third and Fourth Tranche, providing that increased amounts do not exceed 20% of the aggregate trading volume of the shares for the immediately preceding 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 the amount outstanding for the First, Second and Third Tranche. The Company has the right to buy-back the outstanding face value of the Convertible Security at any time following the closing date of the Fourth Tranche for an amount equal to 100%, if the company buys back the full 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%, 85%, 85% and 85%, of the volume weighted average price per share for the five consecutive trading days immediately prior, for the First, Second, Third and Fourth tranche, respectively.

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. During the year ended December 31, 2025, the Company's market capitalization fell below the $27,000,000 level qualifying as a market capitalization event with respect to the First and Second Tranche. During the period ended June 30, 2026, the Company's market capitalization increased above the $100,000,000 level qualifying as a market capitalization event with respect to the Third and Fourth Tranche. As a result, the Company has classified the First, Second, Third and Fourth Tranche of the convertible security as a current liability in the consolidated financial statements at June 30, 2026 and December 31, 2025.

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. The First Tranche was fully converted during the year ended December 31, 2025.

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 21, 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 was $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. The Second Tranche was fully converted during the period ended June 30, 2026.

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 $238,226 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.

On July 29, 2025, the Company executed the Third Tranche for an initial principal amount of $3,774,000, due two years from the date of issuance, maturing on July 29, 2027. The Third Tranche is secured by a lien against the Company's mining assets. The Third Tranche includes covenants that the Company must comply with on a regular basis, and as at June 30, 2026, the Company has met the covenants.

In relation to the Third Tranche, the Company issued to Lind, 15,641,293 common share purchase warrants at an exercise price of $0.1141, for a term of 60 months from the date of issuance, expiring July 31, 2030. On the issuance date, the fair value of the Third Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 145.18% based on historical volatility of the Company's common shares, risk-free rate of 2.77%, share price on issuance date of $0.09 and expected life of 2 years. The fair value of the Third Tranche of the convertible security is $3,459,821, which resulted in a loss of $424,821 compared to proceeds received of $3,035,000, net of the third closing fee of $120,000. 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 April 30, 2026, the Company executed the Fourth Tranche for a principal amount of $11,800,000, due two years from the date of issuance and maturing on April 30, 2028. The Fourth Tranche is secured by a lien against the Company's assets. The Fourth Tranche includes covenants that the Company must comply with on a regular basis, and as at June 30, 2026, the Company has met the covenants.

In relation to the Fourth Tranche, the Company issued 28,801,843 common share purchase warrants at an exercise price of $0.22568 for a term of 60 months from the date of issuance, expiring April 30, 2031. On the issuance date, the fair value of the Fourth Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 115.53% based on historical volatility of the Company's common shares, risk-free rate of 2.89%, share price on issuance date of $0.165 and expected life of 2 years. The fair value of the Fourth Tranche of the convertible security is $10,843,808, which resulted in a loss of $1,143,808 compared to proceeds received of $9,700,000, net of the fourth closing fee of $300,000. 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 proceeds from the Fourth Tranche were used primarily to repay the principal amount of the debts maturing on April 30, 2026 (being $8,258,651), with the accrued interest (being $3,584,017) settled through the issuance of 35,840,170 commons shares of the Company (see Note 4).

Subsequent to June 30, 2026, the Company issued 13,942,306 shares on conversion of a portion of the outstanding convertible securities.

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 six months ended June 30, 2026, 35,609,287 [2025 – 27,777,601] shares with a book value of $3,960,199 [2025 – $1,610,959], have been issued pursuant to conversions to shares under the convertible security agreement.

The fair value of the Convertible Security for the six months ended June 30, 2026 and December 31, 2025 is as follows;

	March 31, 2026			
Convertible Security	**Tranche #2**	**Tranche #3**	**Tranche #4**	**Total**
Beginning fair value	$ 417,594	$ 2,386,489	10,843,808	$ 13,647,891
Early conversions	(378,016)	(1,828,578)	(1,753,605)	(3,960,199)
Loss (gain) on fair value adjustment	(39,578)	282,016	413,080	655,518
Balance at end of period	—	839,927	9,503,283	10,343,210
Unrecognized Day 1 Loss	(81,741)	(290,062)	(1,143,808)	(1,515,611)
Recognized loss during the period	81,741	203,909	181,264	466,914
Balance at end of period	—	(86,153)	(962,544)	(1,048,697)
Total balance at end of period	$ —	$753,774	8,540,739	$ 9,294,513

	December 31, 2025			
Convertible Security	**Tranche #1**	**Tranche #2**	**Tranche #3**	**Total**
Beginning fair value	$ 1,016,234	$ 1,749,717	$ 3,459,821	$ 6,225,772
Early conversions	(1,163,127)	(1,713,104)	(1,214,690)	(4,090,921)
Loss (gain) on fair value adjustment	146,893	380,981	141,358	669,232
Balance at end of year	—	417,594	$ 2,386,489	2,804,083
Unrecognized Day 1 Loss	(239,347)	(237,136)	(424,821)	(901,304)
Recognized loss during the year	239,347	155,395	134,759	529,501
Balance at end of year	—	(81,741)	(290,062)	(371,803)
Total balance at end of year	—	$ 335,853	$2,096,427	$ 2,432,280

13. FINANCIAL INSTRUMENTS

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, current debts and convertible security.

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 six months ended June 30, 2026.

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 June 30, 2026, the Company’s current assets of $3,076,485 [December 31, 2025 - $3,934,168] 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	
	June 30, 2026	December 31, 2025
Cash and cash equivalents	$ 2,296,791	$ 2,257,451
Reclamation security deposits	206,437	204,643
Amounts receivable	625,756	1,534,337
Total financial assets	$ 3,128,984	$ 3,996,431

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
Accounts payable and accrued liabilities	$ —	$ —	$ 360,287	$ 698,637
Lease liability	—	—	79,106	110,720
Current debts	—	—	3,826,391	15,255,153
Convertible security	9,294,513	2,432,280	—	—
Total financial liabilities	$ 9,294,513	$ 2,432,280	$ 4,265,784	$ 16,064,510

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 current debt approximates its carrying value as it is due on demand. The fair value of the lease liability measured at amortized cost has a fair value of approximately $75,000 [December 31, 2025 - $105,000] estimated using an 8% discount rate. The fair value of the current debt approximate its carrying values as it is due on demand.

iii. Financial instruments measured at fair value

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

	Level 3	
	June 30, 2026	December 31, 2025
Convertible security	$ 9,294,513	$ 2,432,280

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.

iv. Contractual maturities of financial liabilities

The following table details the Company's contractual maturities for its financial liabilities as at June 30, 2026. Payments due by year are as follows:

	Total	2026	2027	2028	Greater than 3 years
Accounts payable and accrued liabilities	$ 360,287	$ 360,287	$ —	$ —	$ —
Lease liability	78,980	33,660	45,320	—	—
Provision for environmental rehabilitation	167,569	—	—	—	167,569
Current debt	3,800,000	3,800,000	—	—	—
Accrued interest on current debt	374,883	153,918	220,965	—	—
Convertible security	10,663,050	4,441,383	5,900,000	321,667	—
	$15,444,769	$8,789,248	$ 6,166,285	$ 321,667	$ 167,569

14. INTEREST AND OTHER INCOME

Interest and other income consist of the following for the six months ended June 30,

	2026	2025
Interest income	**$ 29,117**	$ 14,656
Foreign exchange gain (loss)	**(66,509)**	64,625
Total Interest and Other Income	**$ (37,392)**	$ 79,281

15. INCOME TAXES

The Company has non-capital loss carryforwards totaling $63,689,000, net capital loss carryforwards of $20,250,000, un-deducted debt and share issuance costs of $70,000 and unused investment tax credits on pre-production mining costs of $1,974,000. The non-capital losses begin to expire in 2026. The benefit of certain non-capital losses and undeducted share issuance costs have 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:

	June 30, 2026 **$**	December 31, 2025 $
Unrecognized deferred tax assets		
Non-capital loss carry-forwards	**65,473,000**	61,372,000
Share issue costs	**70,000**	338,000
Mineral property costs	**65,925,000**	66,750,000
Other temporary differences	**14,703,000**	14,310,000
Total temporary differences	**146,171,000**	142,770,000

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2026

	June 30, 2026 $	June 30, 2025 $
Combined federal and provincial/state income tax rate	**26.50%**	26.50%
(Loss) before income taxes	**(5,731,037)**	(2,745,945)
Corporate income tax recovery at statutory rate	**(1,519,000)**	(728,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	**1,098,000**	222,000
Tax value of loss carryforwards not recognized	**421,000**	506,000
	—	—

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 in relation to the Second and Third 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.

There have been no changes to the Company's approach to capital management during the six months ended June 30, 2026.

17. RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2026, 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 period ended:

	June 30, 2026	June 30, 2025
Salaries and benefits	**$ 101,254**	$ 84,197
Consulting services	**365,256**	225,066
Stock based compensation	**—**	638,650
	$ 466,510	$ 947,913

As at June 30, 2026, $33,902 [2025 - $78,623] was owing to key management personnel for services provided during the period. 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 period 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 periods ended June 30, 2026 and 2025, the conversion of stock options and warrants was not included in the diluted loss per share calculation because the calculation would be anti-dilutive.

	Three months ending June 30, 2026	Six months ending June 30, 2026
Net loss	**$ (3,568,914)**	$ (5,731,037)
Weighted average number of common shares	**641,468,902**	622,270,798
Basic loss per share	**$ (0.01)**	$ (0.01)

	Three months ending June 30, 2025	**Six months ending June 30, 2025**
Net loss	**$ (1,772,701)**	**$ (2,745,945)**
Weighted average number of common shares	**539,374,417**	**527,579,255**
Basic loss per share	**$ (0.00)**	**$ (0.01)**

19. STANDARDS, AMENDMENTS, AND INTERPRETATIONS

i. 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.

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.