Consolidated Financial Statements

Fortune Minerals Limited

December 31, 2023 and 2022

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 year ended December 31, 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 consolidated financial statements for the year ended December 31, 2022 were audited by BDO Canada LLP. 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

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 statement of financial position as at December 31, 2023, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' deficiency and consolidated statement of cash flows for the year 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 3 to the consolidated financial statements, which explains that certain comparative information presented as at and for the year ended December 31, 2022 and as at January 1, 2022 has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the years ended December 31, 2022 and 2021, excluding adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 19, 2023.

We have audited the restatement to the consolidated financial statements as at December 31, 2022 and 2021, and for the year ended December 31, 2022 as described in Note 3 to the consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the consolidated financial statements (restated) as at December 31, 2022 and 2021 and for the year ended December 31, 2022 of the Company other than with respect to the restatement described above and accordingly, we do not express an opinion or any other form or assurance on the

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consolidated financial statements (restated) as at December 31, 2022 and 2021 and for the year ended December 31, 2022 taken as a whole.

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, 2023 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. 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.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

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.

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.

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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 27, 2024

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

As at	**December 31, 2023**	December 31, 2022 (Note 3)	January 1, 2022 (Note 3)
ASSETS			
Current assets			
Cash and cash equivalents *[note 10]*	**673,635**	78,650	1,802,920
Accounts receivable	**26,328**	82,083	194,039
Prepaid expenses	**59,772**	51,966	65,922
Total current assets	**759,735**	212,699	2,062,881
Reclamation security deposits *[note 7]*	**199,329**	178,735	176,337
Deposits on capital assets *[note 4i]*	**355,000**	190,000	—
Capital assets, net *[note 8]*	**246,781**	316,646	394,080
Total assets	**1,560,845**	898,080	2,633,298
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	**187,451**	239,750	440,266
Lease liability *[note 12]*	**53,399**	48,647	43,665
Flow-through share premium *[note 5i[b]]*	**201,427**	—	—
Current debt *[note 11i]*	**9,274,663**	7,976,943	11,426,277
Total current liabilities	**9,716,940**	8,265,340	11,910,208
Provision for environmental rehabilitation *[note 7]*	**138,671**	25,516	23,409
Lease liability *[note 12]*	**169,204**	222,603	271,250
Long-term debts *[note 11ii]*	—	60,000	1,343,008
Derivatives	—	—	1,200,000
Total liabilities	**10,024,815**	8,573,459	14,747,875
SHAREHOLDERS' DEFICIENCY			
Share capital and warrants *[note 5]*	**182,028,274**	180,530,031	174,430,765
Other reserves *[notes 5iii, 6]*	**17,258,719**	16,694,979	15,810,882
Deficit	**(207,750,963)**	(204,900,389)	(202,356,224)
Total shareholders' deficiency	**(8,463,970)**	(7,675,379)	(12,114,577)
Total liabilities and shareholders' deficiency	**1,560,845**	898,080	2,633,298

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

[Signed] — Robin Goad, Director

[Signed] — Mahendra Naik, Director

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

For the years ended December 31,

	2023	2022
		(Note 3)
INCOME		
Interest and other income *[note 14]*	**12,270**	7,861
Total income	**12,270**	7,861
EXPENSES		
General and administrative	**845,041**	915,853
Stock-based compensation *[note 6]*	**303,740**	809,200
Interest	**1,297,423**	2,107,307
Corporate development	**92,709**	575,339
Exploration and evaluation expenditures *[note 4]*	**379,445**	534,032
Amortization *[note 8]*	**69,865**	76,988
Change in fair value related to derivative liability	—	(1,200,000)
Gain on modification of debt *[note 11]*	**(125,379)**	(1,266,693)
Total expenses	**2,862,844**	2,552,026
Net loss and comprehensive loss for the year	**(2,850,574)**	(2,544,165)
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,	**2023**	2022 (Note 3)
OPERATING ACTIVITIES		
Net loss for the period from continuing operations	**(2,850,574)**	(2,544,165)
Add (deduct) items not involving cash		
Debt forgiveness	**(20,000)**	—
Amortization *[note 8]*	**69,865**	76,988
Flow-through share premium *[note 5i[b]]*	**(4,945)**	—
Stock-based compensation *[note 6]*	**303,740**	809,200
Interest expense on debentures and loans payable *[note 11]*	**1,282,436**	2,087,771
Interest expense on lease liability *[note 12]*	**22,853**	19,535
Loss on disposal of capital assets	—	347
Change in fair value related to derivative liability	—	(1,200,000)
Change in fair value related to provision for environmental rehabilitation *[note 7]*	**113,155**	2,107
Gain on modification of debt *[note 11]*	**(125,379)**	(1,266,693)
Non-cash financing activities	—	416,418
Changes in non-cash working capital balances related to operations		
Accounts receivable	**55,755**	111,956
Prepaid expenses	**(7,806)**	13,956
Accounts payable and accrued liabilities	**(52,299)**	(200,516)
Cash used in operating activities	**(1,213,199)**	(1,673,096)
INVESTING ACTIVITIES		
Purchase of capital assets	—	(1,101)
Deposits on capital assets	**(165,000)**	(190,000)
Posting of security for reclamation security deposits	**(20,594)**	(2,398)
Proceeds on disposal of capital assets	—	1,200
Cash used in investing activities	**(185,594)**	(192,299)
FINANCING ACTIVITIES		
Lease payments	**(5,500)**	(63,200)
Proceeds on issuance of units	**2,064,100**	250,050
Share issuance costs	**(168,679)**	(25,305)
Proceeds on exercise of options	—	38,000
Proceeds on issuance of debt	**110,000**	1,250,000
Debt issuance costs	**(6,143)**	(58,420)
Repayment of corporate facility	—	(1,250,000)
Cash provided by financing activities	**1,993,778**	141,125
Decrease in cash and cash equivalents during the year, net	**594,985**	(1,724,270)
Cash and cash equivalents, beginning of year	**78,650**	1,802,920
Cash and cash equivalents, end of year *[note 10]*	**673,635**	78,650
Cash and cash equivalents is comprised of the following;		
Cash on hand and balances with banks	**174,635**	64,906
Short-term investments	**499,000**	13,744
Supplemental Cash Flow Disclosure		
Warrants issued for long-term debts	**829**	—
Issuance of broker warrants	**55,700**	—
Shares for debt settlement	**68,365**	5,145,000

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, 2021	**374,091,544**	**174,072,779**	**6,435,713**	**357,986**	**174,430,765**	**15,810,882**	**(202,356,224)**	**(12,114,577)**
Issued as a result of:								
Private offerings	85,259,962	5,986,670	5,525,750	174,798	6,161,468	—	—	6,161,468
Share issuance costs	—	(23,317)	—	(1,988)	(25,305)	—	—	(25,305)
Exercise of stock options	400,000	62,400	—	—	62,400	(24,400)	—	38,000
Stock options granted	—	—	—	—	—	809,200	—	809,200
Expiration of warrants	—	—	(1,935,713)	(99,297)	(99,297)	99,297	—	—
Net income for the year	—	—	—	—	—	—	(2,544,165)	(2,544,165)
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 5i[a][b][c]]*	39,892,356	1,838,058	23,892,356	294,407	2,132,465	—	—	2,132,465
Broker warrants	—	—	2,023,000	55,700	55,700	—	—	55,700
Warrants as part of debt issue	—	—	2,100,000	829	829	—	—	829
Flow-through share premium deferred gain *[note 5i[b]]*	—	(206,372)	—	—	(206,372)	—	—	(206,372)
Share issuance costs *[notes 5i[a][b][c]]*	—	(172,111)	—	(52,268)	(224,379)	—	—	(224,379)
Stock options granted *[note 6]*	—	—	—	—	—	303,740	—	303,740
Expiration of warrants *[note 5ii[b]]*	—	—	(4,500,000)	(260,000)	(260,000)	260,000	—	—
Net loss 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)**

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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, 2023, were authorized for issuance by the Board of Directors on March 27, 2024.

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 $8,957,205 on December 31, 2023 [2022 - $8,052,641], which includes $9,274,663 related to debt maturing December 31, 2024 [2022 - $7,976,943], 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 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, 2023 and 2022, 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, 2023 and 2022, the Arctos JV did not have any assets or liabilities other than the reclamation security deposit, for which the Company is solely responsible for [Note 4ii, 7].

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.

3. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2023, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that mineral property is commercially viable. Previously, the Company capitalized these amounts. The consolidated financial statements for the year ended December 31, 2022 have been restated to reflect adjustments made as a result of this change in accounting policy. The accumulated effect of the change of $45,547,747 has been reflected in the ending deficit of the consolidated financial statements as at December 31, 2022.

The following is a reconciliation of the Company's consolidated financial statements as at December 31, 2022 and January 1, 2022 and for the year ended December 31, 2022.

Consolidated Statement of Financial Position	As at December 31, 2022		
(expressed in Canadian dollars)			
	As Previously Reported	Adjustment	Restated
ASSETS			
Current assets			
Cash and cash equivalents	78,650	—	78,650
Reclamation security deposits	25,592	—	25,592
Accounts receivable	82,083	—	82,083
Prepaid expenses	51,966	—	51,966
Total current assets	238,291	—	238,291
Reclamation security deposits	153,143	—	153,143
Capital assets, net	258,400	248,246	506,646
Mining properties	45,795,993	(45,795,993)	-
Total Assets	46,445,827	(45,547,747)	898,080
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	239,750	—	239,750
Lease liability	48,647	—	48,647
Current debt	7,976,943	—	7,976,943
Total current liabilities	8,265,340	—	8,265,340
Provision for environmental rehabilitation	25,516	—	25,516
Lease liability	222,603	—	222,603
Long-term debts	60,000	—	60,000
Total liabilities	8,573,459	—	8,573,459
SHAREHOLDERS' DEFICIENCY			
Share capital	180,530,031	—	180,530,031
Other reserves	16,694,979	—	16,694,979
Deficit	(159,352,642)	(45,547,747)	(204,900,389)
Total shareholders' deficiency	37,872,368	(45,547,747)	(7,675,379)
Total liabilities and shareholders' deficiency	46,445,827	(45,547,747)	898,080

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Consolidated Statement of Financial Position	As at January 1, 2022		
(expressed in Canadian dollars)	As Previously Reported	Adjustment	Restated
ASSETS			
Current assets			
Cash and cash equivalents	1,802,920	—	1,802,920
Reclamation security deposits	25,249	—	25,249
Accounts receivable	194,039	—	194,039
Prepaid expenses	65,922	—	65,922
Total current assets	2,088,130	—	2,088,130
Reclamation security deposits	151,088	—	151,088
Capital assets, net	316,988	77,092	394,080
Mining properties	76,049,941	(76,049,941)	—
Total Assets	78,606,147	(75,972,849)	2,633,298
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	440,266	—	440,266
Lease liability	43,665	—	43,665
Current debt	11,426,277	—	11,426,277
Total current liabilities	11,910,208	—	11,910,208
Provision for environmental rehabilitation	23,409	—	23,409
Lease liability	271,250	—	271,250
Long-term debts	1,343,008	—	1,343,008
Derivatives	1,200,000	—	1,200,000
Total liabilities	14,747,875	—	14,747,875
SHAREHOLDERS' DEFICIENCY			
Share capital	174,430,765	—	174,430,765
Other reserves	15,810,882	—	15,810,882
Deficit	(126,383,375)	(75,972,849)	(202,356,224)
Total shareholders' deficiency	63,858,272	(75,972,849)	(12,114,577)
Total liabilities and shareholders' deficiency	78,606,147	(75,972,849)	2,633,298

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Consolidated Statement of Loss and Comprehensive Loss	For the year ended December 31, 2022		
(expressed in Canadian dollars)			
	As Previously Reported	Adjustment	Restated
REVENUE AND OTHER INCOME			
Interest and other income	7,861	—	7,861
Total revenue and other income	7,861	—	7,861
EXPENSES			
General and administrative	915,853	—	915,853
Stock-based compensation	587,180	222,020	809,200
Interest	2,107,307	—	2,107,307
Corporate development	575,339	—	575,339
Exploration and evaluation expenditures	—	534,032	534,032
Amortization	58,142	18,846	76,988
Change in fair value related to derivative liability	(1,200,000)	—	(1,200,000)
Gain on extinguishment of debt	(1,266,693)	—	(1,266,693)
Impairment Charge	31,200,000	(31,200,000)	-
Total expenses	32,977,128	(30,425,102)	2,552,026
Net loss and comprehensive loss for the year	32,969,267	(30,425,102)	2,544,165
Basic and diluted loss per share	(0.09)	0.08	(0.01)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Consolidated Statement of Cash Flows	**For the year ended December 31, 2022**		
(expressed in Canadian dollars)			
	As Previously Reported	Adjustment	Restated
OPERATING ACTIVITIES			
Net loss for the year from continuing operations	(32,969,267)	30,425,102	(2,544,165)
Add (deduct) items not involving cash			
Accretion	2,107	—	2,107
Amortization	58,142	18,846	76,988
Stock-based compensation	587,180	222,020	809,200
Non-cash portion of interest expense	1,163,670	—	1,163,670
Non-cash portion of lease expense	(43,665)	—	(43,665)
Loss on disposal of capital assets	347	—	347
Change in fair value related to derivative liability	(1,200,000)	—	(1,200,000)
Gain on extinguishment of debt	(1,266,693)	—	(1,266,693)
Non-cash financing activities	416,418	—	416,418
Impairment charge	31,200,000	(31,200,000)	-
Changes in non-cash working capital balances related to operations			
Accounts receivable	111,956	—	111,956
Prepaid expenses	13,956	—	13,956
Accounts payable and accrued liabilities	(200,516)	—	(200,516)
Accrued interest on debt	924,101	—	924,101
Cash used in operating activities	(1,202,264)	(534,032)	(1,736,296)
INVESTING ACTIVITIES			
Increase in exploration and evaluation expenditures, net	(386,081)	386,081	—
Purchase of capital assets, including in mining properties	(339,052)	147,951	(191,101)
Posting of security for reclamation security deposits, net	(2,398)	—	(2,398)
Proceeds on disposal of capital assets	1,200	—	1,200
Cash used in investing activities	(726,331)	534,032	(192,299)
FINANCING ACTIVITIES			
Proceeds on issuance of units, net	224,745	—	224,745
Proceeds on exercise of options	38,000	—	38,000
Proceeds on issuance of debt, net	1,191,580	—	1,191,580
Repayment of debt	(1,250,000)	—	(1,250,000)
Cash provided by financing activities	204,325	—	204,325
Decrease in cash and cash equivalents during the year, net	(1,724,270)	—	(1,724,270)
Cash and cash equivalents, beginning of year	1,802,920	—	1,802,920
Cash and cash equivalents, end of year	78,650	—	78,650

4. EXPLORATION AND EVALUATION EXPENDITURES

Exploration and evaluation expenditures incurred by the Company on its properties during the years ended December 31, 2023 and 2022 were spent on the projects as follows:

	December 31, 2023	**December 31, 2022**
NICO	$ 375,990	$ 531,229
Other Projects	3,455	2,803
Total exploration and evaluation expenditures	**$ 379,445**	**$ 534,032**

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 has been extended on several occasions on the same terms as the original extension and is set to expire on March 31, 2024. As at December 31, 2023, the Company has made a total of $355,000 [2022 - $190,000] in payments as part of the agreement.

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 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, 2023.

5. 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, 2023, the weighted average number of common shares outstanding was 472,850,054 [December 31, 2022 - 383,335,164].

[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.

[d] On June 24, 2022, the Company issued 457,456 common shares at a price of $0.1093 per share [being the 5-day volume weighted average price of the Company's common shares on the TSX as at close of trading on May 12, 2022] as partial consideration for the services provided by Haywood Securities Inc. ["Haywood']. Fortune has engaged Haywood to act as financial advisor to the Company to support its near-term financing objectives. This $50,000 initial engagement fee and related share issuance cost is included in the line corporate development on the consolidated statements of loss and comprehensive loss.

[e] On August 18, 2022, the Company issued an aggregate of 3,500,000 common shares of the Company ["the Extension Shares"] to the holders of the 2015 Debentures at a deemed price of $0.10 per Extension Share as additional consideration for the extension of the maturity date of the 2015 Debentures from August 12, 2022 to November 30, 2022. The fair value of the shares issued was $350,000. See Note 11 for additional disclosure related to the debt extension.

[f] On August 26, 2022, the Company entered into a subscription agreement to sell 3,334,000 units at a price of $0.075 per unit, raising gross proceeds of $250,050. Each unit consists of one common share and one half of a common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 on or before August 26, 2024. The estimated fair value of the shares and warrants issued was $194,600 and $55,450, 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 108.21%, risk free interest rate of 3.56% and expected life of 2 years. Share issuance costs of $6,709 were incurred to complete the financing.

[g] On November 30, 2022, the Company entered into an agreement with one of the holders of the 2015 Debentures to retire its debt for a cash payment of $1,250,000 and the remainder in common shares. An aggregate of 73,500,000 common shares of the Company was issued, on December 2, 2022, at a deemed price of approximately $0.082 per share to settle the balance of $6,030,173. The fair value of the shares issued was $5,145,000 based on the share price on the TSX as at close of trading on November 30,

2022. The difference of $885,173 was allocated to a gain on extinguishment of debt on the Consolidated Statements of Loss and Comprehensive Loss. Share issuance costs of $17,059 were incurred to complete this share issuance. See Note 11 for additional disclosure related to the debt settlement.

[h] On December 2, 2022, the Company issued 4,468,506 shares and 3,858,750 warrants to its financial advisor in lieu of $366,418 of fees earned on the debt settlement. One warrant entitles the holder to purchase one common share of the Company for $0.082 on or before December 2, 2024. The estimated fair value of the shares and warrants issued was $247,070 and $119,348 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 109.86%, risk free interest rate of 3.72% and expected life of 2 years. Share issuance costs of $1,537 were incurred to complete the financing.

Expected volatility is calculated based on historical share data.

ii. Share Purchase Warrants

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

	2023			2022		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of year	**10,025,750**	**$**	**0.10**	6,435,713	$	0.14
Issue of warrants *[notes 5i[a] through [c]]*	**28,015,356**		**0.08**	5,525,750		0.10
Expiry of Warrants *[note 5ii[b]]*	**(4,500,000)**		**0.11**	(1,935,713)		0.20
Warrants outstanding, end of year	**33,541,106**	**$**	**0.08**	10,025,750	$	0.10

The following is a summary of the outstanding warrants for the years ended December 31, 2023 and December 31, 2022;

Outstanding Warrants December 31, 2023	Outstanding Warrants December 31, 2022	Expiry Date	Exercise Price $
—	4,500,000	September 22, 2023	0.11
1,667,000	1,667,000	August 26, 2024	0.10
3,858,750	3,858,750	December 2, 2024	0.08
2,846,643	—	February 3, 2025	0.10
35,000	—	February 3, 2025	0.07
714,285	—	March 6, 2025	0.10
4,331,428	—	March 15, 2025	0.10
228,000	—	March 15, 2025	0.07
5,000,000	—	June 15, 2025	0.10
2,100,000	—	October 27, 2025	0.04
11,000,000	—	December 14, 2025	0.07
1,760,000	—	December 14, 2025	0.05
33,541,106	10,025,750		

[a] On October 27, 2023, the Company issued 2,100,000 warrants as partial consideration for the advance of a loan [see Note 11*i*.[c]]. 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.

[b] 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.

[c] During the year ended December 31, 2022, 1,935,713 warrants with an exercise price of $0.20 expired unexercised. These warrants had a value of $99,297.

[d] The warrants issued on August 12, 2015, were subject to adjustment from time to time in the event of Share Reorganizations, Rights Offerings, Special Distributions, General Offerings and Capital Reorganizations, such that the warrants would not result in a fixed number of shares being issued for a fixed amount of consideration. As a result, the warrants were classified as a financial liability (derivative) and revalued at each reporting period. The change in the warrants fair value is reported on the Consolidated Statements of Loss and Comprehensive Loss. These warrants expired on August 12, 2022.

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

	2023	2022
	Class B	Class B
Derivatives outstanding, beginning of year	—	52,683,043
Expiration of derivatives	—	(52,683,043)
Derivatives outstanding, end of year	—	—

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.

6. 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, 2023, the Company has 21,264,386 [2022 – 27,525,151] 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, 2023 and December 31, 2022, and changes during the years ended on those dates are presented below:

	December 31, 2023		December 31, 2022	
	Number of shares #	**Weighted-average exercise price $**	Number of shares #	Weighted-average exercise price $
Options outstanding, beginning of year	**17,950,000**	**0.10**	9,800,000	0.13
Issued	**12,150,000**	**0.05**	11,900,000	0.11
Exercised	—	—	(400,000)	0.10
Expired	**(1,900,000)**	**0.11**	(3,350,000)	0.19
Options outstanding, end of year	**28,200,000**	**0.08**	17,950,000	0.10
Options vested and outstanding, end of year	**28,200,000**	**0.08**	17,950,000	0.10

The following tables summarizes information about the options outstanding as at December 31, 2023 and 2022:

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.

December 31, 2022

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 – 0.29	17,950,000	17,950,000	0.10	2.17

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

7. 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 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, 2023	December 31, 2022
NICO Project		
Provision for environmental rehabilitation	**$ 138,671**	$ 25,516
Estimated remaining life	**22 years**	20 years
Discount rate	**3.0%**	9%
Average Inflation rate	**2.1%**	—
Total provision for environmental rehabilitation	**$ 138,671**	$ 25,516

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, 2021	23,409
Accretion	2,107
Balance, December 31, 2022	25,516
Effect of changes in the inflation and discout rate	113,155
Balance, December 31, 2023	138,671

Reclamation security deposits consist of the following:

	December 31, 2023	December 31, 2022
	Deposit amount $	Deposit amount $
NICO Project	**172,649**	153,143
Arctos Anthracite Project	**26,680**	25,592
Total Net Book Value	**199,329**	178,735

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.

In April 2023, the reclamation security deposit held for the NICO project was increased from $143,000 to $167,569, upon renewal of a land use permit.

8. CAPITAL ASSETS

Capital assets are stated at historical cost less accumulated amortization and impairment losses.

Expenditures incurred to replace a component of an item of capital assets that is accounted for separately are capitalized. Amortization of corporate capital assets and capital assets used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of capital assets 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Capital assets consist of the following for the years ending December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Corporate capital assets [a]	**202,583**	258,400
Capital assets at NICO [b]	**44,198**	58,246
Total capital assets	**$ 246,781**	$ 316,646

[a] Corporate Capital Assets

	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**

	Computer equipment $	Furniture and fixtures $	Software $	Right-to-use Assets $	Total $
Cost					
As at December 31, 2021	183,419	107,363	328,690	353,367	972,839
Additions	1,101	—	—	—	1,101
Disposals	(7,478)	—	—	—	(7,478)
As at December 31, 2022	**177,042**	**107,363**	**328,690**	**353,367**	**966,462**
Accumulated amortization					
As at December 31, 2021	173,411	99,983	319,356	63,101	655,851
Amortization for the year	2,918	1,476	3,267	50,481	58,142
Disposals	(5,931)	—	—	—	(5,931)
As at December 31, 2022	**170,398**	**101,459**	**322,623**	**113,582**	**708,062**
Net book value					
As at December 31, 2021	10,008	7,380	9,334	290,266	316,988
As at December 31, 2022	**6,644**	**5,904**	**6,067**	**239,785**	**258,400**

[b] Capital Assets at NICO

	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**

	Surface facilities $	Camp structures $	Mobile equipment $	Site furniture and equipment $	Asset retirement obligation ["ARO"] $	Total $
Cost						
As at December 31, 2021	1,179,717	593,724	609,813	53,369	6	2,436,629
As at December 31, 2022	**1,179,717**	**593,724**	**609,813**	**53,369**	**6**	**2,436,629**
Accumulated amortization						
As at December 31, 2021	1,136,891	591,763	591,838	39,045	—	2,359,537
Amortization for the year	8,568	588	5,393	4,297	—	18,846
As at December 31, 2022	**1,145,459**	**592,351**	**597,231**	**43,342**	**—**	**2,378,383**
Net book value						
As at December 31, 2021	42,826	1,961	17,975	14,324	6	102,092
As at December 31, 2022	**34,258**	**1,373**	**12,582**	**10,027**	**6**	**58,246**

9. EXPENSES BY NATURE

	December 31, 2023	December 31, 2022
Employee and contractor compensation and benefits (i)	**$ 753,016**	$ 954,316
Interest expense on lease liability	**22,853**	19,535
Stock-based compensation	**303,740**	809,200
Amortization	**69,865**	76,988
Other	**497**	812
Change in fair value related to derivative liability	—	(1,200,000)

(i) $468,070 [2022 - $458,025], $209,802 [2022 - $392,388] and $75,144 [2022 - $103,903] 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

10. 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.

11. DEBTS

i. Current Debts

	December 31, 2023	December 31, 2022
Debenture *[a]*	**6,079,818**	5,507,760
Loan *[b]*	**3,047,619**	2,469,183
Loan *[c]*	**107,226**	—
CEBA *ii[a]*	**40,000**	—
Total current debts	**$ 9,274,663**	$ 7,976,943

[a] The Company has a $5,298,651 secured debenture outstanding as of December 31, 2023. The debenture is secured by all of the assets of the Company, including the NICO Project. On November 27, 2023, the Company and the holder of the debenture agreed to extend the maturity date from December 31, 2023 to December 31, 2024. The debenture bears interest at 10% per annum, compounding monthly, and both principal and interest are payable at maturity. 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, 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, 2023, $574,287 [December 31, 2022 - $588,675] was recognized as accretion expense using the effective interest rate method.

The debenture is summarized as follows for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Debenture	**$ 5,298,651**	$ 5,298,651
Accrued interest	**781,167**	209,109
	$ 6,079,818	$ 5,507,760

On August 12, 2022 the Company and the holders of the 2015 Debentures entered into new secured term debentures (the "Amended Debentures") to replace the original unsecured 2015 Debentures which matured on August 12, 2022. The Amended Debentures had an aggregate principal amount of $12,363,518 (being equal to the aggregate principal and accrued interest of the 2015 Debentures on August 12, 2022), matured on November 30, 2022, bearing interest at a rate of 10% per annum, compounded monthly in arrears for the extension period between August 12, 2022 and November 30, 2022, and were secured by all of the assets of the Company, including the NICO Project.

As additional consideration for the extension of the maturity date of the 2015 Debentures, the Company paid to the holders of the Amended Debentures an extension fee of an aggregate of $350,000 upon issuance of the Amended Debentures. This extension fee was satisfied by the issuance of an aggregate of 3,500,000 common shares of the Company (the "Extension Shares") to the holders of the Amended Debentures at a deemed price of $0.10 per Extension

Share. The fair value of the shares issued was $350,000 and was included in borrowing costs. Total borrowing costs of $408,420 was incurred to extend the debentures.

On November 30, 2022 the Company reached agreements with the holders of the Amended Debentures to settle the outstanding amounts. One of the holders agreed to retire its debt totaling $7,280,173 including principal and interest as at November 30, 2022. A cash payment of $1,250,000 was paid to the holder and the remaining debt was settled through the issuance of common shares.

The second holder of the Amended Debentures totaling $5,461,376 including principal and interest as at November 30, 2022 agreed to extend the maturity date to December 31, 2023.

[b] The Company has a secured loan agreement for $2,750,000 outstanding as of December 31, 2023. The loan is secured by the NICO leases. On November 27, 2023, the Company extended the maturity date of the secured loan agreement by one year to December 31, 2024. The loan bears interest at 9% per annum, compounding annually and both principal and interest are payable at maturity. The extension is considered a substantial modification. As a result, the modification was accounted for as an extinguishment of the existing loan and the recognition of a new loan at an estimated fair value, using an estimated fair value discount rate of 14.5%. A gain on debt modification of $120,535 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the years ended December 31, 2023 and 2022:

		December 31, 2023		**December 31, 2022**
Loan	**$**	**3,007,348**	**$**	**2,408,604**
Accrued interest		**40,271**		**60,579**
	$	**3,047,619**	**$**	**2,469,183**

For the year ended December 31, 2023, $703,534 [December 31, 2022 - $60,579] was amortized to interest expense using the effective interest rate method.

On November 30, 2022 the Company increased the secured loan agreement by an additional amount of $1,250,000, with the proceeds being used to make the cash settlement in the retirement of the Debentures. The maturity date of the secured loan agreement was also extended to December 31, 2023 at this time. The increase in the loan and maturity extension has been accounted for as an extinguishment of the original loan payable and the recognition of a new loan payable using a discount rate of 30%. A gain on extinguishment of $381,520 was recognized in the Consolidated Statements of Loss and Comprehensive Loss.

[c] On October 27, 2023, the Company entered into a secured loan agreement for a maximum amount of $250,000, of which $110,000 had been drawn down as at December 31, 2023. The loan is secured by the NICO leases. The loan was set to mature on January 31, 2024, bears interest at 9% per annum, compounding annually and both principal and interest are payable at maturity. As partial consideration for the advance of the loan, the lender received 2,100,000 warrants to purchase common shares in the capital of the Company [see note 5*ii.* [a]]. At initial recognition, the equity component of the loan was separated from the liability component. The

fair value of the liability portion is measured by a discount rate of 14.5%. The equity component is determined by deducting the fair value of the liability from the face value of the loan as a whole.

On November 27, 2023, the Company extended the maturity date of the secured loan agreement to December 31, 2024. The extension of the loan 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, 14.5%. A gain on modification of debt of $4,844 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the year ended December 31, 2023:

		December 31, 2023
Loan	**$**	**104,977**
Accrued interest		**2,249**
	$	**107,226**

For the year ended December 31, 2023, $2,249 was amortized to interest expense using the effective interest rate method.

The following is summary of the changes in the loan for the year ended December 31, 2023.

Balance, December 31, 2022	7,976,943
Additions	110,000
Debt issuance cost	(6,413)
Warrants issued with new debt	(829)
Modifications	(125,379)
Long-term debt reclassed to current	40,000
Interest	1,280,341
Balance, December 31, 2023	9,274,663

ii. Long-Term Debt

	December 31, 2023	December 31, 2022
CEBA	—	60,000
Total	**$** —	$ 60,000

[a] 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.

If the loan is repaid in full by January 18, 2024, one third, or $20,000, of the loan will be forgiven. If the loan is not repaid by January 18, 2024, it will be converted into a 2-year term loan bearing interest at 5%, with monthly interest-only payments and the outstanding balance due to be repaid in full by December 31, 2025.

Subsequent to December 31, 2023, the Company re-paid the full amount of the loan and $20,000 was forgiven. The $20,000 was recorded at December 31, 2023 as an offset to general and administrative expenses.

12. 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 plant and equipment [Note 8] 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. In February 2023, the Company entered into an agreement, as part of a private placement, to issue shares for 11 months of rental payments [see note 5*i*.[a]].

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

		2023		2022
Opening balance	**$**	**271,250**	$	314,915
Interest Expense		**17,353**		19,535
Lease Payments		**(66,000)**		(63,200)
	$	**222,603**	$	271,250
Current portion of lease liability	**$**	**53,399**	$	48,647
Long-term portion of lease liability	**$**	**169,204**	$	222,603

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 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, accounts receivable, accounts payable and accrued liabilities, lease liability, current debts and long-term debt loan as 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 fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

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, accounts receivable, accounts payable and accrued liabilities, lease liability, and current and long-term 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, 2023 and 2022.

<u>Credit Risk</u>

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 government of Canada. Management believes that the credit risk with respect to its financial instruments is remote.

<u>Liquidity Risk</u>

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, 2023, the Company did not have sufficient cash to settle current liabilities of $759,735 [December 31, 2022 - $212,699] All of the Company's accounts payable and accrued liabilities and loan payables 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, 2023	December 31, 2022
Cash and cash equivalents	$ 673,635	$ 78,650
Reclamation security deposits	199,329	178,735
Accounts receivable	26,328	82,083
Total financial assets	$ 899,292	$ 339,468

Financial liabilities

	Financial liabilities at amortized cost	
	December 31, 2023	December 31, 2022
Accounts payable and accrued liabilities	$ 187,451	$ 239,750
Lease liability	222,603	271,250
Current debts	9,274,663	7,976,943
Long-term debt	—	60,000
Total financial liabilities	$ 9,684,717	$ 8,547,943

ii. Financial instruments at amortized cost

The fair value of the Company’s cash and cash equivalents, reclamation security deposits, accounts 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 $220,000 [December 31, 2022 - $267,000] estimated using an 8% discount rate. The fair value of the current debt measured at amortized cost has a fair value of approximately $9,070,000 [December 31, 2022 - $8,489,000] estimated using a 14.5% discount rate.

As at December 31, 2023 and 2022, the Company had no financial instruments carried at fair value to classify in the fair value hierarchy.

iii. Contractual maturities of financial liabilities

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2023. Payments due by year are as follows:

		December 31, 2023			
	Total	2024	2025	2026	Greater than 3 years
Accounts payable and accrued liabilities	$ 187,451	$ 187,451	$ —	$ —	$ —
Lease liability	254,120	66,660	68,660	70,720	48,080
Provision for environmental rehabilitation	167,569	—	—	—	167,569
Current debt	8,198,651	8,198,651	—	—	—
Accrued interest on long-term debts	2,172,734	2,172,734	—	—	—
	$10,980,525	$ 10,625,496	$68,660	$ 70,720	$ 215,649

14. INTEREST AND OTHER INCOME

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

	2023	2022
Interest income	**$ 7,822**	$ 9,020
Foreign exchange loss	**(497)**	(812)
Flow-through share premium income	**4,945**	—
Loss on disposal of capital assets	—	(347)
Total Interest and Other Income	**$ 12,270**	$ 7,861

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 $57,870,000, net capital loss carryforwards of $20,099,000, un-deducted debt and share issuance costs of $238,600 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 erred tax asset to be recovered.

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

	December 31, 2023 $	December 31, 2022 $
Deferred income tax assets		
Net operating loss carryforwards	**15,300,000**	15,138,000
Undeducted debt and share issuance costs	**63,000**	29,000
Unused investment tax credits on pre-production costs	**1,974,000**	1,974,000
Tax value of exploration and evaluation expenditures and capital assets in excess of book value	**15,780,000**	9,376,000
Total temporary differences	**33,117,000**	26,517,000

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, 2023 **$**	December 31, 2022 $
Combined federal and provincial/state income tax rate	**26.50%**	26.50%
Net Loss	**(2,850,574)**	(2,544,165)
Corporate income tax recovery at statutory rate	**(756,000)**	(674,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	**21,000**	129,000
Non-deductible change in fair value of derivative	—	(318,000)
Non-deductible change in gain on debt extinguishment	—	(335,700)
Other	**355,000**	(24,400)
Tax value of loss carryforwards not recognized	**380,000**	1,223,100
	—	—

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. 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, 2023 and 2022, 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, 2023	December 31, 2022
Salaries and benefits	**$ 172,395**	$ 163,564
Consulting services	**357,690**	359,557
Fair value of stock options granted	**277,500**	646,000
	$ 807,585	$ 1,169,121

As at December 31, 2023, $21,853 [2022 - $22,743] was owing to key management personnel for services provided during the year. Amounts outstanding 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 2023 and 2022 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, 2023	December 31, 2022
Net loss	**$ (2,850,574)**	**$ (2,544,165)**
Weighted average number of common shares	**472,850,054**	**383,335,164**
Basic loss per share	**$ (0.01)**	**$ (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 :

- IAS 1 – Presentation of Financial Statements ["IAS 1"] was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

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.

Pursuant to the terms of the flow-through share agreements, the Company is required to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. The Company is committed to incur flow-through eligible expenditures of $1,556,352 by December 31, 2024.

21. SUBSEQUENT EVENTS

On January 11, 2024, 5,400,000 of the Company's outstanding stock options expired unexercised.