

# **Fortune Bay Corp.**

Consolidated Financial Statements  
**December 31, 2025 and 2024**  
(expressed in Canadian dollars)

## **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of Fortune Bay Corp. (the "Company") have been prepared by the Company's management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook – Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

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

The Audit Committee is appointed by the Board of Directors and a majority of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

PricewaterhouseCoopers LLP, appointed as the Company's external auditors by the shareholders, has examined these consolidated financial statements and their report follows.

(signed) "*Dale Verran*"  
Chief Executive Officer  
Halifax, Nova Scotia

(signed) "*Patrick McGrath*"  
Chief Financial Officer  
Halifax, Nova Scotia



# Independent auditor's report

To the Shareholders of Fortune Bay Corp.

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## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fortune Bay Corp. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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## 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.

PricewaterhouseCoopers LLP  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

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.

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## Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of impairment indicators of exploration and evaluation assets</b></p> <p>Refer to note 2 – Material accounting policies, note 3 – Critical accounting estimates and judgments and note 7 – Exploration and evaluation assets to the consolidated financial statements.</p> <p>The total book value of exploration and evaluation assets amounted to \$24.9 million as at December 31, 2025. At the end of each reporting period, the Company assesses each of its exploration and evaluation assets to determine whether any indication of impairment or indicators of a reversal of a previously recorded impairment exist. Judgment is required in determining whether indicators of impairment exist, including</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Assessed the judgment by management in determining the impairment indicators, which included the following:<ul style="list-style-type: none"><li>– Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area, and (ii) claim expiration dates.</li><li>– Read board minutes and obtained budget approvals to evidence continued and planned substantive expenditures on further exploration and evaluation activities, which included evaluating the results of the current year work programs.</li></ul></li></ul>

**Key audit matter****How our audit addressed the key audit matter**

factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets. Where an indicator of impairment or an indicator of a reversal of a previously recorded impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. No indicators of impairment or impairment reversals were noted during the year ended December 31, 2025.

We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets, (ii) the judgments by management in their assessment of indicators of impairment related to exploration and evaluation assets, and (iii) the high degree of subjectivity in performing procedures related to the judgments applied by management.

- Assessed whether other facts and circumstances suggest that the carrying amount may exceed the recoverable amount, based on evidence obtained in other areas of the audit.

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**Other information**

Management is responsible for the other information. The other information comprises the 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 identified above 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.

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.

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## **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 Accounting Standards, 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 to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## **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 the 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 judgment 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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 on the audit resulting in this independent auditor's report is Krista Ryan.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario

April 16, 2026

# Fortune Bay Corp.

## Consolidated Statements of Financial Position

As at December 31, 2025 and 2024

(expressed in Canadian dollars)

	2025 \$	2024 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,900,489	456,661
Restricted cash (note 7)	10,751	76,381
Investments (note 5)	125,667	93,333
Accounts receivable (note 4)	215,485	42,431
Prepaid expenses	69,882	53,121
	<u>8,322,274</u>	<u>721,927</u>
<b>Reclamation deposit</b>	42,119	40,847
<b>Property and equipment</b> (note 6)	162,820	172,022
<b>Investments</b> (note 5)	251,541	-
<b>Exploration and evaluation assets</b> (note 7)	<u>24,890,359</u>	<u>23,238,255</u>
	<u>33,669,113</u>	<u>24,173,051</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 8)	710,788	746,495
Flow-through premium liability (note 10)	447,962	-
Loan payable (note 9)	-	543,935
	<u>1,158,750</u>	<u>1,290,430</u>
<b>Deferred income tax liability</b> (note 12)	<u>964,195</u>	<u>920,488</u>
	2,122,945	2,210,918
<b>Shareholders' Equity</b> (note 10)	<u>31,546,168</u>	<u>21,962,133</u>
	<u>33,669,113</u>	<u>24,173,051</u>

**Nature of operations and going concern** (note 1)

**Commitments and contingencies** (note 18)

**Subsequent events** (note 19)

**Approved on behalf of the Board of Directors**

(signed) "Melinda Lee", Director

(signed) "Wade K. Dawe", Director

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

# Fortune Bay Corp.

## Consolidated Statements of Loss and Comprehensive Loss For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

	2025 \$	2024 \$
<b>Operating expenses</b>		
Salaries and benefits	403,526	315,295
Share-based compensation	389,481	305,188
Marketing and investor relations	329,916	53,511
Professional fees	270,435	149,322
Office, travel and general	127,241	107,593
Securities and regulatory	101,455	87,988
Finance fees and interest	45,088	109,347
Contract services	12,000	12,000
Foreign exchange loss	5,234	18,938
Depreciation of property and equipment	2,818	2,859
Property investigation costs (note 7)	2,325	35,249
	<u>(1,689,519)</u>	<u>(1,197,290)</u>
<b>Other income (expenses)</b>		
Other income (note 11)	385,582	107,904
Unrealized loss on investments (note 5)	(2,858)	(181,667)
Gain (loss) on disposal of capital assets (note 6)	(1,861)	7,476
	<u>380,863</u>	<u>(66,287)</u>
<b>Net loss and comprehensive loss before income tax</b>	(1,308,656)	(1,263,577)
<b>Deferred income tax recovery (expense)</b> (note 12)	141,447	(225,926)
<b>Net loss and comprehensive loss for the year</b>	<u>(1,167,209)</u>	<u>(1,489,503)</u>
<b>Loss per share – basic and diluted</b>	(0.02)	(0.03)
<b>Weighted-average number of common shares outstanding</b> (note 10)	57,034,420	47,082,437

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

## Fortune Bay Corp.

### Consolidated Statements of Changes in Equity For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

	Number of common shares #	Common shares \$	Warrants \$	Contributed surplus \$	Retained earnings \$	Total shareholders' equity \$
<b>Balance – January 1, 2024</b>	45,957,250	14,881,807	191,517	3,380,232	4,077,616	22,531,172
Units issued pursuant to private placement	2,727,272	492,000	108,000	-	-	600,000
Share and warrant issue costs	-	(5,803)	(1,274)	-	-	(7,077)
Net loss and comprehensive loss for the year	-	-	-	-	(1,489,503)	(1,489,503)
Share-based compensation expense	-	-	-	327,541	-	327,541
<b>Balance – December 31, 2024</b>	48,684,522	15,368,004	298,243	3,707,773	2,588,113	21,962,133
Units issued pursuant to private placement	9,375,000	2,400,000	600,000	-	-	3,000,000
Shares issued pursuant to financing	6,000,000	6,000,000	-	-	-	6,000,000
Flow-through shares issued	1,438,900	2,000,071	-	-	-	2,000,071
Flow-through share premium	-	(633,116)	-	-	-	(633,116)
Warrants issued as finder's fees	-	-	218,153	-	-	218,153
Share and warrant issue costs	-	(1,026,037)	(11,985)	-	-	(1,038,022)
Warrants exercised	2,578,263	928,110	(154,631)	-	-	773,479
Warrants expired	-	-	(36,887)	36,887	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(1,167,209)	(1,167,209)
Share-based compensation expense	-	-	-	430,679	-	430,679
<b>Balance – December 31, 2025</b>	68,076,685	25,037,032	912,893	4,175,339	1,420,904	31,546,168

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

# Fortune Bay Corp.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

	2025 \$	2024 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss and comprehensive loss for the year	(1,167,209)	(1,489,503)
Non-cash items		
Depreciation of property and equipment	2,818	2,859
Share-based compensation	389,481	305,188
Deferred income tax expense (recovery) (note 11)	(141,447)	225,926
Unrealized loss on investments (note 5)	2,858	181,667
Loss (gain) on property and equipment (note 6)	1,861	(7,476)
Finance fees (note 9)	21,757	44,735
Net change in non-cash operating working capital (note 12)	(591,228)	225,125
	<u>(1,481,109)</u>	<u>(511,479)</u>
<b>Investing activities</b>		
Additions to exploration and evaluation assets, net of recoveries	(1,445,832)	(204,695)
Proceeds on sale of property and equipment (note 6)	-	12,000
Purchases of property and equipment (note 6)	(17,220)	(17,245)
	<u>(1,463,052)</u>	<u>(209,940)</u>
<b>Financing activities</b>		
Loan repayments to related party, net of receipts (note 9)	(565,692)	-
Proceeds received upon financings, net of issue costs (note 10)	10,180,202	592,923
Proceeds received upon exercise of warrants (note 10)	773,479	-
	<u>10,387,989</u>	<u>592,923</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>7,443,828</b>	<b>(128,496)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>456,661</b>	<b>585,157</b>
<b>Cash and cash equivalents – End of year</b>	<b><u>7,900,489</u></b>	<b><u>456,661</u></b>

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

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 1 Nature of operations and going concern

#### Nature of operations

Fortune Bay Corp. was incorporated on February 4, 2016 as 9617337 Canada Limited under the laws of the Canada Business Corporations Act as part of a plan of arrangement with kneat.com, inc. which was completed on June 27, 2016. The Company commenced trading on the TSX Venture Exchange on July 4, 2016 under the symbol FOR. These consolidated financial statements are of Fortune Bay Corp. and its subsidiaries, as included in note 2, and are collectively referred to as the “Company” or “Fortune Bay”.

The Company’s principal activity is the acquisition, exploration and development of mineral interests. To date, the Company has not generated any revenues from operations and is considered to be in the exploration stage. The Company is incorporated and domiciled in Canada, and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia.

The Company is in the process of exploring and evaluating its mineral properties in Canada and Mexico. The recoverability of amounts spent for the acquisition, exploration and development of the mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licenses and permits from various governmental authorities, which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licenses liable to forfeiture.

#### Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the year ended December 31, 2025, the Company incurred a loss before income tax of \$1.3 million (2024 – \$1.3 million) and had working capital surplus of \$7,163,524 (2024 – \$568,503 deficit).

The Company has no operating income or cash inflows from operations. In addition to its working capital requirements, the Company must secure sufficient funding for existing commitments, maintain legal title to its resource properties, and execute its planned 2026 exploration and development program, which is expected to involve a significantly higher level of expenditures as compared to prior periods. The Company must also fund its general and administrative costs associated with an expanded level of activity. Such circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

During the year ended December 31, 2025, the Company completed equity financings for aggregate gross proceeds of \$11.0 million, as outlined in note 10. These financings have significantly strengthened the Company’s working capital position however, the scope, timing and magnitude of the Company’s development plans as well as the capital needed to fund all aspects of the Company’s operations and existing commitments will require

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

additional capital. Accordingly, management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there can be no assurance that these initiatives will be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of its properties. These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

## 2 Material accounting policies

### Basis of presentation and statement of compliance

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting ("CPA Handbook") which incorporates International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The Board of Directors of Fortune Bay approved these consolidated financial statements on April 16, 2026.

### New standards and interpretations not yet adopted

*Amendments to IFRS 9 Financial Instruments and IFRS 7, Financial Instruments: Disclosures*

In May 2024, amendments to IFRS 9 *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* were issued to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets), and; update the disclosures for equity instruments designated at fair value through other comprehensive income. The Company does not expect these amendments to have a material impact on its operations or consolidated financial statements.

*IFRS 18, Presentation and Disclosure in Financial Statements*

In April 2024, IFRS 18, *Presentation and Disclosure in Financial Statements*, was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, *Presentation of Financial Statements*, impacts the presentation of primary financial statements and notes, including the statement of losses where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

January 1, 2027, including interim financial statements, and requires retrospective application. The new standard will not impact the recognition or measurement of items in the consolidated financial statements but its impacts on presentation and disclosure are expected to be pervasive. The Company is currently assessing the impact of the new standard.

### Basis of measurement

These consolidated financial statements are presented in Canadian dollars and have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair value.

### Principles of consolidation

Subsidiary	Principal activity	Country of incorporation
Brigus Gold ULC	Administrative services	Canada
7153945 Canada Inc.	Exploration	Canada
Linear Gold Holdings Corp.	Holding company	Canada
Linear Gold Mexico, S.A. de C.V.	Exploration	Mexico
Linear Gold Mineração Ltda.	Exploration	Brazil
Servicios Ixhuatán, S.A. de C.V.	Exploration	Mexico
13096114 Canada Limited	Holding company	Canada
Range Minerals LLC	Property investigation	United States

The financial results of the subsidiaries above, which are controlled by Fortune Bay, are included in the consolidated financial statements from the date that control commences until the date whereby control ceases. Control exists when an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. All subsidiaries have the same year end. All intercompany balances, revenue and expense transactions are eliminated upon consolidation.

### Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company and its subsidiaries, as this is the principal currency of the economic environment in which the Company operates.

Foreign currency transactions are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the rates of exchange in effect at the date of the consolidated statements of financial position; and (ii) non-monetary assets and liabilities and expenses, arising from transactions denominated in foreign currencies are translated at the historical exchange rate or the average exchange during the year, as applicable.

### Employee benefits

The Company accrues liabilities for employee benefits such as wages, salaries, bonuses and other benefits at their nominal amounts as these are the amounts expected to be paid when the liabilities are settled.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### Site restoration provision

Exploration activities may give rise to obligations for site restoration. This work can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and security and other site-related costs required to perform the restoration work. The extent of work required and the associated costs are dependent on the requirement of relevant authorities and environmental policies.

Provisions for the cost of site restoration are recognized at the time a new legal or constructive obligation is determined. The expected costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally, depending on management's intention.

When provisions for site restoration are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the resource property. The capitalized cost is recognized in exploration and evaluation assets.

### Income taxes

- Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the jurisdictions where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statements of changes in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

- Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside of profit or loss is recognized outside of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Long-lived assets

- Property and equipment

Property and equipment, excluding land, are recorded at cost less accumulated depreciation and accumulated impairment losses. Land is recorded at cost less accumulated impairment losses and is not depreciated. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the reclamation obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates using the declining balance method:

Building	4%
Computer and office equipment	30%
Field equipment	25 – 30%

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company and the costs can be measured reliably. This would include costs related to the refurbishment or replacement of major parts of an asset. Costs relating to the refurbishment of a major part are capitalized since the refurbishment will typically result in a significant extension in the physical life of that part. All other repairs and maintenance costs are charged to the consolidated statements of loss and comprehensive loss during the period in which they are incurred.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

- Exploration and evaluation expenditures

Exploration and evaluation expenditures include costs such as exploratory drilling, sample testing and the costs of pre-feasibility studies. These costs are capitalized on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of a project is considered to be determinable when the proposed efficiency and viability of a project is assessed and the costs are expected to be recovered in full through the successful development and exploration of the identified property. All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed.

Exploration and evaluation assets are not depreciated. These amounts are reclassified from exploration and evaluation assets to mine development costs once the work completed to date supports the future development of the property and such development receives the appropriate approval. All subsequent expenditures to ready the property for production are capitalized within mine development costs, other than those costs related to the construction of property and equipment. Once technical feasibility and commercial viability is demonstrated all assets included in mine development costs are reclassified to mining properties.

Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore are recorded as expense in the period in which they are incurred.

Option-out agreements are accounted for as farm-out arrangements. The Company, as the farmor, does not record any expenditures made by the optionee on its behalf, does not recognize any gain or loss on the option arrangement, but rather re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash or share consideration received is credited against costs previously capitalized in relation to the whole interest, with any excess accounted for by the Company as a gain on disposal.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

Option-out agreements require that the Company act as the operator during the option period and entitle the Company to charge a management fee of 10% of the expenditures incurred on the related project. The operator fees are charged during the reporting period as a recovery of the capitalized costs incurred to manage and operate the project. These costs include direct expenses, salaries and wages, and depreciation related to project equipment. Any excess operator fees over the carrying value of the project are reported as other income.

- Mineral rights

Mineral rights include the cost of obtaining unpatented and patented mining claims and the cost of acquisition of properties. Significant payments related to the acquisition of land and mineral rights are capitalized. If a mineable ore body is discovered, such costs are amortized when saleable minerals are produced from the ore body using the unit-of-production method based on proven and probable reserves. If no mineable ore body is discovered or such rights are otherwise determined to have no value, such costs are expensed in the period in which it is determined the property has no future economic value.

### Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to dispose and value in use. Value in use is determined by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, however, the revised carrying amount cannot exceed the asset's (or CGU's) original cost before impairment calculated as if no impairment loss had been previously recognized. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

No indicators of impairment or impairment reversals were noted during the years ended December 31, 2025 and 2024.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### Cash and cash equivalents

Cash and cash equivalents consist of current operating bank accounts with financial institutions, short-term deposits and fixed income securities that are cashable without penalty. Cash and cash equivalents exclude restricted cash when it is not held for purposes of meeting short-term cash commitments for use in the Company's business or it is not convertible to available cash to the Company within a three-month term.

### Financial instruments

- Recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument.

- Classification

Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

The Company's cash and cash equivalents, restricted cash and accounts receivable, excluding sales taxes, are classified as financial assets measured at amortized cost. The Company classifies both its current investments, which are listed equity investments held for trading, and its non-current investments, which are unlisted equity investments at FVTPL. Transaction costs are expensed as incurred. Accounts payable and accrued liabilities and loan payable are classified as financial liabilities and are measured at amortized cost. All financial assets and liabilities measured at amortized cost use the effective interest rate method with interest income/expenses being recorded in the consolidated statements of loss and comprehensive loss, as applicable.

- Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Subsequent to initial measurement, financial assets at FVTPL are carried at fair value, with changes in fair value recognized in the Company's statement of loss and comprehensive loss.

- Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. There were no material provisions recorded within the consolidated financial statements as at December 31, 2025 and 2024.

### Loss per share

Loss per share is calculated based on the weighted-average number of shares outstanding during the year. Outstanding shares that are subject to cancellation under an escrow agreement are not treated as outstanding and are excluded from the calculation of loss per share until the date the shares are no longer subject to cancellation. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the periods presented is the same as basic loss per share, as the Company has incurred losses and the exercise of options and warrants would be anti-dilutive.

### Share-based payments

The Company has a share-based compensation plan. Awards of options under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the shares that will eventually vest. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, may not necessarily provide a reliable estimate of the fair value of the related stock options. The Company uses historical price data of comparable entities in the estimate of future volatilities. Cash consideration received on exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

The Company has a Deferred Share Unit (DSU) plan where DSUs may be granted to members of its Board of Directors or officers of the Company. DSUs typically vest over a three-year period and cannot be redeemed until the holder is no longer a director or officer of the Company. All services received in exchange for the grant of DSUs are measured at their fair values as of the date of grant, with no subsequent revaluation. The fair value is recognized over the vesting period on a graded vesting basis. Compensation expense is classified consistent with director fees or salaries and is recognized over the vesting period on the consolidated statements of loss and comprehensive loss.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders. At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the estimated fair value of the tax deduction to the flow-through shareholders. The fair value is estimated using market data at the date of the flow-through share issuance.

In accordance with IFRS Accounting Standards, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro rata basis when the qualified expenditures are incurred. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statements of loss and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the consolidated statements of loss and comprehensive loss.

### Leases

In accordance with IFRS 16, Leases, substantially all lessee leases are recorded on the consolidated statements of financial position. The Company's current leases are considered to be short-term leases at the commencement date and, therefore, the related lease costs are expensed as incurred. The Company assesses each new lease for appropriate recognition.

## 3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires that the Company's management make estimates and judgments about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and judgments are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

### Recoverability of exploration and evaluation costs

At the end of each reporting period, the Company assesses each of its exploration and evaluation assets to determine whether any indication of impairment or indicators of a reversal of a previously recorded impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

Where an indicator of impairment or an indicator of a reversal of a previously recorded impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, foreign exchange rates, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

### **Income taxes**

The Company's accounting policy for income taxes requires management's judgment in assessing the extent to which deferred tax assets can be recognized. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences are recognized only where it is considered probable that they will be recovered, which is dependent on the ability of the Company to sell an asset or generate sufficient future taxable profits before the expiry of the related deferred tax assets.

At each consolidated statement of financial position date, management assesses the recovery of the deferred tax assets. At December 31, 2025, deferred tax assets of \$503,256 (2024 – \$470,104) are recognized related to loss carry-forwards in Mexico and Canada. Management expects the deferred tax liabilities in Mexico and Canada to reverse before these Mexican and Canadian deferred tax assets expire. Management's judgments are subject to risk and uncertainty, hence there is a possibility that changes in conditions, such as changes in management's future plans or changes in the gold markets, may change expectations, which may impact the amount of deferred tax assets to be recognized. If such changes in expectations occur, some or all of the carrying amount of recognized deferred tax assets or deferred tax liabilities may require adjustments, resulting in a corresponding credit or charge to the consolidated statements of loss and comprehensive loss.

### **Contingencies**

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date that such changes occur.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### Share-based payments

The estimation of share-based payment costs and the value of warrants and compensation options requires the selection of an appropriate valuation model and consideration as to the inputs necessary. The Company has made estimates as to the volatility of its own common shares, the expected life of share options, warrants and compensation options granted and the time of exercise of those instruments.

### Going concern

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management utilizes all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions. Further information regarding going concern is outlined in note 1.

## 4 Accounts receivable

	2025 \$	2024 \$
Sales tax	97,841	16,467
Trade amounts receivable	117,644	25,964
	<u>215,485</u>	<u>42,431</u>

## 5 Investments

During the year ended December 31, 2024, the Company received 2,666,666 common shares of Aero Energy Limited ("Aero") pursuant to the Option Agreement (note 7). During the year ended December 31, 2025, Aero completed a 10-for-1 consolidation of its common shares. As a result, the Company's holdings of 2,666,666 common shares were consolidated into 266,666 common shares of Aero.

During the year ended December 31, 2025, the Company received a further 166,667 common shares of Aero pursuant to the Option Agreement, for total holdings of 433,333 common shares of Aero as at December 31, 2025. Aero is a TSX Venture Exchange listed entity and therefore the common shares held by the Company are recorded at their fair value by reference to the quoted price in the active market (classified as level 1 in the fair value hierarchy).

During the year ended December 31, 2025, the Company received 1,833,333 common shares of Neu Horizon Uranium Limited pursuant to the Neu Horizon Option Agreement (note 7). Neu Horizon Uranium Limited is an unlisted entity, therefore the common shares held by the Company are classified as level 3 in the fair value hierarchy.

At the end of each reporting period, the Company updates its assessment of the fair value for these unlisted shares. The best evidence of fair value is current prices in an active market for similar entities.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

The unobservable input used in the fair value measurement of these unlisted common shares is the A\$0.15 share price that the Company used as at December 31, 2025. The price per share is comparable to other listed junior uranium exploration companies. A reasonable change of 10% in the price per share would result in a fair value adjustment of \$25,154. During the year ended December 31, 2025, the Company recorded a net unrealized gain of \$23,141 on the investment.

### 6 Property and equipment

	Land and building \$	Computer and office equipment \$	Field equipment \$	Total \$
<b>Cost</b>				
As at January 1, 2024	117,839	64,457	202,605	384,901
Additions	-	-	17,245	17,245
Disposal	-	-	(13,505)	(13,505)
As at December 31, 2024	117,839	64,457	206,345	388,641
As at January 1, 2025	117,839	64,457	206,345	388,641
Additions	-	7,125	10,095	17,220
Disposal	-	(14,203)	-	(14,203)
As at December 31, 2025	117,839	57,379	216,440	391,658
<b>Accumulated depreciation</b>				
As at January 1, 2024	7,019	54,955	136,860	198,834
Disposal	-	-	(8,981)	(8,981)
Depreciation	3,753	2,859	20,154	26,766
As at December 31, 2024	10,772	57,814	148,033	216,619
As at January 1, 2025	10,772	57,814	148,033	216,619
Disposal	-	(12,342)	-	(12,342)
Depreciation	3,593	2,818	18,150	24,561
As at December 31, 2025	14,365	48,290	166,183	228,838
<b>Carrying amounts</b>				
Balance as at December 31, 2024	107,067	6,643	58,312	172,022
Balance as at December 31, 2025	103,474	9,089	50,257	162,820

During the year ended December 31, 2025, depreciation of \$21,743 was capitalized to resource properties (2024 - \$23,907), assets of \$17,220 were purchased (2024 - \$17,245), and the Company disposed of equipment for \$nil proceeds (2024 - \$12,000). A loss on disposal of capital assets of \$1,861 was recognized in the statement of loss and comprehensive loss for the year ended December 31, 2025 (2024 - gain of \$7,476).

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

### 7 Exploration and evaluation assets

	Goldfields \$	Strike \$	Murmac \$	Woods \$	Poma Rosa \$	Total \$
As at January 1, 2024	16,257,506	1,480,337	2,036,005	-	3,373,700	23,147,548
Additions	112,326	27,756	232,621	50,757	281,358	704,818
Operator fee	-	-	(139,111)	-	-	(139,111)
Share recoveries received	-	(95,000)	(180,000)	-	-	(275,000)
Cash payment received	-	(40,000)	(160,000)	-	-	(200,000)
As at December 31, 2024	16,369,832	1,373,093	1,789,515	50,757	3,655,058	23,238,255
As at January 1, 2025	16,369,832	1,373,093	1,789,515	50,757	3,655,058	23,238,255
Additions	1,597,281	19,761	125,031	41,025	371,396	2,154,494
Operator fee	-	-	(102,275)	(48,356)	-	(150,631)
Share recoveries received	-	(11,666)	(46,667)	(228,400)	-	(286,733)
Cash payment received	-	(50,000)	(200,000)	(43,370)	-	(293,370)
Reclassification of recoveries	-	-	-	228,344	-	228,344
As at December 31, 2025	17,967,113	1,331,188	1,565,604	-	4,026,454	24,890,359

#### Goldfields

As at December 31, 2025 and 2024, the Company held a 100% interest in the Goldfields property located near Uranium City, Saskatchewan, which includes the Box Deposit, the Athona Deposit and several exploration targets.

#### Strike

As at December 31, 2025 and 2024, the Strike Project was 100% owned by the Company and is located west of the Goldfields property.

#### Murmac

As at December 31, 2025 and 2024, the Murmac Project was 100% owned by the Company and is located in northern Saskatchewan.

#### Option agreement on Strike and Murmac

The Company entered into a definitive option agreement (the "Option Agreement") on December 15, 2023 with 1443904 B.C. Ltd. On February 8, 2024, Aero Energy Limited ("Aero") completed the acquisition of 1443904 B.C. Ltd., an arm's-length private company (the "Optionee").

Pursuant to the Option Agreement, the Optionee will be granted the right to acquire up to a 70% interest in the Company's Murmac and Strike Uranium Projects (the "Projects") over a three-and-a-half year period by funding

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

\$6.0 million in exploration expenditures, making cash payments totaling \$1.35 million, and issuing 1,433,333 common shares (based on the original share value as per the Option Agreement). The Company will act as the operator during the option period and will be entitled to charge a management fee of 10% of the expenditures incurred on the Projects.

During the year ended December 31, 2025, the Company received cash consideration of \$250,000 and share consideration valued at \$58,333 (year ended December 31, 2024 – cash consideration of \$200,000 and share consideration valued at \$275,000) and charged an operator fee of \$102,275 (December 31, 2024 - \$139,111), which have been recorded as recoveries against exploration expenditures.

During the year ended December 31, 2025, the Company received \$920,000 from Aero for exploration expenditures on the Projects (2024 - \$1,385,000) and incurred expenditures of \$941,395, of which \$714 is included in accounts payable as at December 31, 2025 (2024 - \$1,353,568, of which \$44,949 was included in accounts payable as at December 31, 2024). The balance of restricted cash associated with the Option Agreement at December 31, 2025 is \$10,751 (2024 - \$76,381).

A participating Joint Venture (“JV”) may be formed at the end of the option period, consistent with customary JV Terms, as defined in the Option Agreement, with mutual intent to negotiate and execute a definitive JV agreement. If completed, the JV would allow for dilution and, should the Company’s interest fall below 10%, the Company will be granted (i) a 1% net smelter returns (“NSR”) royalty on the Murmac Project, and (ii) a 2% NSR royalty on the Strike Project. One-half (0.5%) percent of the 1% NSR on the Murmac Project may be repurchased at any time prior to commercial production for a cash payment of \$1.5 million.

### **Woods**

During the year ended December 31, 2024, the Company acquired the Woods Uranium Project, including the Spruce, Pine, Aspen, Birch, and Fir Projects, through claim staking and a \$10,000 cash payment. As at December 31, 2025 and 2024, the Woods Uranium Project was 100% owned by the Company.

### **Option agreement on Woods**

The Company entered into a definitive option agreement (the “Neu Horizon Option Agreement”) on July 25, 2025 with Neu Horizons Uranium Limited (“Neu Horizon”), an unlisted Australian arm’s-length party. Pursuant to the Neu Horizon Option Agreement, Neu Horizon will be granted the option to acquire an 80% interest in the Woods Uranium Project over a 1.5 year period by funding (in Australian dollars) A\$3.0 million in exploration expenditures by December 31, 2027, making cash payments totaling A\$50,000, and issuing 1,200,000 common shares (based on the original share value as per the Neu Horizon Option Agreement) in common shares. The Company will act as the operator during the option period and will be entitled to charge a management fee of 10% of the expenditures incurred on the Woods Uranium Project.

Upon signing of the Neu Horizon Option Agreement, Neu Horizon funded a cash payment to the Company (in Australian dollars) of A\$50,000 (C\$43,370) and issued 500,000 consideration shares of Neu Horizon with a value of A\$50,000 (C\$44,960).

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

During the remainder of the year ended December 31, 2025, the Company received further 1,333,333 consideration shares of Neu Horizon valued at A\$200,000 (C\$183,440) and charged an operator fee of \$48,356. These amounts were recorded as recoveries against exploration expenditures incurred on the Woods Project to December 31, 2025, with the excess of \$228,344 recorded on the statement of loss and comprehensive loss. The remaining share issuance of A\$500,000 in consideration shares of Neu Horizon is due on or before December 31, 2026.

During the year ended December 31, 2025, the Company received \$550,000 from Neu Horizon for exploration expenditures on the Woods Uranium Project and incurred expenditures of \$550,000. The balance of restricted cash associated with the Neu Horizon Option Agreement at December 31, 2025 is \$nil.

A participating JV may be formed at the end of the option period, consistent with customary JV Terms. If completed, the JV would allow for dilution and, should the Company's interest fall below 10%, the Company will be granted a 2% NSR royalty on the Woods Uranium Project. One-half (1.0%) percent of the 2% NSR may be purchased at any time prior to commercial production for a cash payment of A\$5.0 million, subject to Consumer Price Index increases.

### **Poma Rosa**

As at December 31, 2025 and 2024, the Company had a 100% interest in the Poma Rosa Project (formerly the Ixhuatán Project), which is located in the state of Chiapas, Mexico.

### **Other**

The Company has a 2% NSR over future production from the Huizopa Project, located in Chihuahua, Mexico. The Company also has the right to a production bonus of US\$4.0 million payable over two years from the date commercial production commences at Huizopa, as well as the right to 20% of the proceeds of disposal of Huizopa if it is disposed of prior to reaching commercial production. All consideration is contingent on the future development of the property. The Company considers the fair value of this consideration to be \$nil.

The Company also holds an NSR on exploration properties in the Dominican Republic: the Ampliacion Pueblo Viejo, Ponton and La Cueva properties. These properties were sold by the Company to an unrelated third party in 2014. The NSR is equal to 1.0% when the price of gold is less than US\$1,000 per ounce, 1.5% when the price of gold is between US\$1,000 and US\$1,400 per ounce, and 2% when the price of gold is above US\$1,400 per ounce. The Company has assigned a value of \$nil to the NSR.

In connection with the sale of these properties in the Dominican Republic, the Company also received a promissory note equal to the greater of \$5.0 million or one million common shares of the purchaser. The promissory note is subject to the completion of a National Instrument (NI) 43-101 compliant measured and indicated resource estimate on these concessions of a minimum of one million ounces of gold equivalent (at an average grade of 2.5 grams per tonne (gpt) or higher for Ampliacion Pueblo Viejo and 1.5 gpt or higher for Ponton and La Cueva) or actual gold production from these concessions plus a NI 43-101 compliant measured and indicated resource estimate on these concessions (at an average grade of 2.5 gpt gold equivalent for Ampliacion Pueblo Viejo and 1.5 gpt gold equivalent or higher for Ponton and La Cueva) exceeding one million ounces of gold equivalent. The Company has assigned a value of \$nil to the promissory note.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### Property investigation costs

Certain costs related to property investigation are expensed as incurred when the Company does not yet have the right to explore the related property. These costs are included in the consolidated statements of loss and comprehensive loss as property investigation costs.

### 8 Accounts payable and accrued liabilities

	2025 \$	2024 \$
Trade accounts payable and accrued liabilities	609,508	291,039
Amounts payable to related parties, including director fees	101,280	455,456
	<u>710,788</u>	<u>746,495</u>

### 9 Loan payable

During the year ended December 31, 2025, the Company had a loan agreement with a company that is jointly controlled by a director and officer of the Company. The loan was for up to \$700,000, had an annual interest rate of 12% on the drawn balance of the loan and a 4% lender fee which was deducted as amounts were drawn from the loan. The loan was payable on demand and had a term ending in July 2025. The Company repaid the loan in full during the year ended December 31, 2025.

Prior to the loan repayment during the year ended December 31, 2025, the Company incurred a renewal fee of \$21,757 and interest of \$23,022 on the loan. During the year ended December 31, 2024, the Company drew \$104,000 on the loan, including a lender fee of \$4,000, made a repayment of \$100,000, and recorded interest of \$64,608. As at December 31, 2025, the balance of the loan payable, including interest and fees, is \$nil (December 31, 2024– \$612,953).

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

### 10 Share capital

#### a) Common shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

	Number of shares #	Amount \$
Outstanding – January 1, 2024	45,957,250	14,881,807
Shares issued pursuant to private placement	2,727,272	492,000
Less: Share issuance costs	-	(5,803)
Outstanding – December 31, 2024	<u>48,684,522</u>	<u>15,368,004</u>
Outstanding – January 1, 2025	48,684,522	15,368,004
Shares issued pursuant to private placement	9,375,000	2,400,000
Shares issued pursuant to bought deal financing	6,000,000	6,000,000
Flow-through shares issued pursuant to bought deal financing	1,438,900	2,000,071
Less: Flow-through share premium	-	(633,116)
Less: Share issuance costs	-	(1,026,037)
Shares issued upon exercise of warrants	<u>2,578,263</u>	<u>928,110</u>
Outstanding – December 31, 2025	<u>68,076,685</u>	<u>25,037,032</u>

- Bought deal private placement financing – October 30, 2025

On October 30, 2025, the Company completed a bought deal private placement for aggregate gross proceeds of \$8,000,071 (the “Offering”). Pursuant to the Offering, the Company issued 1,438,900 flow-through common shares at a price of \$1.39 per flow-through share and 6,000,000 non flow-through common shares at a price of \$1.00 per share. Cormark Securities Inc. acted as lead underwriter and sole bookrunner, on behalf of a syndicate of underwriters including Canaccord Genuity Corp. (the “Underwriters”). As a result of the issuance of flow-through shares as part of this financing, the Company also recorded a flow-through share premium liability of \$633,116.

In connection with the Offering, the Company paid to the Underwriters an aggregate cash commission of \$477,004, or 6% of the gross proceeds raised, with the exception of gross proceeds raised from the sale of non flow-through shares sold to purchasers on a president’s list. The Company also issued to the Underwriters a total of 443,334 broker warrants, including 66,125 broker warrants issued to Numus Capital Corp. (“Numus Capital”), a company that a director and officer of the Company has ownership interest in. Each broker warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 per share for a period of two years from closing. The value of the broker warrants is \$203,934. Total costs associated with the bought deal private placement, including the cash commission, broker warrants, professional, and regulatory fees, were \$978,096.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

- Unit financing – April 23, 2025

On April 23, 2025, the Company completed a private placement financing for aggregate gross proceeds of \$3,000,000. The Company issued 9,375,000 units at an issue price of \$0.32 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.45 per share for the first year from the date of issuance and \$0.55 per share for the second year from the date of issuance. The value allocated to the common shares issued through the unit financing was \$2,400,000, and the value allocated to the common share purchase warrants was \$600,000. Directors, officers and other non-arm's length parties of the Company subscribed for 1,531,250 units under the financing.

Numus Capital acted as a finder for a portion the private placement. Finder's fees of \$17,500 were paid in cash and a total of 54,688 non-transferable finder's warrants were issued, having an exercise price of \$0.45 per share for the first year from the date of issuance and \$0.55 per share for the second year from the date of issue. Each finder's warrant entitles the finder to purchase one common share at the applicable exercise price for two years from the date of issue. The value of the finder's warrants is \$14,219. Total costs associated with the private placement, including the finder's fees, finder's warrants, professional fees, and regulatory fees, were \$59,926. The Company allocated \$47,941 to the costs of issuing the common shares and \$11,985 to the costs of issuing the warrants.

- Warrant exercise

During the year ended December 31, 2025, 2,578,263 warrants with an exercise price of \$0.30 and a value of \$154,631 were exercised for gross proceeds of \$773,479. 1,113,044 of the warrants were exercised by related parties of the Company.

- Unit financing – August 2, 2024

On August 2, 2024, the Company completed a non-brokered private placement financing for aggregate gross proceeds of \$600,000. The Company issued 2,727,272 units at an issue price of \$0.22 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.30 per share for a period of two years. The value allocated to the common shares issued through the unit financing was \$492,000, and the value allocated to the common share purchase warrants was \$108,000. A director and officer of the Company subscribed for 1,000,000 of the units. Total costs associated with the private placement, primarily consisting of professional and regulatory fees, were \$7,077. The Company allocated \$5,803 to the costs of issuing the common shares and \$1,274 to the costs of issuing the warrants.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

### b) Warrants

	Number of warrants #	Amount \$
Outstanding – January 1, 2024	3,200,003	191,517
Warrants issued pursuant to private placement	1,363,636	108,000
Less: Warrant issue costs	-	(1,274)
	<hr/>	<hr/>
Outstanding – December 31, 2024	4,563,639	298,243
	<hr/>	<hr/>
Outstanding – January 1, 2025	4,563,639	298,243
Warrants issued pursuant to private placement	4,687,500	600,000
Finder's warrants issued	498,022	218,153
Warrants exercised	(2,578,263)	(154,631)
Warrants expired	(621,740)	(36,887)
Less: Warrant issue costs	-	(11,985)
	<hr/>	<hr/>
Outstanding – December 31, 2025	6,549,158	912,893

The Company issued 4,687,500 warrants pursuant to the private placement completed on April 23, 2025 that are exercisable at \$0.45 for the first year and \$0.55 for the second year from the issue date, expiring on April 23, 2027. In addition, the Company issued 498,022 finder's warrants during the year ended December 31, 2025. 54,688 finder's warrants with a value of \$14,219 are exercisable at \$0.45 for the first year and \$0.55 for the second year, expiring on April 23, 2027. 443,334 finder's warrants with a value of \$203,934 are exercisable at \$1.00 and expire on October 30, 2027.

The Company issued 1,363,636 warrants pursuant to the private placement completed on August 2, 2024 that are exercisable at \$0.30 and expire on August 2, 2026.

During the year ended December 31, 2025, 2,578,263 warrants with an exercise price of \$0.30 and a value of \$154,631 were exercised for gross proceeds of \$773,479, including 1,113,044 that were exercised by related parties of the Company. In addition, 621,740 warrants with an exercise price of \$0.30 and a value of \$36,887 expired unexercised during the year ended December 31, 2025.

The fair value of the warrants issued has been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing model for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Risk-free interest rate	2.61%	3.29%
Expected life	2.0 years	2.0 years
Expected volatility	92%	95%
Expected dividend per share	\$nil	\$nil
Weighted-average fair value per warrant	\$0.28	\$0.09

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

As at December 31, 2025, the Company had the following warrants outstanding:

Number of warrants	Exercise price \$	Expiry date
1,363,636	0.30	August 2, 2026
4,742,188	\$0.45/\$0.55	April 23, 2027
443,334	\$1.00	October 30, 2027
<u>6,549,158</u>		

### c) Share-based compensation plan

The Company has adopted a share-based compensation plan, providing the Board of Directors with the discretion to issue an equivalent number of stock options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than the closing share price the date preceding the date of the grant.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. For options that vest based on non-market performance criteria, an estimate is made on the grant date and each reporting date as to the number of options that are expected to vest based on performance criteria being satisfied. Changes in the estimates can materially affect the share-based compensation expense recognized in the consolidated statements of loss and comprehensive loss.

The following table reconciles the stock option activity during the years ended December 31, 2025 and 2024:

	Number of options #	Weighted-average exercise price \$
Balance – January 1, 2024	2,915,000	0.61
Granted	1,230,000	0.23
Forfeited/Expired	(310,000)	0.41
	<u>3,835,000</u>	<u>0.50</u>
Balance – December 31, 2024	3,835,000	0.50
Granted	2,660,000	0.79
Forfeited/Expired	(520,000)	0.80
	<u>5,975,000</u>	<u>0.60</u>
Balance – December 31, 2025	5,975,000	0.60

The Company granted 2,660,000 stock options to directors, officers, contractors, and employees during the year ended December 31, 2025. 1,020,000 of the options are exercisable at \$0.53 per share, vest over three years and expire on May 28, 2030. 1,490,000 options granted are exercisable at \$1.00 per share, vest over

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

three years and expire on December 4, 2030. A further 150,000 stock options granted are exercisable at \$0.53 per share, have vested during the year ended December 31, 2025 and expire on November 30, 2026.

During the year ended December 31, 2024, the Company granted 1,230,000 stock options to directors, officers, contractors, and employees. The options are exercisable at \$0.23 per share, vest over three years from the grant date and expire on January 25, 2029.

During the year ended December 31, 2025, 520,000 stock options with a weighted-average exercise price of \$0.80 expired unexercised. During the year ended December 31, 2024, 310,000 stock options with a weighted-average exercise price of \$0.41 expired or were forfeited unexercised.

During the year ended December 31, 2025, 485,000 options held by the former CFO vested immediately and expire on November 30, 2026 as per the terms of the former CFO's agreement. The options have a weighted-average exercise price of \$0.44 per share.

The fair value of the stock options granted during the years ended December 31, 2025 and 2024 have been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing model for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Risk-free interest rate	2.52%	4.19%
Expected life	4.5 years	4.5 years
Expected volatility	89%	94%
Expected dividend per share	\$nil	\$nil
Weighted-average fair value per stock option	\$0.46	\$0.15

The following table summarizes information relating to outstanding and exercisable stock options as at December 31, 2025:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price \$
March 4, 2026	0.2	305,000	305,000	1.10
November 30, 2026	0.9	485,000	485,000	0.44
December 17, 2026	1.0	720,000	720,000	0.70
January 25, 2028	2.1	860,000	573,333	0.325
January 25, 2029	3.1	1,095,000	365,000	0.23
May 28, 2030	4.4	1,020,000	-	0.53
December 4, 2030	4.9	1,490,000	-	1.00
		<u>5,975,000</u>	<u>2,448,333</u>	

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

For the year ended December 31, 2025, the estimated value of options earned was \$330,693 (2024 – 206,783). \$41,198 was capitalized to resource properties (2024 – \$22,353), and \$289,495 was recorded in the consolidated statements of loss and comprehensive loss (2024 – \$184,430). As at December 31, 2025, 832,669 options were available for granting under the plan.

### d) Deferred share units (“DSU”)

As at December 31, 2025 and 2024, the maximum number of common shares which the Company is entitled to issue from treasury in connection with the redemption of DSUs granted under the DSU plan is 2,000,000 common shares. As at December 31, 2025, 280,558 remain available for granting under the terms of the DSU plan (2024 – 680,558).

DSU activity for the years ended December 31, 2025 and 2024 is as follows:

	<b>Number of DSUs #</b>
Outstanding – January 1, 2024 and December 31, 2024	1,319,442
Granted during the year ended December 31, 2025	<u>400,000</u>
Outstanding – December 31, 2025	<u>1,719,442</u>

The value of the DSUs granted during the year ended December 31, 2025 to directors, officers and employees was \$267,000 (December 31, 2024 - \$nil), which will be expensed over the three-year vesting period of the DSUs. During the year ended December 31, 2025, \$99,986 was expensed in the consolidated statements of loss and comprehensive loss (2024 – \$120,758). As at December 31, 2025, 1,156,107 DSUs had vested (2024 – 824,744).

## 11 Other income

	<b>2025 \$</b>	<b>2024 \$</b>
Rental income	157,238	107,904
Gain on excess recoveries related to Neu Horizon Option Agreement (note 7)	<u>228,344</u>	-
	<u>385,582</u>	<u>107,904</u>

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

### 12 Income taxes

The provision for income taxes reported differs from the amounts computed by applying the statutory rates due to the following:

	2025 \$	2024 \$
Net loss and comprehensive loss before income taxes	1,308,656	1,263,577
Statutory rate	29%	29%
Tax recovery at statutory rate	(379,510)	(366,437)
Pro-rata reduction of flow-through premium	(185,154)	-
Losses and deductible temporary differences not recognized in current and prior years	299,345	470,877
Other	123,872	121,486
Provision for income taxes at effective rate	(141,447)	225,926

#### a) Deferred income taxes

The tax effects of temporary differences that would give rise to significant portion of the deferred tax assets and liabilities at December 31, 2025 and 2024 are as follows:

	2025 \$	2024 \$
<b>Deferred tax assets</b>		
Net operating losses carried forward	503,256	470,104
<b>Deferred tax liabilities</b>		
Exploration and development	1,467,451	1,390,592
<b>Net deferred tax liability</b>	964,195	920,488

At December 31, 2025, the Company had unused non-capital losses of \$13.0 million (2024 – \$11.4 million) available for carry forward purposes, which expire from 2026 to 2045. The Company also has non-capital loss carry forwards of \$1.7 million (2024 – \$1.8 million) that have no expiration date; however, the use of these carry forwards is restricted to 30% of annual taxable income. The Company has capital loss carry forwards of \$5.7 million (2024 – \$5.7 million), which may be carried forward indefinitely for use against capital gains. Deferred tax assets have been recognized in respect of non-capital losses and deductible temporary differences to the extent of taxable temporary differences that reverse within the carry forward period of these attributes. The Company has unrecognized deferred tax assets of \$23.1 million (2024 – \$21.1 million) in respect of loss carry forwards, deductible temporary differences and unused tax credits.

At December 31, 2025, the Company recognized a net deferred tax liability of \$964,195 (2024 – \$920,488) related to the difference between the book value and the tax value of the Company's exploration and evaluation assets in Mexico and Saskatchewan, Canada.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(expressed in Canadian dollars)

### b) Flow-through share premium liability

	2025 \$	2024 \$
Opening balance	-	-
Flow-through shares premium liability recorded on the issuance of flow-through shares (note 10)	633,116	-
Pro-rata reduction of flow-through premium liability	(185,154)	-
	<u>447,962</u>	<u>-</u>

### 13 Supplemental cash flow information

Net changes in non-cash operating working capital items are as follows:

	2025 \$	2024 \$
Accounts receivable	(223,953)	(35,611)
Prepaid expenses and deposits	(18,033)	(2,525)
Accounts payable and accrued liabilities and other current liabilities	(349,242)	263,261
	<u>(591,228)</u>	<u>225,125</u>

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

	2025 \$	2024 \$
Capitalized share-based compensation	41,198	22,353
Capitalized depreciation	21,743	23,907

### 14 Related party transactions

Amounts payable to officers, directors and companies owned thereby were \$101,280 as at December 31, 2025 (2024 – \$999,391, including a loan and interest payable to a related party of \$612,953) (see note 9). During the year ended December 31, 2025, the Company incurred costs for controller services from a company that a director and officer of the Company has ownership interest in, Numus Financial Inc. (“Numus”), in the amount of \$12,000 (2024 - \$12,000), incurred rent and office costs in the amount of \$48,398 (2024 - \$41,792) and incurred digital marketing costs of \$51,253 (\$43,440).

As at December 31, 2025, the net amount payable by the Company to Numus was \$87,841 (2024 – \$143,639).

During the year ended December 31, 2025, the Company completed a private placement financing of \$3,000,000 with 9,375,000 units issued at a price of \$0.32. Directors, officers and other non-arm’s length parties of the Company subscribed for an aggregate of 1,531,250 of the units issued. Numus Capital acted as a finder for a portion the private placement, receiving cash finder’s fees of \$17,500 and 54,688 non-transferable finder’s

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

warrants valued at \$14,219. Each finder's warrant entitles the finder to purchase one common share at an exercise price of \$0.45 per share for the first year from the date of issuance and \$0.55 per share for the second year from the date of issuance. Also during the year ended December 31, 2025, the Company completed a bought deal financing, issuing 1,438,900 flow-through common shares at a price of \$1.39 per flow-through share and 6,000,000 non flow-through common shares at a price of \$1.00 per share. In connection with the Offering, 443,334 broker warrants were issued, including 66,125 issued to Numus Capital, which were valued at \$203,934. The broker warrants are exercisable into common shares of the Company at a price of \$1.00 for a period of two years from closing. Refer to note 10 for further details on the financings completed during the year ended December 31, 2025.

During the year ended December 31, 2024, the Company completed a non-brokered private placement of \$600,000, with 2,727,272 units issued at a price of \$0.22 per unit (note 10). A director of the Company subscribed for 1,000,000 of the units issued for this financing.

During the year ended December 31, 2025, related parties of the Company exercised 1,113,044 warrants at an exercise price of \$0.30.

During the year ended December 31, 2025, the Company issued 2,660,000 stock options, of which 2,160,000 were issued to directors and officers. 800,000 of the options issued to related parties are exercisable at \$0.53 per share and vest over three years from the date of grant. 1,210,000 of the options issued to related parties are exercisable at \$1.00 per share and vest over three years from the date of grant. 150,000 of the options issued to the former CFO are exercisable at \$0.53 per share, vested during the year ended December 31, 2025 and expire on November 30, 2026.

During the year ended December 31, 2024, the Company issued 1,230,000 stock options, of which 1,010,000 were issued to directors and officers. The 2024 options issued to directors and officers are exercisable at \$0.23 per share and vest over three years from the date of grant.

In addition, directors and officers were issued 370,000 DSUs during the year ended December 31, 2025 with a value of \$249,900. The DSUs will vest over a period of three years from the date of grant. No DSUs were issued during the year ended December 31, 2024.

During the year ended December 31, 2025, the Company repaid a related party loan in full. Refer to note 9 for details of the loan terms and transactions.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 15 Compensation of key management

Key management of the Company includes the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the directors of the Company. Compensation awarded to key management, which is the portion included in the results of the consolidated financial statements, is summarized as follows:

	2025 \$	2024 \$
Salaries and accrued compensation, directors' fees and other benefits	503,889	444,518
Share-based compensation	369,620	201,530
	<u>873,509</u>	<u>646,048</u>

### 16 Fair value financial instruments and risk management

#### Capital management

The primary objective of managing the Company's capital is to ensure that there is sufficient available capital to support the long-term growth strategy of the Company in a way that optimizes the cost of capital and ensures the Company remains in sound financial position.

The capital of the Company consists of items included in equity, net of cash as follows:

	2025 \$	2024 \$
Equity	31,546,168	21,962,133
Less: Cash and cash equivalents	<u>(7,900,489)</u>	<u>(456,661)</u>
	<u>23,645,679</u>	<u>21,505,472</u>

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2025 or 2024.

#### Fair values of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the consolidated statements of financial position for cash and cash equivalents, accounts receivable, excluding sales tax, accounts payable and accrued liabilities and loan payable approximate their fair values based on the immediate or short-term maturities of these financial instruments.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### **Financial risk management objectives**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include market risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk can be further divided into the following sub-classifications related to the Company: currency risk, interest rate risk, and commodity risk.

#### *Currency risk*

The Company is exposed to currency risk on its United States dollar and Mexican peso cash and accounts payable and accrued liabilities, in addition to some of its operating costs. For the year ended December 31, 2025, changes in the exchange rate between the aforementioned currencies and the Canadian dollar would not have impacted the Company's net loss by a material amount as the balance of funds held, receivable or owing in these currencies was not material. The currency risk is minimal; therefore, the Company does not hedge its currency risk.

#### *Commodity risk*

Gold prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and worldwide political and economic conditions. The viability of the Company is directly related to the market price of gold.

### **Credit risk**

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Company.

The Company's maximum exposure to credit risk is represented by the carrying amount of the Company's cash and cash equivalents. Cash and cash equivalents are placed with high-credit quality financial institutions. There are no material financial assets that the Company considers to be past due.

At each reporting date, the Company assesses whether there has been an impairment of financial assets. The Company has not recorded an impairment on any financial assets during the years ended December 31, 2025 and 2024.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements including amounts projected for the existing capital expenditure program and plans for expansion, which are adjusted as input variables change. These variables include, but are not limited to, funding requirements of exploration and

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

evaluation assets, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. As discussed in note 1, the Company is evaluating alternatives to secure additional financing. Without additional financing, the Company will need to scale back its exploration and development activities and operating expenses to preserve cash to ensure it is able to meet its financial obligations as they become due for at least the next twelve months.

Accounts payable and accrued liabilities are paid in the normal course of business, generally according to their terms.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities. The amounts included in this table may or may not result in an actual obligation of the Company as the requirement for the Company to settle certain of these amounts may, in some cases, be contingent on the occurrence of certain events that may or may not transpire:

	Within 1 year \$	2 – 3 years \$	4 – 5 years \$	Over 5 years \$	Total \$
Accounts payable and accrued liabilities	710,788	-	-	-	710,788
Total	710,788	-	-	-	710,788

### Fair value measurements recognized in the consolidated statements of financial position

The Company has historically held certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There were no transfers between levels 1, 2 or 3 for recurring fair value measurements during the year ended December 31, 2025.

# Fortune Bay Corp.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 17 Segment information

The Company has one operating and reportable segment which is the acquisition, exploration and development of mineral interests. The geographical information regarding the assets is as follows:

	Canada \$	Mexico \$	Total \$
<b>As at December 31, 2025</b>			
Property and equipment	162,820	-	162,820
Exploration and evaluation assets	20,863,905	4,026,454	24,890,359
	<u>21,026,725</u>	<u>4,026,454</u>	<u>25,053,179</u>
<b>As at December 31, 2024</b>			
Property and equipment	172,022	-	172,022
Exploration and evaluation assets	19,583,197	3,655,058	23,238,255
	<u>19,755,219</u>	<u>3,655,058</u>	<u>23,410,277</u>

### 18 Commitments and contingencies

The Company's exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. The Company conducts its operations so as to protect public health and the environment and it believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

Certain of the Company's exploration and evaluation properties are subject to royalty obligations based on mineral production from the properties. Royalty obligations for the Goldfields project may arise once the property enters production. The royalty obligations are a 2.0% NSR for the Box and Athona deposits. The Box area is also subject to a 1.5% NSR on all production beneath 50 metres below the mean sea level on the original mining claims. This does not apply to the current Box mine plan since it is above the minus 50 metres below sea level elevations.

As at December 31, 2025, the Company had a services agreement with Numus, a related party, for the provision of controller services, rent and other office costs at a fee of \$32,400 per year, continuing until both parties mutually agree to terminate or either party provides at least six months' notice.

As at December 31, 2025, the Company had a services agreement with Numus for the provision of digital marketing services, at a fee of \$3,795 per month.

# **Fortune Bay Corp.**

## **Notes to Consolidated Financial Statements**

**For the years ended December 31, 2025 and 2024**

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(expressed in Canadian dollars)

The Company has employment arrangements with the Chief Executive Officer and Chief Financial Officer of the Company which provide that, should a change in control event occur, the Chief Executive Officer will receive a lump sum payment equal to between 18 and 36 months of his then current base salary and the Chief Financial Officer will receive a lump sum payment equal to one month for each full month of employment to a maximum 18 months of his then current base salary. In the event of a change of control, the Executive Chairman will receive a lump sum payment of 72 months of his original base compensation.

### **19 Subsequent event**

Subsequent to the year ended December 31, 2025, the Company issued 175,000 stock options with an exercise price of \$0.90 per share to an unrelated third party. The options vest within one year of the date of issue and expire on February 4, 2027. In addition, 305,000 stock options with an exercise price of \$1.10 per share expired unexercised on March 4, 2026.