

Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

June 30, 2024

(Expressed in Canadian Dollars)

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

FORTUNE BAY CORP.
Unaudited Condensed Interim Consolidated Statements of Financial Position

<i>Expressed in Canadian dollars</i>	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 75,854	\$ 585,157
Restricted cash (Note 6)	969,711	-
Accounts receivable (Note 3)	308,732	94,529
Marketable securities (Note 4)	186,667	-
Prepaid expenses	19,110	51,792
	1,560,074	731,478
Reclamation deposit	39,651	39,651
Property and equipment (Note 5)	172,988	186,067
Exploration and evaluation assets (Note 6)	23,267,374	23,147,548
Total assets	\$25,040,087	\$24,104,744
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 1,662,093	\$ 379,810
Loan payable (Note 8)	519,168	499,200
	2,181,261	879,010
Deferred income tax liability (Note 10)	773,537	694,562
	2,954,798	1,573,572
Equity		
Shareholders' equity	22,085,289	22,531,172
Total liabilities and equity	\$25,040,087	\$24,104,744

Nature of operations and going concern (Note 1)
 Commitments and contingencies (Note 15)
 Subsequent event (Note 16)

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

Approved on behalf of the Board of Directors on August 27, 2024

“Wade Dawe”
 Director

“Melinda Lee”
 Director

FORTUNE BAY CORP.

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

	Three-month period ended June 30, 2024	Three-month period ended June 30, 2023	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Operating expenses				
Office, travel and general	\$ 28,306	\$ 36,786	\$ 56,107	\$ 68,854
Depreciation	710	1,015	1,421	2,019
Finance fees and interest	15,699	7,317	50,782	7,317
Professional and consulting fees	38,533	45,553	62,820	63,931
Salaries and benefits	66,179	127,000	141,159	255,007
Contract services	3,000	3,000	6,000	6,000
Securities and regulatory	19,448	25,192	41,631	49,209
Marketing and investor relations	11,732	21,991	24,528	51,376
Property investigation costs (Note 6)	5,732	7,120	18,715	7,120
Share-based compensation	75,167	100,333	159,534	203,424
Foreign exchange loss (gain)	9,121	(1,518)	5,852	(7,247)
	(273,627)	(373,789)	(568,549)	(707,010)
Other income (expenses)				
Rental income	44,100	-	44,100	-
Unrealized loss on marketable securities (Note 4)	(13,333)	-	(13,333)	-
Gain on sale of property and equipment (Note 5)	-	3,529	-	3,529
	(242,860)	(370,260)	(537,782)	(703,481)
Net loss before income tax				
Deferred income tax recovery (expense) (Note 10)	(97,354)	19,400	(78,975)	(61,281)
Net loss and comprehensive loss for the period	\$ (340,214)	\$ (350,860)	\$ (616,757)	\$ (764,762)
Loss per share – basic and diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02
Weighted-average number of common shares outstanding	45,957,250	42,913,769	45,957,250	42,913,769

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

FORTUNE BAY CORP.
Unaudited Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

	Number of Common Shares	Common Shares \$	Warrants \$	Contributed Surplus \$	Retained Earnings (Deficit) \$	Total Shareholders' Equity \$
Balance, January 1, 2023	42,913,769	14,417,508	1,436,552	1,566,207	5,464,358	22,884,625
Net loss and comprehensive loss for the period	-	-	-	-	(764,762)	(764,762)
Share-based compensation	-	-	-	213,468	-	213,468
Balance, June 30, 2023	42,913,769	14,417,508	1,436,552	1,779,675	4,699,596	22,333,331
Balance, January 1, 2024	45,957,250	14,881,807	191,517	3,380,232	4,077,616	22,531,172
Net loss and comprehensive loss for the period	-	-	-	-	(616,757)	(616,757)
Share-based compensation	-	-	-	170,874	-	170,874
Balance, June 30, 2024	45,957,250	14,881,807	191,517	3,551,106	3,460,859	22,085,289

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

FORTUNE BAY CORP.

Unaudited Condensed Interim Consolidated Statements of Changes in Cash Flows

<i>Expressed in Canadian dollars</i>	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Operating activities		
Net loss for the period	\$ (616,757)	\$ (764,762)
Charges to loss not involving cash:		
Depreciation	1,421	2,019
Share-based compensation	159,534	203,424
Unrealized loss on marketable securities (Note 4)	13,333	-
Gain on sale of property and equipment (Note 5)	-	(3,529)
Finance fees	19,968	-
Deferred income tax expense (Note 10)	78,975	61,281
Net change in non-cash working capital related to operations (Note 11)	42,148	215,968
Net cash used in operating activities	(301,378)	(285,599)
Financing activities		
Loan received from related party (Note 8)	-	156,000
Net cash provided by financing activities	-	156,000
Investing activities		
Net additions to exploration and evaluation assets	(207,925)	(311,464)
Proceeds received on sale of property and equipment, net of selling costs	-	3,750
Net cash used in investing activities	(207,925)	(307,714)
Net change in cash during the period	(509,303)	(437,313)
Cash, beginning of period	585,157	531,837
Cash, end of period	\$ 75,854	\$ 94,524

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

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Fortune Bay Corp. (the “Company” or “Fortune Bay”) 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 (“TSX-V”) on July 4, 2016 under the symbol FOR. The Company also trades on the Frankfurt Stock Exchange under the symbol 5QN and on the OTCQX under the symbol FTBYF.

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 a number of 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 unaudited condensed interim 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 six-month period ended June 30, 2024, the Company incurred a loss before income taxes of \$537,782 (year ended December 31, 2023 - \$1,343,244). The Company has no income or cash inflows from operations. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. 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. 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. Subsequent to quarter end, the Company completed a financing for gross proceeds of \$600,000 as outlined in Note 16. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements, except as discussed below.

a) Statement of Compliance and Basis of Consolidation

The unaudited condensed interim consolidated financial statements of the Company and all its subsidiaries 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 (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of August 27, 2024, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ended December 31, 2024 could result in the restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements include certain assets, liabilities and results of operations of the Company, including the following subsidiaries:

<u>Subsidiary</u>	<u>Principal Activity</u>	<u>Country of Incorporation</u>
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.

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2023. Refer to Note 2, *Summary of Material Accounting Policy Information*, of the Company’s annual consolidated financial statements for the year ended December 31, 2023 for information on the accounting policies.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits. 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 is not convertible to available cash to the Company within a three-month term. Restricted cash is a financial asset and is classified and measured at amortized cost.

c) Financial assets at FVTPL

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

Financial assets at FVTPL include the Company's marketable securities which are classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. Subsequent to initial measurement, financial assets at FVTPL are carried at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

3. ACCOUNTS RECEIVABLE

	June 30, 2024	December 31, 2023
Sales tax	\$ 35,950	\$ 94,529
Trade amounts receivable	272,782	-
	<u>\$ 308,732</u>	<u>\$ 94,529</u>

4. MARKETABLE SECURITIES

During the period ended June 30, 2024, the Company received 1,333,333 common shares of Angold Resources Inc. (now Aero Energy Limited) pursuant to the Option Agreement (see note 6). These shares are classified as FVTPL and are recorded at fair value at the end of an accounting period, with any change in the fair value recorded on the statement of loss and comprehensive loss. During the six-month period ended June 30, 2024, the Company recorded the receipt of the common shares with a value of \$200,000 and recorded an unrealized loss of \$13,333 on the value of the investment as at June 30, 2024.

5. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2023	\$117,839	\$64,457	\$226,398	\$408,694
Disposal	-	-	(23,793)	(23,793)
As at December 31, 2023 and June 30, 2024	<u>\$117,839</u>	<u>\$64,457</u>	<u>\$202,605</u>	<u>\$384,901</u>

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Accumulated depreciation	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2023	\$3,120	\$50,883	\$132,190	\$186,193
Disposal	-	-	(23,572)	(23,572)
Depreciation	3,899	4,072	28,242	36,213
As at December 31, 2023	7,019	54,955	136,860	198,834
Depreciation	1,866	1,421	9,792	13,079
As at June 30, 2024	\$8,885	\$56,376	\$146,652	\$211,913

Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2023	\$110,820	\$9,502	\$65,745	\$186,067
Balance, June 30, 2024	\$108,954	\$8,081	\$55,953	\$172,988

6. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Strike	Murmac	Woods	Ixhuatán	Total
As at January 1, 2023	\$16,167,217	\$1,451,637	\$1,977,979	\$ -	\$3,162,426	\$22,759,259
Additions	90,289	108,700	178,026	-	211,274	588,289
Cash recoveries received	-	(80,000)	(120,000)	-	-	(200,000)
As at December 31, 2023	\$16,257,506	\$1,480,337	\$2,036,005	\$ -	\$3,373,700	\$23,147,548
Additions	34,957	15,832	105,354	50,757	183,074	389,974
Operator fee	-	-	(70,148)	-	-	(70,148)
Share recoveries received	-	(80,000)	(120,000)	-	-	(200,000)
As at June 30, 2024	\$16,292,463	\$1,416,169	\$1,951,211	\$50,757	\$3,556,774	\$23,267,374

Goldfields

As at June 30, 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 June 30, 2024, the Strike Project was 100% owned by the Company and is located west of the Goldfields property.

Murmac

As at June 30, 2024, the Murmac Project was 100% owned by the Company and is located in northern Saskatchewan.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 \$6.0 million in exploration expenditures, making cash payments totaling \$1.35 million, and issuing \$2.15 million 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 Projects. During the six-month period ended June 30, 2024, the Company received share consideration of \$200,000 (year ended December 31, 2023 – cash consideration of \$200,000) and charged an operator fee of \$70,148 (December 31, 2023 - \$nil) which have been recorded as recoveries against exploration expenditures.

During the six-month period ended June 30, 2024, the Company received \$1,325,000 from Aero for exploration expenditures on the Projects and incurred expenditures of \$894,525, of which \$539,236 is included in accounts payable as at June 30, 2024. The balance of restricted cash associated with the Option Agreement at June 30, 2024 is \$969,711.

Woods

During the six-month period ended June 30, 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 June 30, 2024, the Woods Uranium Project was 100% owned by the Company.

Ixhutatán

As at June 30, 2024, the Company has a 100% interest in the Ixhutatán Project, which is located in the state of Chiapas, Mexico.

Other

The Company has a 2% net smelter royalty (“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 a NSR on exploration properties in the Dominican Republic: the Ampliación 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 USD\$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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 1 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 Ampliación 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 APV 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.

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 statement of loss and comprehensive loss as property investigation costs.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2024	December 31, 2023
Trade accounts payable and accrued liabilities	\$1,318,831	\$ 131,400
Amounts payable to related parties, including director fees	343,262	248,410
	<u>\$1,662,093</u>	<u>\$ 379,810</u>

8. LOAN PAYABLE

During the year ended December 31, 2023, the Company entered into a loan agreement with a company that is jointly controlled by a director and officer of the Company. The loan was for up to \$250,000, which was amended to increase the total amount of borrowing available to \$500,000, has an annual interest rate of 12% on the drawn balance of the loan and a 4% lender fee which is deducted as amounts are drawn from the loan. The loan is payable on demand with a term of six months, which was extended for an additional six months with an additional lender fee of 4%, or \$19,968, recorded during the period ended June 30, 2024. Subsequent to the period ended June 30, 2024, the loan was amended to increase the total amount of borrowing available to \$700,000 with an additional lender fee of 4%, or \$20,767 and a term ending in December 2024.

During the six-month period ended June 30, 2024, the Company did not make any draws on the loan and recorded interest of \$30,686, in addition to the renewal fee of \$19,968. During the year ended December 31, 2023, the Company drew \$499,200 on the loan, including a lender fee of \$19,200, and recorded interest of \$24,379. As at June 30, 2024, the balance of the loan payable, including interest and fees, is \$554,265 (December 31, 2023 - \$518,587).

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

9. 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, 2023	42,913,769	\$ 14,417,508
Shares issued pursuant to private placement	3,043,481	504,000
Less: Share issuance costs	-	(39,701)
Outstanding, December 31, 2023 and June 30, 2024	<u>45,957,250</u>	<u>\$ 14,881,807</u>

On October 30, 2023, the Company completed a non-brokered private placement financing for aggregate gross proceeds of \$700,000. The Company issued 3,043,481 units at an issue price of \$0.23 per unit, with each unit comprised of one common share and one 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 \$504,000, and the value allocated to the common share purchase warrants was \$196,000. Directors and officers, or companies in which they have ownership interest in, subscribed for 956,523 units under the financing.

A cash finder's fee of \$36,000 was paid to a company that a director and officer has an ownership interest in. In addition, 156,522 non-transferable finder's warrants were issued as part of the finder's fee to the same company, with an exercise price of \$0.30 per share. Each finder's warrant entitles the finder to purchase one common share at \$0.30 per share for a period of two years.

Total costs associated with the private placement, consisting of the finder's warrants, professional and regulatory fees, as well as cash finder's fees, were \$55,141. The Company allocated \$39,701 to the costs of issuing the common shares and \$15,440 to the costs of issuing the warrants. All securities issued pursuant to the private placement are subject to a hold period of four months and one day.

Subsequent to the period ended June 30, 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 a price of \$0.22 per unit. Each unit is comprised of one common share and one-half common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of \$0.30 per share for a period of two years. A director and officer of the Company subscribed for 1,000,000 units. All securities issued pursuant to the financing will be subject to a statutory four-month hold period in accordance with Canadian securities legislation.

b) Warrants

	Number of warrants	Amount
Outstanding, January 1, 2023	7,330,954	\$ 1,436,552
Warrants issued pursuant to private placement	3,043,481	196,000
Broker warrants issued	156,522	10,957
Less: Warrant issue costs	-	(15,440)
Warrants expired	<u>(7,330,954)</u>	<u>(1,436,552)</u>
Outstanding, December 31, 2023 and June 30, 2024	<u>3,200,003</u>	<u>\$ 191,517</u>

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The Company issued 3,043,481 warrants pursuant to the private placement completed on October 30, 2023 that are exercisable at \$0.30 and expire on October 30, 2025. 156,522 warrants were issued as finder's fees for the private placement, which are valued at \$10,957, are exercisable at \$0.30 and expire on October 30, 2025.

The fair value of the warrants issued pursuant to the October 30, 2023 private placement financing 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 year ended December 31, 2023 was as follows:

Risk-free interest rate	4.69%
Expected life	2.0 years
Expected volatility	98%
Expected dividend per share	\$nil
Weighted-average fair value per warrant	\$0.07

During the year ended December 31, 2023, 7,330,954 warrants valued at \$1,436,552 with a weighted-average exercise price of \$0.63 expired unexercised.

As at June 30, 2024, the Company had the following warrants outstanding:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
3,200,003	\$0.30	October 30, 2025

c) Share-Based Compensation

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 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 statement of loss and comprehensive loss.

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The following table reconciles the stock option activity during the six-month period ended June 30, 2024 and the year ended December 31, 2023:

	Number of options	Weighted-average exercise price
Balance, January 1, 2023	2,325,000	\$ 0.72
Granted	1,100,000	0.325
Forfeited/Expired	(510,000)	0.54
Balance, December 31, 2023	2,915,000	\$ 0.61
Granted	1,230,000	0.23
Forfeited	(60,000)	0.83
Balance, June 30, 2024	4,085,000	\$ 0.49

The Company granted 1,230,000 stock options to directors, officers, contractors, and employees during the six-month period ended June 30, 2024. 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, 2023, the Company granted 1,100,000 stock options to directors, officers, contractors, and employees. The options are exercisable at \$0.325 per share, vest over three years from the grant date and expire on January 25, 2028.

During the six-month period ended June 30, 2024, 20,000 stock options with an exercise price of \$1.10 and 40,000 stock options with an exercise price of \$0.70 were forfeited unexercised. During the year ended December 31, 2023, 510,000 stock options with a weighted-average exercise price of \$0.54 per share expired or were forfeited unexercised.

The fair value of the stock options granted during the six-month period ended June 30, 2024 and the year ended December 31, 2023 has been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing model are as follows:

	June 30, 2024	December 31, 2023
Risk-free interest rate	4.19%	3.74%
Expected life	4.5 years	4.5 years
Expected volatility	94%	93%
Expected dividend per share	\$nil	\$nil
Weighted-average fair value	\$0.15	\$0.23

The following table summarizes information relating to outstanding and exercisable stock options as at June 30, 2024:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
October 11, 2024	0.3	250,000	250,000	\$ 0.31
June 15, 2025	0.9	500,000	275,000	\$ 0.79
September 18, 2025	1.2	20,000	20,000	\$ 1.15
March 4, 2026	1.7	305,000	305,000	\$ 1.10
December 17, 2026	2.5	820,000	546,667	\$ 0.70
January 25, 2028	3.6	960,000	320,000	\$0.325
January 25, 2029	4.6	1,230,000	-	\$ 0.23

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For the six-month period ended June 30, 2024, the estimated value of options earned was \$103,023 (2023 - \$127,588). \$11,340 was capitalized to resource properties (2023 - \$10,044) and \$91,683 was recorded in the unaudited interim consolidated statement of loss and comprehensive loss (2023 - \$117,544). As at June 30, 2024, 510,725 stock options were available for granting under the Plan.

d) Deferred Share Units

As at June 30, 2024, the maximum number of common shares which the Company is entitled to issue from treasury in connection with the redemption of deferred share units (“DSU”) granted under the DSU plan is 2,000,000 common shares (December 31, 2023 – 2,000,000 common shares). As at June 30, 2024 and December 31, 2023, 680,558 remain available for granting under the terms of the DSU plan.

DSU activity for the six-month period ended June 30, 2024 and the year ended December 31, 2023 was as follows:

	<u>Number of DSUs</u>
Outstanding, January 1, 2023	829,442
Granted	<u>490,000</u>
Outstanding, December 31, 2023 and June 30, 2024	<u>1,319,442</u>

The value of the DSUs granted during the year ended December 31, 2023 was \$106,150, which will be expensed over the three-year vesting period of the DSUs. There were no DSUs granted during the six-month period ended June 30, 2024. During the six-month period ended June 30, 2024, \$67,851 was expensed in the statement of loss and comprehensive loss (2023 - \$85,880). As at June 30, 2024, 492,870 DSUs had vested (December 31, 2023 – 402,619).

10. INCOME TAXES

a) Reconciliation of income tax recovery

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the net loss before tax provision due to the following:

	<u>Six-month period ended June 30, 2024</u>	<u>Six-month period ended June 30, 2023</u>
Loss before income taxes	\$ (537,782)	\$ (703,481)
Statutory rate	29%	29%
Tax recovery at statutory rate	(155,957)	(204,009)
Expense for losses and deductible temporary differences not recognized in current and prior years	210,547	235,300
Permanent differences and other	<u>24,385</u>	<u>29,990</u>
Income tax expense	<u>\$ 78,975</u>	<u>\$ 61,281</u>

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b) Deferred income taxes

The tax effects of temporary differences that would give rise to the deferred tax assets and liabilities at June 30, 2024 and December 31, 2023 are as follows:

	June 30, 2024	December 31, 2023
Deferred tax assets		
Net operating losses carried forward	\$ 593,100	\$ 612,002
Deferred tax liabilities		
Exploration and development	1,366,637	1,306,564
Net deferred tax liability	\$ 773,537	\$ 694,562

At June 30, 2024, the Company recognized a net deferred tax liability of \$773,537 (December 31, 2023 - \$694,562) 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.

11. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Accounts receivable	\$ (304,085)	\$ 2,958
Prepaid expenses and deposits	32,682	61,321
Accounts payable and accrued liabilities	313,551	151,689
	\$ 42,148	\$ 215,968

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

	June 30, 2024	June 30, 2023
Capitalized share-based compensation	\$11,340	\$ 10,044
Capitalized depreciation	\$11,658	\$ 16,054

12. RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were \$862,430 as at June 30, 2024 (December 31, 2023 – \$747,610), including a loan and interest payable to a related party of \$554,265 as at June 30, 2024 (see note 8). During the six-month period ended June 30, 2024, 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 \$6,000, incurred rent and office costs in the amount of \$19,657 and incurred digital marketing costs of \$20,670. During the year ended December 31, 2023, the Company incurred costs for controller services from Numus of \$12,000, incurred rent and office costs in the amount of \$42,958 and incurred digital marketing costs of \$46,975. As at June 30, 2024, the net amount payable by the Company to Numus was \$122,746 (December 31, 2023 – \$96,847).

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During the year ended December 31, 2023, the Company completed a non-brokered private placement financing of \$700,000, with 3,043,481 units issued at a price of \$0.23 per unit. Directors and officers of the Company, or companies in which they have an ownership interest in, subscribed for an aggregate of 956,523 units. In addition, a cash finder's fee of \$36,000 was paid and 156,522 non-transferable finder's warrants were issued to a company that a director and officer has ownership interest in. Each finder's warrant has an exercise price of \$0.30 per share and entitles the finder to purchase one common share of the Company at the exercise price for a period of two years from the date of issue.

Subsequent to the period ended June 30, 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 (see note 9). A director of the Company subscribed for 1,000,000 of the units issued for this financing.

During the six-month period ended June 30, 2024, the Company issued 1,230,000 stock options, of which 1,010,000 were issued to directors and officers. The options issued to directors and officers are exercisable at \$0.23 per share and vest over three years from the date of grant.

During the year ended December 31, 2023, the Company issued 1,100,000 stock options, of which 800,000 were issued to directors and officers. The 2023 options issued to directors and officers are exercisable at \$0.325 per share and vest over three years from the date of grant. In addition, directors and officers were issued 430,000 DSUs during the year ended December 31, 2023 with a value of \$92,050. The DSUs will vest over a period of three years from the date of grant. No DSUs were issued during the six-month period ended June 30, 2024.

During the year ended December 31, 2023, the Company entered into a loan agreement with a related company that is co-owned by a director and officer of the Company. Refer to note 8 for details of the loan terms and transactions. As at June 30, 2024, the balance of the loan payable, including interest, is \$554,265 (December 31, 2023 - \$518,587).

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) 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:

	June 30, 2024	December 31, 2023
Equity	\$22,085,289	\$ 22,531,172
Less: cash	(75,854)	(585,157)
	<u>\$22,009,435</u>	<u>\$ 21,946,015</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 debt instruments from time to time. No changes were made in the objectives, policies or processes for managing capital during the six-month period ended June 30, 2024.

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b) 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 statement of financial position for cash and cash equivalents, accounts payable and accrued liabilities, and loans payable approximate fair values based on the immediate or short-term maturities of these financial instruments.

c) 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, liquidity risk, and currency risk. Where material, these risks are reviewed and monitored.

d) Market Risk

Gold and uranium 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 ability of the Company to capitalize on its current exploration and evaluation assets is impacted by the market price of gold and uranium.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

e) 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 six-month period ended June 30, 2024 or the year ended December 31, 2023.

f) 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 capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, funding requirements of exploration and 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. Refer to Note 1 for further details.

Accounts payables 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:

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	Payments due by period as of June 30, 2024				
	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$1,662,093	\$ -	\$ -	\$ -	\$1,662,093
Loan payable	519,168	-	-	-	519,168
Total	\$2,181,261	\$ -	\$ -	\$ -	\$2,181,261

g) 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 certain of its operating costs. For the six-month period ended June 30, 2024, changes 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.

h) 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).

No financial assets or financial liabilities were measured at fair value as at June 30, 2024 or December 31, 2023.

14. 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
As at June 30, 2024			
Property and equipment	\$ 172,988	\$ -	\$ 172,988
Evaluation and exploration assets	19,710,600	3,556,774	23,267,374
	<u>\$19,883,588</u>	<u>\$3,556,774</u>	<u>\$23,440,362</u>
As at December 31, 2023			
Property and equipment	\$ 186,067	\$ -	\$ 186,067
Evaluation and exploration assets	19,773,848	3,373,700	23,147,548
	<u>\$19,959,915</u>	<u>\$3,373,700</u>	<u>\$23,333,615</u>

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

15. 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% NSR for the Box and Athona deposits at the Goldfields property. 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 royalty does not apply to the current Box mine plan since it is above the minus 50 metres below sea level elevation.

As at June 30, 2024, the Company has a services agreement with Numus for the provision of management 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.

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 12 months of her 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.

16. SUBSEQUENT EVENT

Subsequent to the period ended June 30, 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 a price of \$0.22 per unit. Each unit is comprised of one common share and one-half common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of \$0.30 per share for a period of two years. The Company intends to use the proceeds of the Offering to fund exploration and project development at Fortune Bay's Saskatchewan projects, and for general operating costs. A director and officer of the Company subscribed for 1,000,000 units. All securities issued pursuant to the Offering will be subject to a statutory four-month hold period in accordance with Canadian securities legislation.