



# **NICOLA MINING INC.**

## **Consolidated Financial Statements**

**For the years ended December 31, 2024 and 2023**

## Independent Auditor's Report

To the Shareholders of Nicola Mining Inc.

### Opinion

We have audited the consolidated financial statements of Nicola Mining Inc. (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024 and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2024. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Asset retirement obligations

The Group recognizes asset retirement obligations ("ARO") for future reclamation efforts related to current and past sites. The Group's related estimation uncertainty is described in Note 2 and the related accounting policy is included in Note 3 to the consolidated financial statements. As described in Note 11 to the consolidated financial statements, the ARO totaled \$14.2 million at December 31, 2024. We identified the Group's ARO estimate as a key audit matter.

### **Why the matter was determined to be a key audit matter**

We considered the Group's ARO a key audit matter due to high professional judgment and estimates applied by management when assessing this obligation, including the assessment of the nature and extent of future work to be performed, the future cost of performing the rehabilitation work, the timing of when the rehabilitation will take place and economic assumptions such as the discount rate and inflation rates applicable to future cash outflows associated with rehabilitation activities to bring them to their present value. Auditing these assumptions involved especially challenging and subjective audit judgment due to the nature and extent of audit effort required to address these matters.

### **How the matter was addressed in our audit**

In responding to the key audit matter, we performed the following audit procedures, amongst others:

- We obtained an understanding of management's process to develop its ARO estimate;
- We engaged a subject matter expert to assist us in the evaluation of the assumptions, methodology and data used by the Group;
- We evaluated the methodology used, and tested the significant assumptions in the ARO calculations;
- We have reviewed the quotation from a vendor to support the key cost inputs used in the ARO calculations;
- We compared assumptions including the risk-free rate and inflation rate to current market data;
- We performed recalculations to verify the accuracy of the estimate; and
- We evaluated the adequacy of the Group's disclosures relating to ARO.

### **Emphasis of matter - Restated Comparative Information**

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2023 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2023, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2024.

As part of our audit of the consolidated financial statements for the year ended December 31, 2024, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2023. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

### **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 as issued by the International Accounting Standards Board, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Group'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 Group'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 Group 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 Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the 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 Pejman Mahlooji.

A handwritten signature in black ink that reads "Crowe Mackay LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants**  
**Vancouver, Canada**  
**April 30, 2025**

**NICOLA MINING INC.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

|                                                    | Note | December 31, 2024    | December 31, 2023<br>(Restated - note 2a) | January 1, 2023<br>(Restated - note 2a) |
|----------------------------------------------------|------|----------------------|-------------------------------------------|-----------------------------------------|
| <b>Assets</b>                                      |      |                      |                                           |                                         |
| <b>Current assets</b>                              |      |                      |                                           |                                         |
| Cash and cash equivalent                           |      | \$ 1,462,218         | \$ 4,756,118                              | \$ 895,774                              |
| Amounts receivable                                 | 4    | 670,556              | 566,709                                   | 1,199,008                               |
| Marketable securities                              | 8    | 1,076,142            | -                                         | -                                       |
| Prepaid expenses and other assets                  |      | 223,425              | 123,040                                   | 11,881                                  |
|                                                    |      | <b>3,432,341</b>     | <b>5,445,867</b>                          | <b>2,106,663</b>                        |
| <b>Non-current assets</b>                          |      |                      |                                           |                                         |
| Property, plant, and equipment                     | 5    | 5,734,412            | 5,488,781                                 | 5,643,369                               |
| Right-of-use assets                                |      | 54,601               | 13,360                                    | 32,189                                  |
| Mineral interests                                  | 7    | 4                    | 4                                         | 4                                       |
| Restricted cash                                    | 9    | 1,437,875            | 1,275,875                                 | 1,227,520                               |
| <b>Total assets</b>                                |      | <b>\$ 10,659,233</b> | <b>\$ 12,223,887</b>                      | <b>\$ 9,009,745</b>                     |
| <b>Liabilities</b>                                 |      |                      |                                           |                                         |
| <b>Current liabilities</b>                         |      |                      |                                           |                                         |
| Accounts payable and accrued liabilities           |      | \$ 1,616,118         | \$ 682,205                                | \$ 560,282                              |
| Current portion of lease liabilities               |      | 26,174               | 16,353                                    | 20,628                                  |
| Other liabilities                                  |      | -                    | -                                         | 32,712                                  |
| Secured convertible debenture                      | 10   | 4,481,066            | -                                         | 596,658                                 |
| Flow-through liability                             | 13   | 102,524              | -                                         | 29,416                                  |
|                                                    |      | <b>6,225,882</b>     | <b>698,558</b>                            | <b>1,239,696</b>                        |
| <b>Non-current liabilities</b>                     |      |                      |                                           |                                         |
| Lease liabilities                                  |      | 28,427               | -                                         | 16,383                                  |
| Secured convertible debenture                      | 10   | -                    | 4,236,848                                 | 5,071,428                               |
| Asset retirement obligation ("ARO")                | 11   | 14,219,544           | 14,506,089                                | 10,178,251                              |
| <b>Total liabilities</b>                           |      | <b>20,473,853</b>    | <b>19,441,495</b>                         | <b>16,505,758</b>                       |
| <b>Equity</b>                                      |      |                      |                                           |                                         |
| <b>Shareholders' deficit</b>                       |      |                      |                                           |                                         |
| Share capital                                      | 13   | 87,783,671           | 85,894,218                                | 82,922,658                              |
| Equity component of convertible debentures         | 10   | 2,659,366            | 2,671,669                                 | 2,552,797                               |
| Warrants                                           | 13   | 1,694,494            | 1,694,494                                 | 1,694,494                               |
| Contributed surplus                                | 14   | 9,494,098            | 8,737,314                                 | 8,223,493                               |
| Accumulated deficit                                |      | (111,446,249)        | (106,215,303)                             | (102,889,455)                           |
| <b>Total shareholders' deficit</b>                 |      | <b>(9,814,620)</b>   | <b>(7,217,608)</b>                        | <b>(7,496,013)</b>                      |
| <b>Total liabilities and shareholders' deficit</b> |      | <b>\$ 10,659,233</b> | <b>\$ 12,223,887</b>                      | <b>\$ 9,009,745</b>                     |

Nature of operations and going concern (Note 1)  
Subsequent events (Note 20)

Approved on behalf of the Board:

Peter Espig (signed)

Director

Frank Hogel (signed)

Director

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

**NICOLA MINING INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

| Year ended December 31                                                |       |                       |                                |
|-----------------------------------------------------------------------|-------|-----------------------|--------------------------------|
|                                                                       | Note  | 2024                  | 2023<br>(Restated-<br>note 2a) |
| Milling revenue                                                       | 15    | \$ 818,157            | \$ 1,617,911                   |
| Milling – cost of sales                                               | 6     | (2,257,053)           | (3,136,373)                    |
| Gross margin                                                          |       | (1,438,896)           | (1,518,462)                    |
| Care and maintenance                                                  |       | (1,045,250)           | (957,979)                      |
| Exploration cost                                                      | 7     | (1,759,410)           | (1,209,918)                    |
| Change in estimate and accretion of ARO                               | 11    | 286,545               | (4,327,838)                    |
| Salaries and benefits                                                 | 16    | (99,412)              | (167,670)                      |
| Share-based compensation                                              | 14,16 | (756,784)             | (540,914)                      |
| Professional fees                                                     |       | (183,607)             | (207,170)                      |
| Consulting fees                                                       | 16    | (552,750)             | (550,500)                      |
| Office and general                                                    |       | (460,536)             | (129,694)                      |
| Travel and investor relations                                         |       | (582,750)             | (394,308)                      |
| Regulatory and transfer agent fees                                    |       | (56,173)              | (41,493)                       |
| Rent                                                                  |       | (45,161)              | (72,562)                       |
| Depreciation                                                          |       | (13,400)              | (10,849)                       |
| <b>Total operating expenses</b>                                       |       | <b>(5,268,688)</b>    | <b>(8,610,895)</b>             |
| <b>Net loss before other items</b>                                    |       | <b>(6,707,584)</b>    | <b>(10,129,357)</b>            |
| Flow-through premium                                                  | 13    | 4,192                 | 29,416                         |
| Other income                                                          | 15    | 1,968,941             | 8,145,935                      |
| Finance costs                                                         | 12    | (591,881)             | (1,446,059)                    |
| Fair value revaluation – marketable securities                        | 8     | 103,897               | -                              |
| Foreign exchange gain (loss)                                          |       | (8,511)               | 5,003                          |
| <b>Net loss before income taxes</b>                                   |       | <b>(5,230,946)</b>    | <b>(3,395,062)</b>             |
| Deferred income tax recovery                                          | 18    | -                     | 69,214                         |
| <b>Net loss for the year</b>                                          |       | <b>\$ (5,230,946)</b> | <b>\$ (3,325,848)</b>          |
| <b>Loss per share – basic and diluted</b>                             |       | <b>\$ (0.03)</b>      | <b>\$ (0.02)</b>               |
| <b>Weighted average number of common shares outstanding – Basic</b>   |       | <b>165,376,575</b>    | <b>158,357,885</b>             |
| <b>Weighted average number of common shares outstanding – Diluted</b> |       | <b>165,376,575</b>    | <b>158,357,885</b>             |

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

**NICOLA MINING INC.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

|                                                                      | <b>Year Ended December 31</b> |                                      |
|----------------------------------------------------------------------|-------------------------------|--------------------------------------|
|                                                                      | <b>2024</b>                   | <b>2023 (Restated<br/>– note 2a)</b> |
| <b>Operating Activities</b>                                          |                               |                                      |
| Net loss for the year                                                | \$(5,230,946)                 | \$ (3,325,848)                       |
| Adjustments for:                                                     |                               |                                      |
| Change in estimate and accretion of ARO                              | (286,545)                     | 4,327,838                            |
| Share-based compensation                                             | 756,784                       | 679,773                              |
| Deferred income tax recovery                                         | -                             | (69,214)                             |
| Depreciation                                                         | 230,592                       | 213,758                              |
| Non-cash interest and finance costs                                  | 597,227                       | 1,435,951                            |
| Foreign exchange (gain) loss                                         | -                             | (5,063)                              |
| Flow-through premium                                                 | (4,192)                       | (29,416)                             |
| Fair value revaluation – marketable securities                       | (103,897)                     | -                                    |
| Changes in non-cash working capital items                            |                               |                                      |
| Amounts receivable                                                   | (103,847)                     | 632,299                              |
| Prepaid expenses and other assets                                    | (100,385)                     | (111,159)                            |
| Accounts payable and accrued liabilities                             | 933,913                       | 121,923                              |
| <b>Cash (Used In) Provided by Operating Activities</b>               | <b>(3,311,296)</b>            | <b>3,870,842</b>                     |
| <b>Investing Activities</b>                                          |                               |                                      |
| Purchase of marketable securities                                    | (1,000,000)                   | -                                    |
| Purchase of property, plant, and equipment                           | (452,988)                     | (48,355)                             |
| Restricted cash advanced                                             | (162,000)                     | (40,341)                             |
| Proceeds – sales of marketable securities                            | 27,755                        | -                                    |
| <b>Cash Used in Investing Activities</b>                             | <b>(1,587,233)</b>            | <b>(88,696)</b>                      |
| <b>Financing Activities</b>                                          |                               |                                      |
| Issuance of common shares, net of cash paid for share issuance costs | 1,669,604                     | 2,000,000                            |
| Interest payment on secured convertible debenture                    | (33,000)                      | (564,671)                            |
| Repayment of secured convertible debenture                           | -                             | (1,165,275)                          |
| Payment – premium and interest on secured convertible debenture      | -                             | (349,583)                            |
| Repayment of lease liabilities                                       | (31,975)                      | (24,240)                             |
| Repayment of equipment loan                                          | -                             | (20,668)                             |
| Interest payment on equipment loan                                   | -                             | (384)                                |
| Repayment of working capital and revolving prepayment loan           | -                             | (6,981)                              |
| Exercise of stock options                                            | -                             | 210,000                              |
| <b>Cash Provided by Financing Activities</b>                         | <b>1,604,629</b>              | <b>78,198</b>                        |
| <b>Net change in cash for the year</b>                               | <b>(3,293,900)</b>            | <b>3,860,344</b>                     |
| <b>Cash and cash equivalent - beginning of year</b>                  | <b>4,756,118</b>              | <b>895,774</b>                       |
| <b>Cash and cash equivalent - end of year</b>                        | <b>\$1,462,218</b>            | <b>\$ 4,756,118</b>                  |
| <b>Non-cash transactions:</b>                                        |                               |                                      |
| Shares issued to settle convertible debentures and interest          | \$ 314,262                    | \$ 527,347                           |
| Recognition of equity component of convertible debentures            | \$ -                          | \$ 187,133                           |
| Initial recognition of right-of-use assets and lease liabilities     | \$ 64,476                     | \$ -                                 |
| <b>Cash</b>                                                          | <b>\$1,402,218</b>            | <b>\$ 4,695,230</b>                  |
| <b>Cash equivalent</b>                                               | <b>60,000</b>                 | <b>60,888</b>                        |
| <b>Cash and cash equivalent - end of year</b>                        | <b>\$1,462,218</b>            | <b>\$ 4,756,118</b>                  |

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

**NICOLA MINING INC.**  
**Consolidated Statements of Changes in Shareholders' Deficit**  
**(Expressed in Canadian dollars)**

|                                                           | Number of<br>Common Shares | Share<br>Capital | Warrants     | Equity<br>Component<br>of<br>Convertible<br>Debentures | Contributed<br>Surplus | Accumulated<br>Deficit (restated -<br>note 2a) | Total<br>Deficit |
|-----------------------------------------------------------|----------------------------|------------------|--------------|--------------------------------------------------------|------------------------|------------------------------------------------|------------------|
| <b>Balance, January 1, 2024 (restated, see note 2a)</b>   | 161,182,098                | \$ 85,894,218    | \$ 1,694,494 | \$ 2,671,669                                           | \$ 8,737,314           | \$ (106,215,303)                               | \$ (7,217,608)   |
| Share issuance financing, net                             | 7,141,784                  | 1,669,604        | -            | -                                                      | -                      | -                                              | 1,669,604        |
| Flow-through premium                                      | -                          | (106,716)        | -            | -                                                      | -                      | -                                              | (106,716)        |
| Convertible debenture conversion                          | 1,594,314                  | 326,565          | -            | (12,303)                                               | -                      | -                                              | 314,262          |
| Share-based compensation                                  | -                          | -                | -            | -                                                      | 756,784                | -                                              | 756,784          |
| Net loss for the year                                     | -                          | -                | -            | -                                                      | -                      | (5,230,946)                                    | (5,230,946)      |
| <b>Balance, December 31, 2024</b>                         | 169,918,196                | \$ 87,783,671    | \$ 1,694,494 | \$ 2,659,366                                           | \$ 9,494,098           | \$ (111,446,249)                               | \$ (9,814,620)   |
| <b>Balance, January 1, 2023 (restated, see note 2a)</b>   | 149,036,074                | \$ 82,922,658    | \$ 1,694,494 | \$ 2,552,797                                           | \$ 8,223,493           | \$ (102,889,455)                               | \$ (7,496,013)   |
| Share issuance financing                                  | 8,000,000                  | 2,000,000        | -            | -                                                      | -                      | -                                              | 2,000,000        |
| Stock options exercised                                   | 1,150,000                  | 375,952          | -            | -                                                      | (165,952)              | -                                              | 210,000          |
| Issuance of convertible debenture                         | -                          | -                | -            | 187,133                                                | -                      | -                                              | 187,133          |
| Convertible debenture conversion                          | 2,996,024                  | 595,608          | -            | (68,261)                                               | -                      | -                                              | 527,347          |
| Share-based compensation                                  | -                          | -                | -            | -                                                      | 679,773                | -                                              | 679,773          |
| Net loss for the year (note 2a)                           | -                          | -                | -            | -                                                      | -                      | (3,325,848)                                    | (3,325,848)      |
| <b>Balance, December 31, 2023 (restated, see note 2a)</b> | 161,182,098                | \$ 85,894,218    | \$ 1,694,494 | \$ 2,671,669                                           | \$ 8,737,314           | \$ (106,215,303)                               | \$ (7,217,608)   |

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

**NICOLA MINING INC.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2024 and 2023**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Nicola Mining Inc. (the “**Company**” or “**Nicola**”) is a junior exploration company that is engaged in the business of identification, acquisition, and exploration of mineral property interests together with custom milling operations at its mill located in Merritt, B.C. (the “**Merritt Mill**”). The Company’s head office is located at 3329 Aberdeen Road, Lower Nicola, B.C. Nicola is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia). The Company’s common shares are listed on the TSX Venture Exchange (the “**TSX-V**”) under the symbol “NIM.V” and on OTCQB operated by the OTC Markets Group Inc. under the ticker “HUSIF”.

As at December 31, 2024, the Company had an accumulated deficit of \$111,446,249 (December 31, 2023 - \$106,215,303, restated, see note 2a) and working capital deficit of \$2,793,541 (2023 – working capital of \$4,747,309). To continue operations, the Company will be required to raise funds through the issuance of equity or debt, be successful recommencing operations at the Treasure Mountain project (“**Treasure Mountain Property**”) and/or Merritt Mill (“**Merritt Mill**”), together with ongoing exploration programs at its New Craigmont property (“**New Craigmont Property**”).

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, tariffs, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business. These factors represent a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and the Company’s consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

These consolidated financial statements have been prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Stock consolidation

During the year ended December 31, 2023, the Company consolidated its common shares on a 2-to-1 ratio (“**Stock Consolidation**”). For all periods presented herein, the number of common shares, stock options, and warrants have been retroactively restated.

**NICOLA MINING INC.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2024 and 2023**

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**2. BASIS OF PRESENTATION**

**a) Restatement of prior year balances**

The Company has identified the following adjustments to previously reported amounts:

- i) As milling and other milling related operations is considered to be the Company's ordinary business, \$1,617,911 of milling charges and net profit earned from concentrate sales were reclassified as milling revenue. The associated milling cost of \$3,216,934 was reclassified as milling - cost of sales. \$957,979 remaining costs relating to care and maintenance have been reclassified as such.
- ii) ARO asset balances historically capitalized to property, plant, and equipment are now expensed as the related provision is a result of historic operations. The following is a summary of the impact of the noted adjustments:
  - a. A decrease in property, plant, and equipment of \$13,498,168.
  - b. Decrease in depreciation of mill of \$80,561.
  - c. Change in estimate of ARO of \$4,007,706.
  - d. An increase in accumulated deficit of \$9,571,023.
  - e. Overall increase of net loss of \$3,927,145 which increased the closing retained deficit.
- iii) After the adjustments above, the options and warrants are anti-dilutive due to the restated financial results of the consolidated statement of operations being in a net loss position. The diluted weighted average number of common shares is equal to the basic weighted average number of common shares.
- iv) The adjustments above did not have a material impact on the Company's total cash flows used in or provided by operating activities, cash flows used in investing activities, and cash flows provided by financing activities.

**NICOLA MINING INC.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the years ended December 31, 2024 and 2023**

**2. BASIS OF PRESENTATION – (continued)**

**a) Restatement of prior year balances – (continued)**

|                                                             | January 1,<br>2023<br>as previously reported | Adjustments           | January 1,<br>2023<br>as restated |
|-------------------------------------------------------------|----------------------------------------------|-----------------------|-----------------------------------|
| <b>Assets</b>                                               |                                              |                       |                                   |
| <b>Current assets</b>                                       |                                              |                       |                                   |
| Cash and cash equivalent                                    | \$ 895,774                                   | \$ -                  | \$ 895,774                        |
| Amounts receivable                                          | 1,199,008                                    | -                     | 1,199,008                         |
| Prepaid expenses and other assets                           | 11,881                                       | -                     | 11,881                            |
|                                                             | <b>2,106,663</b>                             | <b>-</b>              | <b>2,106,663</b>                  |
| <b>Non-current assets</b>                                   |                                              |                       |                                   |
| Property, plant, and equipment                              | 15,214,392                                   | (9,571,023)(ii)       | 5,643,369                         |
| Right-of-use-assets                                         | 32,189                                       | -                     | 32,189                            |
| Mineral interests                                           | 4                                            | -                     | 4                                 |
| Restricted cash                                             | 1,227,520                                    | -                     | 1,227,520                         |
| <b>Total assets</b>                                         | <b>\$ 18,580,768</b>                         | <b>\$ (9,571,023)</b> | <b>\$ 9,009,745</b>               |
| <b>Liabilities</b>                                          |                                              |                       |                                   |
| <b>Current liabilities</b>                                  |                                              |                       |                                   |
| Accounts payable and accrued liabilities                    | \$ 560,282                                   | \$ -                  | \$ 560,282                        |
| Current portion of lease liabilities                        | 20,628                                       | -                     | 20,628                            |
| Other liabilities                                           | 32,712                                       | -                     | 32,712                            |
| Secured convertible debenture                               | 596,658                                      | -                     | 596,658                           |
| Flow-through liability                                      | 29,416                                       | -                     | 29,416                            |
|                                                             | <b>1,239,696</b>                             | <b>-</b>              | <b>1,239,696</b>                  |
| <b>Non-current liabilities</b>                              |                                              |                       |                                   |
| Lease liabilities                                           | 16,383                                       | -                     | 16,383                            |
| Secured convertible debenture                               | 5,071,428                                    | -                     | 5,071,428                         |
| Asset retirement obligation                                 | 10,178,251                                   | -                     | 10,178,251                        |
| <b>Total liabilities</b>                                    | <b>16,505,758</b>                            | <b>-</b>              | <b>16,505,758</b>                 |
| <b>Equity (deficit)</b>                                     |                                              |                       |                                   |
| <b>Shareholders' equity (deficit)</b>                       |                                              |                       |                                   |
| Share capital                                               | 82,922,658                                   | -                     | 82,922,658                        |
| Equity component of convertible debentures                  | 2,552,797                                    | -                     | 2,552,797                         |
| Warrants                                                    | 1,694,494                                    | -                     | 1,694,494                         |
| Contributed surplus                                         | 8,223,493                                    | -                     | 8,223,493                         |
| Accumulated deficit                                         | (93,318,432)                                 | (9,571,023)(ii)       | (102,889,455)                     |
| <b>Total shareholders' equity (deficit)</b>                 | <b>2,075,010</b>                             | <b>(9,571,023)</b>    | <b>(7,496,013)</b>                |
| <b>Total liabilities and shareholders' equity (deficit)</b> | <b>\$ 18,580,768</b>                         | <b>\$ (9,571,023)</b> | <b>\$ 9,009,745</b>               |

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**2. BASIS OF PRESENTATION – (continued)**

**a) Restatement of prior year balances – (continued)**

|                                                             | December 31,<br>2023<br>as previously reported | Adjustments                        | December 31,<br>2023<br>as restated |
|-------------------------------------------------------------|------------------------------------------------|------------------------------------|-------------------------------------|
| <b>Assets</b>                                               |                                                |                                    |                                     |
| <b>Current assets</b>                                       |                                                |                                    |                                     |
| Cash and cash equivalent                                    | \$ 4,756,118                                   | \$ -                               | \$ 4,756,118                        |
| Amounts receivable                                          | 566,709                                        | -                                  | 566,709                             |
| Prepaid expenses and other assets                           | 123,040                                        | -                                  | 123,040                             |
|                                                             | <b>5,445,867</b>                               | <b>-</b>                           | <b>5,445,867</b>                    |
| <b>Non-current assets</b>                                   |                                                |                                    |                                     |
| Property, plant, and equipment                              | 18,986,949                                     | (13,498,168)(ii)                   | 5,488,781                           |
| Right-of-use-assets                                         | 13,360                                         | -                                  | 13,360                              |
| Mineral interests                                           | 4                                              | -                                  | 4                                   |
| Restricted cash                                             | 1,275,875                                      | -                                  | 1,275,875                           |
| <b>Total assets</b>                                         | <b>\$ 25,722,055</b>                           | <b>\$ (13,498,168)</b>             | <b>\$ 12,223,887</b>                |
| <b>Liabilities</b>                                          |                                                |                                    |                                     |
| <b>Current liabilities</b>                                  |                                                |                                    |                                     |
| Accounts payable and accrued liabilities                    | \$ 682,205                                     | \$ -                               | \$ 682,205                          |
| Current portion of lease liabilities                        | 16,353                                         | -                                  | 16,353                              |
|                                                             | <b>698,558</b>                                 | <b>-</b>                           | <b>698,558</b>                      |
| <b>Non-current liabilities</b>                              |                                                |                                    |                                     |
| Secured convertible debenture                               | 4,236,848                                      | -                                  | 4,236,848                           |
| Asset retirement obligation                                 | 14,506,089                                     | -                                  | 14,506,089                          |
| <b>Total liabilities</b>                                    | <b>19,441,495</b>                              | <b>-</b>                           | <b>19,441,495</b>                   |
| <b>Equity (deficit)</b>                                     |                                                |                                    |                                     |
| <b>Shareholders' equity (deficit)</b>                       |                                                |                                    |                                     |
| Share capital                                               | 85,894,218                                     | -                                  | 85,894,218                          |
| Equity component of convertible debentures                  | 2,671,669                                      | -                                  | 2,671,669                           |
| Warrants                                                    | 1,694,494                                      | -                                  | 1,694,494                           |
| Contributed surplus                                         | 8,737,314                                      | -                                  | 8,737,314                           |
| Accumulated deficit                                         | (92,717,135)                                   | (9,571,023)(ii)<br>(3,927,145)(ii) | (106,215,303)                       |
| <b>Total shareholders' equity (deficit)</b>                 | <b>6,280,560</b>                               | <b>(13,498,168)</b>                | <b>(7,217,608)</b>                  |
| <b>Total liabilities and shareholders' equity (deficit)</b> | <b>\$ 25,722,055</b>                           | <b>\$ (13,498,168)</b>             | <b>\$ 12,223,887</b>                |

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**2. BASIS OF PRESENTATION – (continued)**

**a) Restatement of prior year balances – (continued)**

|                                                                       | <b>Year ended December 31,</b>             |                       |                             |
|-----------------------------------------------------------------------|--------------------------------------------|-----------------------|-----------------------------|
|                                                                       | <b>2023<br/>as previously<br/>reported</b> | <b>Adjustments</b>    | <b>2023<br/>as restated</b> |
| Milling revenue                                                       | \$ -                                       | \$ 1,617,911 (i)      | \$ 1,617,911                |
| Milling – cost of sales                                               | -                                          | (3,216,934) (i)       | -                           |
|                                                                       |                                            | 80,561(ii)            | (3,136,373)                 |
| <b>Gross margin</b>                                                   | <b>-</b>                                   | <b>(1,518,462)</b>    | <b>(1,518,462)</b>          |
| Exploration costs                                                     | (1,209,918)                                | -                     | (1,209,918)                 |
| Mill costs                                                            |                                            | (1,617,911) (i)       |                             |
|                                                                       |                                            | 3,216,934 (i)         |                             |
|                                                                       | (2,557,002)                                | 957,979 (i)           | -                           |
| Care and maintenance                                                  | -                                          | (957,979) (i)         | (957,979)                   |
| Change in estimate and accretion of ARO                               | (320,132)                                  | (4,007,706)(ii)       | (4,327,838)                 |
| Salaries and benefits                                                 | (167,670)                                  | -                     | (167,670)                   |
| Share-based compensation                                              | (540,914)                                  | -                     | (540,914)                   |
| Professional fees                                                     | (207,170)                                  | -                     | (207,170)                   |
| Consulting fees                                                       | (550,500)                                  | -                     | (550,500)                   |
| Office and general                                                    | (129,694)                                  | -                     | (129,694)                   |
| Travel and investor relations                                         | (394,308)                                  | -                     | (394,308)                   |
| Regulatory and transfer agent fees                                    | (41,493)                                   | -                     | (41,493)                    |
| Rent                                                                  | (72,562)                                   | -                     | (72,562)                    |
| Depreciation                                                          | (10,849)                                   | -                     | (10,849)                    |
| <b>Total operating expenses</b>                                       | <b>(6,202,212)</b>                         | <b>(3,927,145)</b>    | <b>(8,610,895)</b>          |
| <b>Net loss before other items</b>                                    | <b>(6,202,212)</b>                         | <b>(3,927,145)</b>    | <b>(10,129,357)</b>         |
| Flow-through premium                                                  | 29,416                                     | -                     | 29,416                      |
| Other income                                                          | 8,145,935                                  | -                     | 8,145,935                   |
| Finance costs                                                         | (1,446,059)                                | -                     | (1,446,059)                 |
| Foreign exchange gain (loss)                                          | 5,003                                      | -                     | 5,003                       |
| <b>Net income (loss) before income taxes</b>                          | <b>532,083</b>                             | <b>(3,927,145)</b>    | <b>(3,395,062)</b>          |
| Deferred income tax recovery                                          | 69,214                                     | -                     | 69,214                      |
| <b>Net Income (loss) for the year</b>                                 | <b>\$ 601,297</b>                          | <b>\$ (3,927,145)</b> | <b>\$ (3,325,848)</b>       |
| <b>Earnings (loss) per share – basic and diluted</b>                  | <b>\$ 0.00</b>                             | <b>\$ -</b>           | <b>\$ (0.02)</b>            |
| <b>Weighted average number of common shares outstanding – Basic</b>   | <b>158,357,885</b>                         | <b>-</b>              | <b>158,357,885</b>          |
| <b>Weighted average number of common shares outstanding – Diluted</b> | <b>161,507,885</b>                         | <b>-</b>              | <b>158,357,885</b>          |

These changes were made in accordance with IAS 8 resulting in the restatement of prior year figures as summarized above.

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**2. BASIS OF PRESENTATION – (continued)**

**b) Statement of Compliance with International Financial Reporting Standards**

The consolidated financial statements of Nicola have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been authorized for release by the Company's Board of Directors on April 30, 2025.

**c) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Huldra Properties Inc. All inter-company balances, and transactions are eliminated on consolidation.

**d) Basis of Measurement**

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary's functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**e) Use of Estimates and Judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates which affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The judgments that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

i) Going concern

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These matters result in material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. See note 1 for details.

ii) Revenue – Agent versus Principal

The Company uses judgment in assessing whether it is acting as an agent or principal in earning milling revenues. As part of this determination, consideration has been given as to whether the Company control the goods being delivered to the customer, is primarily responsible for fulfilling the promise to provides goods to the customer, having any inventory risk, and the Company's ability in establishing pricing. Management has reviewed the relevant factors and assessed that the Company is an agent.

**f) Key Sources of Estimation Uncertainty**

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:

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**2. BASIS OF PRESENTATION – (continued)**

**f) Key Sources of Estimation Uncertainty – (continued)**

i) ARO

The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

iii) Impairment of non-current assets

At the end of each reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. The determination of whether indicators of impairment exist is based on management's judgment of whether there are internal and external factors that would indicate that a non-financial asset is impaired. Impairment is assessed at the level of cash-generating units or "CGUs", which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

**3. MATERIAL ACCOUNTING POLICIES**

**a) Property, Plant, and Equipment**

On initial recognition, property, plant, and equipment ("PPE") are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

PPE is subsequently stated at cost less accumulated depreciation, less any accumulated impairment losses, apart from land, which is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repair and maintenance costs are charged to the statement of operations during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of PPE to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within operating expenses in the statement of operations.

PPE are depreciated using the following methods:

|                                |                        |
|--------------------------------|------------------------|
| Mill                           | 20 years straight-line |
| Computers and office equipment | 20% declining balance  |
| Camp and site infrastructure   | 5 years straight-line  |
| Heavy machinery and equipment  | 5 years straight-line  |

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**3. MATERIAL ACCOUNTING POLICIES – (continued)**

**b) Impairment of Non-financial Assets**

At the date of each statement of financial position, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted 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. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations.

**c) Mineral Interests**

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition and site restoration are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts written off, and do not necessarily represent present or future values. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. The ultimate recoverability of amounts capitalized for mineral interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof.

**d) Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures ("**E&E**") excluding mineral interest acquisition and site restoration costs are charged to the statement of operations as incurred. When it has been established that a mineral deposit is commercially mineable, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations is capitalized. Any recoveries received that relate to exploration costs are recorded as a recovery of such costs.

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**3. MATERIAL ACCOUNTING POLICIES – (continued)**

**e) Revenue Recognition**

Milling Revenue

Revenue includes precious metals (gold and silver) revenue and milling revenue.

Precious metals revenue, based on spot metal prices, is recorded when the goods are physically delivered. The performance obligations are satisfied when concentrate is delivered to the customer. At this point in time, the Company physically transfers the product and the significant risks and rewards related to ownership of the concentrate to the customer. Revenue from gold sales is recorded based on the contract price.

Milling revenue is recorded when the ore processing service is rendered by the Company, accepted by the client and collection is reasonably assured. The performance obligations are satisfied when the milling services have been completed.

When applicable, the Company excludes amounts collected on behalf of third-parties from revenue when it does not control the goods or services before they are transferred to a customer, since it is acting as an agent rather than a principal to the transaction.

The Company's concentrate sales contract provides for certain provisional payments based upon provisional assays and quoted prices. Final settlement is also subject to final adjustments based on an inspection of the product by the buyer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of the contained metal and is subsequently adjusted. Revenue is recorded under this contract at the time the control passes to the buyer based on the expected settlement period. Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities.

Royalty on Gravel Pit

The Company earns royalty income based on the extraction and shipment of tonnes of gravel and rocks from its site by a third party. The royalty is calculated based on the weight of gravel and rocks that are extracted and shipped off site by the operator. Royalty income is recognized when the performance obligation is satisfied, which is when the gravel and rocks are shipped off site at which point economic benefits will flow to the Company and income can be measured reliably. Royalty income is presented as other income in the consolidated statements of operations.

Space Rental

Rental income arising from monthly rental of space for storage to third parties is recognized as other income when the performance obligation is satisfied over the rental period, it is probable that the economic benefits will flow to the Company and the income can be measured reliably over the period of the rental. Rental income is presented within other income in the consolidated statements of operations.

Materials Disposal

The Company earns income from the import of materials, fly ash and reclaimed soil, based on the tonnes and type of material received from third parties. The income is recognized when the performance obligation is satisfied, which is when the materials are deposited at the site at which point economic benefits will flow to the Company and income can be measured reliably. Materials disposal income is presented as other income in the consolidated statements of operations.

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**3. MATERIAL ACCOUNTING POLICIES – (continued)**

**f) Financial Instruments**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively. Cash and cash equivalent, amounts receivable, restricted cash, accounts payable and accrued liabilities, lease liabilities and secured convertible debenture are carried at amortized cost.

Financial assets and liabilities carried at fair value or profit or loss are initially recorded at fair value and transaction costs are expensed in profit or loss in the statements of operations and comprehensive loss. Marketable securities is carried at fair value through profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost using the simplified approach. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

**g) Share Capital**

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

The Company may issue units including common shares and warrants. To value these units, the Company uses residual value method. Under this method the Company values the common share, the easier component to value, and assigns the residual value to the warrant.

**h) Share-based Payments**

Share-based payments are arrangements in which the Company receives goods or services in consideration for its own equity instruments granted to non-employees. These are accounted for as equity settled share-based payment transactions and measured at the fair value of goods and services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

**i) Share-based Compensation**

The Company grants share-based awards in the form of stock options and restricted share units ("RSUs"), which are all considered to be equity-settled awards. The Company determines the fair value of the awards on the date of grant using the Black-Scholes option pricing model for stock options and based on closing price of the shares on grant date for RSUs. This fair value is expensed to the statement of operations using a graded vesting attribution method over the vesting period of the awards, with a corresponding credit to contributed surplus. When the share options or share units are exercised, the applicable amounts of contributed surplus are transferred to share capital.

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**3. MATERIAL ACCOUNTING POLICIES – (continued)**

**j) Asset Retirement Obligation**

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling, and removing structures, rehabilitating mines and the tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation for mine closure activities is estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change because of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, several assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The present value of decommissioning and site restoration costs are recorded as a non-current liability. The provision is discounted using a real, risk-free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date the cost is charged to the statement of operations.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against the statement of operations as extraction progresses.

**k) Flow-Through Shares**

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the entity. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference, if any, between the current market price of the Company's common shares and the issue price of the flow-through shares. Upon incurring eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a flow-through share premium on the statement of operations and reduces the liability.

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**3. MATERIAL ACCOUNTING POLICIES – (continued)**

**l) Secured Convertible Debentures**

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual is accounted for as an equity instrument at issuance.

**m) Income and Loss per Share**

Income (loss) per share is based on the weighted average number of common shares outstanding for the year.

Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding for the effect of conversion of all potentially dilutive share equivalents, such as stock options and warrants, and assumes that the receipt of proceeds upon exercise of the options are used to repurchase common shares at the average market price during the period. The net effect of the shares issued less the shares assumed to be repurchased is added to the basic weighted average shares outstanding. For convertible instruments, the common shares to be included in the diluted per share calculation assumes that the instrument is converted at the beginning of the period (or issue date if later). The profit or loss attributable to common shareholders is adjusted to eliminate related interest costs recognized in profit or loss for the period.

In a period when the Company reports a loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive per share are the same.

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**3. MATERIAL ACCOUNTING POLICIES – (continued)**

**n) Adoption of New and Revised IFRS and IFRS Not Yet Effective**

Certain new standards, interpretations and amendments to existing standards have been issued that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

*IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

I. Three defined categories for income and expenses (operating, investing and financing) to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.

II. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.

III. Enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company is currently in the process of assessing its impact on the consolidated financial statements.

*Accounting standards adopted in the current year*

*IAS 1 Presentation of Financial Statements*

IAS 1 has been amended to clarify the classification of liabilities as current or non-current based on the contractual arrangements in place at the reporting date. The amendments are effective for the years beginning on or after January 1, 2024. The adoption of this amendment had no material impact on the Company.

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**4. AMOUNTS RECEIVABLE**

|                                          | <b>December 31, 2024</b> | <b>December 31, 2023</b> |
|------------------------------------------|--------------------------|--------------------------|
| Gravel, ash, soil, and other receivables | \$ 354,054               | \$ 444,531               |
| GST receivable (payable)                 | 112,802                  | (16,180)                 |
| Provisional gold sales                   | 203,700                  | 138,358                  |
|                                          | <b>\$ 670,556</b>        | <b>\$ 566,709</b>        |

**5. PROPERTY, PLANT, AND EQUIPMENT**

|                                     | Land (see<br>note 2a)<br>\$ | Mill (restated -<br>see<br>note 2a)<br>\$ | Camp and Site<br>Infrastructure<br>\$ | Heavy<br>Machinery<br>and Equipment<br>\$ | Computers<br>and Office<br>Equipment<br>\$ | TOTAL<br>(restated –<br>see note 2a)<br>\$ |
|-------------------------------------|-----------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Cost</b>                         |                             |                                           |                                       |                                           |                                            |                                            |
| <b>Balance at December 31, 2022</b> | 4,180,000                   | 1,841,372                                 | 157,585                               | 514,619                                   | 38,909                                     | 6,732,485                                  |
| Additions                           | -                           | -                                         | -                                     | 33,000                                    | 7,341                                      | 40,341                                     |
| <b>Balance at December 31, 2023</b> | 4,180,000                   | 1,841,372                                 | 157,585                               | 547,619                                   | 46,250                                     | 6,772,826                                  |
| Additions                           | -                           | 194,505                                   | -                                     | 258,483                                   | -                                          | 452,988                                    |
| <b>Balance at December 31, 2024</b> | 4,180,000                   | 2,035,877                                 | 157,585                               | 806,102                                   | 46,250                                     | 7,225,814                                  |
| <b>Accumulated Depreciation</b>     |                             |                                           |                                       |                                           |                                            |                                            |
| <b>Balance at December 31, 2022</b> | -                           | 604,166                                   | 81,434                                | 372,434                                   | 31,082                                     | 1,089,116                                  |
| Depreciation for the year           | -                           | 103,787                                   | 26,847                                | 53,446                                    | 10,849                                     | 194,929                                    |
| <b>Balance at December 31, 2023</b> | -                           | 707,953                                   | 108,281                               | 425,880                                   | 41,931                                     | 1,284,045                                  |
| Depreciation for the year           | -                           | 104,454                                   | 26,739                                | 72,478                                    | 3,686                                      | 207,357                                    |
| <b>Balance at December 31, 2024</b> | -                           | 812,407                                   | 135,020                               | 498,358                                   | 45,617                                     | 1,491,402                                  |
| <b>Carrying Amounts</b>             |                             |                                           |                                       |                                           |                                            |                                            |
| At December 31, 2023                | 4,180,000                   | 1,133,419                                 | 49,304                                | 121,739                                   | 4,319                                      | 5,488,781                                  |
| <b>At December 31, 2024</b>         | <b>4,180,000</b>            | <b>1,223,470</b>                          | <b>22,565</b>                         | <b>307,744</b>                            | <b>633</b>                                 | <b>5,734,412</b>                           |

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**6. MILLING – COST OF SALES**

Milling costs incurred are as follows:

|                                      | Year<br>Ended December 31, |                  |
|--------------------------------------|----------------------------|------------------|
|                                      | 2024                       | 2023             |
|                                      | \$                         | \$               |
|                                      |                            | See note 2a      |
| Amortization and depreciation        | 203,832                    | 184,280          |
| Power and fuel                       | 141,722                    | 321,132          |
| Mill supplies and rentals            | 415,633                    | 363,089          |
| Mill repairs                         | 525,943                    | 696,695          |
| Salaries and wages                   | 967,641                    | 1,559,868        |
| Other                                | 2,282                      | 11,309           |
| <b>Total milling - cost of sales</b> | <b>2,257,053</b>           | <b>3,136,373</b> |

**7. MINERAL INTERESTS**

The Company holds a 100% interest in 30 mineral claims and 1 mineral lease at the Treasure Mountain Property, located near Hope, B.C. The properties are subject to a 2% net smelter royalty.

The Company holds a 100% interest in New Craigmont Property comprising 22 mineral claims and 10 mineral leases located in Lower Nicola, BC. The properties are subject to a 2% net smelter royalty.

The Company recorded an impairment write-down in relation to its Treasure Mountain Property in 2014. The property remains in good standing, and further carrying charges and evaluation costs are being charged to the consolidated statement of operations as an operating expense.

*Dominion Creek Property*

On May 31, 2021, the Company entered into a Mineral Property Purchase Agreement (“Dominion Purchase Agreement”) and acquired a 50% interest in 8 mineral claims known as the Dominion Creek Property from High Range Exploration Ltd (“**High Range**”). The Dominion Creek Property is located near Prince George, BC. The Company acquired the 50% by paying \$225,000, \$75,000 of which was used to commence work on a 10,000-tonne bulk sample permit application. During the year ended December 31, 2022, the Company impaired the Dominion Creek Property by \$224,999 to \$1 due to the delays in development.

The Company is committed to acquiring the 10,000 tons bulk sample permit. Nicola will, within 30 days of High Range receiving the Permit, commence incremental funding the following costs (collectively “Initial Costs”):

- i) Camp construction costs not to exceed \$50,000;
- ii) Road construction upgrade costs not to exceed \$300,000;
- iii) Reclamation bonding costs not to exceed \$100,000 (paid); and
- iv) The Company also agreed to fund the project up to and including all costs to produce and ship 3,000 tons of ore.

A part of the Dominion Purchase Agreement, the Company entered a mining and profit sharing agreement (“Dominion Milling Agreement”). The Company would receive an even split for all profits after certain costs are reimburse to High Range and Nicola (which includes all of Initial Costs).

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**7. MINERAL INTERESTS – (continued)**

The Company's group of claims consists of the following:

|                                                                                                                                        | December 31,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| a) The Treasure Mountain group of claims located in the Similkameen Mining Division of British Columbia                                | 1                          | 1                          |
| b) A Crown Grant mineral claim (Lot 1210) in the Yale Mining Division contiguous to the Treasure Mountain Claims known as the "Eureka" | 1                          | 1                          |
| c) The surface rights to Lot 1209 located in the Yale Mining Division of British Columbia known as the "Whynot Fraction"               | 1                          | 1                          |
| d) Acquisition of 50% interest in Dominion Creek Property, located in the Cariboo Mining Division of British Columbia                  | 1                          | 1                          |
|                                                                                                                                        | <b>4</b>                   | <b>4</b>                   |

Exploration costs incurred is as follows:

|                                             | Years<br>Ended December 31,<br>2024<br>\$ | 2023<br>\$       |
|---------------------------------------------|-------------------------------------------|------------------|
| <b>New Craigmont Property</b>               |                                           |                  |
| Assay                                       | 16,422                                    | 43,639           |
| Depreciation and amortization               | 13,360                                    | 18,829           |
| Drilling and mapping                        | 1,343,484                                 | 539,879          |
| Field supplies and rentals                  | 78,597                                    | 17,939           |
| First Nations liaison consulting            | 17,500                                    | 30,000           |
| Geological consulting and technical fees    | 561,754                                   | 282,099          |
| Tenure lease                                | 1,664                                     | 8,310            |
| Share-based compensation                    | -                                         | 111,251          |
| Exploration tax credits                     | (273,371)                                 | -                |
| Other exploration expense                   | -                                         | 157,972          |
| <b>Total costs incurred during the year</b> | <b>1,759,410</b>                          | <b>1,209,918</b> |

**8. MARKETABLE SECURITIES**

On January 17, 2024, the Company made a strategic investment of \$1,000,000 in Blue Lagoon Resources Inc. ("BLLG") to purchase 7,142,857 of BLLG's common shares. During the year ended December 31, 2024, the Company received proceeds of \$27,755 from the disposition of BLLG common shares. The fair value of the BLLG common shares was \$1,076,142 as at December 31, 2024, resulting in a \$103,897 fair value gain being recognized.

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**9. RESTRICTED CASH**

The Company has in place deposits amounting to \$1,437,875 at December 31, 2024 (December 31, 2023 - \$1,275,875) registered in the name of the British Columbia Ministry of Finance as security for its mining permits and for reclamation clean up at the Treasure Mountain Property, the Merritt Mill and decommissioned tailings, Dominion Creek Project and the New Craigmont Property.

**10. SECURED CONVERTIBLE DEBENTURE**

The outstanding principal and interest of the Debentures and Second Tranche Debentures are secured against the assets of Nicola.

***Year ended December 31, 2023***

On January 6, 2023, the Company completed amendments to the \$330,000 January 9, 2023 secured convertible debentures that mature on January 9, 2025 and bear interest at a rate of 10% per annum which is payable annually in cash or in common shares at the option of the Company and are convertible into common shares at a conversion price of \$0.20 per share.

For accounting purposes, the proceeds of \$330,000 have been allocated based on the fair value of the debt. The fair value of the debentures was determined to be \$310,126 using a discount rate of 13%. Residual value of \$19,873 has been allocated as \$14,507 to the equity component net of \$5,366 deferred income tax recovery.

On February 14, 2023, the Company issued 40,261 common shares on conversion of \$8,000 of convertible debentures issued January 9, 2023 exercised at \$0.20. For accounting purposes, the fair value of the Debenture on conversion date of \$7,600 and residual equity component of \$481 were transferred to share capital.

On March 15, 2023, the Company issued 121,321 common shares on conversion of \$20,000 of convertible debentures issued November 21, 2022 exercised at \$0.17. For accounting purposes, the fair value of the Debenture on conversion date of \$18,692 and residual equity component of \$1,980 were transferred to share capital.

On May 18, 2023, May 20, 2020 Debenture holders elected to convert a total of \$185,000 at a conversion price of \$0.20 and the Company issued 925,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debentures on conversion date of \$202,383 and residual equity component of \$33,449 were transferred to share capital.

On May 19, 2023, a May 20, 2020 Debenture holder elected to convert a total of \$45,000 at a conversion price of \$0.20 and was issued 225,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of \$41,419 and residual equity component of \$8,137 were transferred to share capital.

On May 18 and 19, 2023, the Company issued 113,834 common shares at a value of \$0.20 per share in settlement of interest of \$22,767 of May 20, 2020 Debentures.

On October 23, 2023, a Second Tranche Debenture holder elected to convert a total of \$234,776 at a conversion price of \$0.17 and was issued 1,357,079 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of \$213,860 and residual equity component of \$20,916 were transferred to share capital.

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**10. SECURED CONVERTIBLE DEBENTURE – (continued)**

***Year ended December 31, 2023 – (continued)***

On November 21, 2023, a Second Tranche Debenture holder elected to convert a total of \$32,710 at a conversion price of \$0.17 and was issued 213,529 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of \$36,008 and residual equity component of \$3,298 were transferred to share capital.

On December 29, 2023, the Company prepaid \$1,165,275 of the Second Tranche Debenture. The prepayment premium and interest was \$349,583. Concurrently, the Second Tranche Debenture's maturity date was amended to November 22, 2025 while other terms remain the same. For accounting purposes, the Second Tranche Debenture was considered as extinguished and re-issued. The issued debt of \$4,131,431 has been bifurcated based on the present value of the liability component and the residual allocated to the equity component. The fair value of the debentures was determined to be \$3,894,957 using a discount rate of 13%. Residual value of \$236,474 has been allocated as \$172,626 to the equity component net of \$63,848 deferred income tax recovery.

***Year ended December 31, 2024***

During the year ended December 31, 2024, debenture holders converted \$314,262 of the convertible debenture (principal and interest) into common shares (see Note 13(a)) that mature on January 9, 2025.

During the year ended December 31, 2024, the Company's Second Tranche annual interest of \$411,583 was due in November 2024. This amount was fully settled in shares subsequent to year end (see note 20(b)).

The outstanding principal and interest of the Debentures and Second Tranche Debentures are secured against the assets of Nicola.

|                                                            | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|------------------------------------------------------------|------------------------------|------------------------------|
| Opening                                                    | \$ 4,236,848                 | \$ 5,668,086                 |
| Conversion of Convertible Debenture and interest           | (314,262)                    | (527,346)                    |
| Less equity component of convertible debenture             | -                            | (256,348)                    |
| Premium and interest on amendment of convertible debenture | -                            | 349,583                      |
| Payment – premium and interest                             | -                            | (349,583)                    |
| Principal repayment                                        | -                            | (1,165,275)                  |
| Less payment of interest                                   | (33,000)                     | (564,671)                    |
| Less payment of interest in shares                         | -                            | -                            |
| Accrued interest and accretion                             | 591,480                      | 1,082,402                    |
|                                                            | <b>\$ 4,481,066</b>          | <b>\$ 4,236,848</b>          |
| Current portion                                            | <b>\$ 4,481,066</b>          | <b>\$ -</b>                  |
| Non-current portion                                        | <b>\$ -</b>                  | <b>\$ 4,236,848</b>          |

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**11. ASSET RETIREMENT OBLIGATION**

|                    | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023<br/>(restated –<br/>note 2a)</b> |
|--------------------|------------------------------|-----------------------------------------------------------|
|                    | <b>\$</b>                    | <b>\$</b>                                                 |
| Opening balance    | 14,506,089                   | 10,178,251                                                |
| Change in estimate | (745,776)                    | 4,007,706                                                 |
| Accretion expense  | 459,231                      | 320,132                                                   |
| Closing balance    | <u><b>14,219,544</b></u>     | <u><b>14,506,089</b></u>                                  |

The Company's estimates of future decommissioning and restoration for reclamation and closure costs for its mine and exploration and evaluation assets are based on reclamation standards that meet Canadian regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, reclamation plans and cost estimates, discount rates and timing of expected expenditures.

*Merritt Mill*

The Merritt Mill reclamation costs were adjusted using a long-term inflation rate of 2.31% (2023 –2.37%) and then discounted using a risk-free rate of 3.33% (2023 – 3.28%)

The Company estimates the undiscounted and uninflated reclamation costs associated with the Merritt Mill to be \$15,290,830 (December 31, 2023 - \$15,553,542). The Company anticipates it will settle these obligations over 15 years (2023 – 25 years).

*Treasure Mountain*

The Treasure Mountain reclamation costs were adjusted using a long-term inflation rate of 2.88% (2023 –2.37%) and then discounted using a risk-free rate of 3.23% (2023 – 0%)

The Company estimates the undiscounted and uninflated reclamation costs associated with Treasure Mountain is \$1,073,123 (December 31, 2023 - \$505,100). The Company anticipates it will settle these obligations over 8 years (2023 – 5 years).

**12. FINANCE COSTS**

|                                                            | <b>Year ended<br/>December 31,<br/>2024</b> | <b>2023</b>             |
|------------------------------------------------------------|---------------------------------------------|-------------------------|
|                                                            | <b>\$</b>                                   | <b>\$</b>               |
| Equipment loan                                             | -                                           | 384                     |
| Interest and accretion on convertible debentures (Note 10) | 591,480                                     | 1,431,984               |
| Lease liabilities                                          | 5,747                                       | 3,542                   |
| Other                                                      | (5,346)                                     | 10,149                  |
|                                                            | <u><b>591,881</b></u>                       | <u><b>1,446,059</b></u> |

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**13. SHARE CAPITAL AND RESERVES**

**a) Common Shares**

**Authorized**

The authorized capital stock of the Company is an unlimited number of common shares without par value.

***Issued – year ended December 31, 2024***

On April 12, 2024, the Company completed a flow-through private placement offering, pursuant to which it issued an aggregate of 5,499,994 shares at a price of \$0.23 per share for gross proceeds of \$1,264,999.

The Company paid an aggregate of \$102,146 transaction cost in connection with the private placement.

On December 3, 2024, the Company completed a flow-through private placement offering, pursuant to which it issued an aggregate of 1,641,790 shares at a price of \$0.335 per share for gross proceeds of \$550,000.

The Company paid an aggregate of \$43,249 transaction cost in connection with the private placement, and reclassified \$106,716 of flow through liability out of equity.

During the year ended December 31, 2024, the Company converted \$314,262 of convertible debenture into 1,594,314 shares (note 10).

***Issued – year ended December 31, 2023***

On January 13, 2023, the Company issued 8,000,000 common shares at a value of \$0.25 per share for gross proceeds of \$2,000,000.

On February 14, 2023, the Company issued 40,262 common shares on conversion of \$8,000 of convertible debentures issued January 9, 2023, exercised at \$0.20. For accounting purposes, the fair value of the Debenture on conversion date of \$7,600 and residual equity component of \$482 were transferred to share capital (Note 10).

On March 15, 2023, the Company issued 121,321 common shares on conversion of \$20,000 of convertible debentures issued November 21, 2022, exercised at \$0.17. For accounting purposes, the fair value of the Debenture on conversion date of \$18,692 and residual equity component of \$1,980 were transferred to share capital (Note 10).

On April 19, 2023, the Company issued 500,000 common shares at a value of \$0.16 per share in connection with the exercise of 500,000 stock options and \$60,484 was transferred from contributed surplus to share capital.

On May 18, 2023, May 20, 2020 Debenture holders elected to convert a total of \$185,000 at a conversion price of \$0.20 and the Company issued 925,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debentures on conversion date of \$202,383 and residual equity component of \$33,449 were transferred to share capital (Note 10).

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**13. SHARE CAPITAL AND RESERVES – (continued)**

**a) Common Shares – (continued)**

***Issued – year ended December 31, 2023 – (continued)***

On May 19, 2023, a May 20, 2020 Debenture holder elected to convert a total of \$45,000 at a conversion price of \$0.20 and was issued 225,000 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of \$41,419 and residual equity component of \$8,137 were transferred to share capital.

On May 18 and 19, 2023, the Company issued 113,834 common shares at a value of \$0.20 per share in settlement of interest of \$22,767 of May 20, 2020 Debentures (Note 10).

On October 23, 2023, a Second Tranche Debenture holder elected to convert a total of \$234,776 at a conversion price of \$0.17 and was issued 1,357,079 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of \$213,860 and residual equity component of \$20,916 were transferred to share capital.

On November 21, 2023, a Second Tranche Debenture holder elected to convert a total of \$32,710 at a conversion price of \$0.17 and was issued 213,529 common shares in accordance with terms of the Debentures. For accounting purposes, the fair value of the Debenture on conversion date of \$36,008 and residual equity component of \$3,298 were transferred to share capital.

On November 28, 2023, the Company issued 650,000 common shares at a value of \$0.20 per share in connection with the exercise of 650,000 stock options and \$105,468 was transferred from contributed surplus to share capital.

**b) Flow-Through Premium Liability:**

|                                                                                 | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|---------------------------------------------------------------------------------|------------------------------|------------------------------|
| Flow-through premium liability                                                  | \$ -                         | \$ 29,416                    |
| Flow-through premium recognized                                                 | 106,716                      | -                            |
| Settlement of flow-through premium liability pursuant to qualified expenditures | (4,192)                      | (29,416)                     |
| Closing balance                                                                 | <u><b>\$ 102,524</b></u>     | <u><b>\$ -</b></u>           |

The remaining qualifying expenditures to incur was \$528,395 as at December 31, 2024 (2023 - \$Nil).

**c) Share Purchase Warrants**

As of December 31, 2024 and 2023, the Company had no outstanding warrants.

**14. SHARE-BASED PAYMENT**

**2022 Equity Incentive Plan**

Until May 14, 2022, the Company had a “rolling” stock option plan (the “Stock Option Plan”) whereby the Company was authorized to grant stock options (“Options”) equal to up to 10% of the number of issued and outstanding common shares.

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**14. SHARE-BASED PAYMENT – (continued)**

**2022 Equity Incentive Plan – (continued)**

Effective May 14, 2022, the Company adopted an equity incentive plan (the “Equity Incentive Plan”) that replaced the Stock Option Plan. The Equity Incentive Plan has two components as follows: (i) a rolling stock option plan for the grant of Options equal to up to 10% of the number of issued and outstanding common shares, and (ii) a fixed plan for the grant of performance equity securities including Deferred Share Units (“DSUs”), Restricted Share Units (“RSUs”), and Performance Share Units (“PSUs”) (“DSUs” and, collectively with the RSUs and PSUs, the “Performance-Based Awards”).

Pursuant to the Equity Incentive Plan, the Company is authorized to grant Options to executive officers, directors, employees, and consultants. The Board shall determine any vesting terms applicable to the grants.

Pursuant to the Equity Incentive Plan, the Company is authorized to grant Performance-Based Awards to executive officers, directors, employees, and consultants with the maximum aggregate number of common shares that may be issuable for Performance Based Awards not to exceed 16,991,819 (2023 - 16,118,209) common shares. The Board shall determine any vesting terms applicable to the grants.

During the year ended December 31, 2024, the Company issued 3,500,000 (2023 – 2,500,000) stock options and to consultants, employees and directors of the Company.

The stock options were valued using Black-Scholes valuation model with the following weighted average assumptions:

|                                      | <b>December 31,<br/>2024</b> | <b>December 31,<br/>2023</b> |
|--------------------------------------|------------------------------|------------------------------|
| Fair value of common shares at grant | \$0.27                       | \$0.36                       |
| Exercise price                       | \$0.27                       | \$0.36                       |
| Expected life                        | 5 years                      | 5 years                      |
| Volatility                           | 107%                         | 101%                         |
| Dividend rate                        | 0%                           | 0%                           |
| Risk free rate                       | 3.10%                        | 3.87%                        |
| Fair value of stock option           | \$0.21                       | \$0.28                       |

Volatility was determined based on the historical trading prices of the Company.

The following is a summary of changes in stock options:

|                                     | <b>Number of<br/>Options</b> | <b>Weighted Average<br/>Exercise Price<br/>\$</b> |
|-------------------------------------|------------------------------|---------------------------------------------------|
| <b>Balance at December 31, 2022</b> | 6,200,000                    | 0.22                                              |
| Exercised options                   | (1,150,000)                  | 0.18                                              |
| Issued options                      | 2,500,000                    | 0.35                                              |
| Cancelled options                   | (75,000)                     | 0.16                                              |
| <b>Balance at December 31, 2023</b> | 7,475,000                    | 0.26                                              |
| Issued options                      | 3,500,000                    | 0.27                                              |
| Cancelled options                   | (575,000)                    | 0.25                                              |
| <b>Balance at December 31, 2024</b> | 10,400,000                   | 0.27                                              |

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**14. SHARE-BASED PAYMENT – (continued)**

As at December 31, 2024, the following stock options were outstanding and exercisable:

| <b>Number<br/>Outstanding</b> | <b>Number<br/>Exercisable</b> | <b>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Contractual<br/>Life (Years)</b> | <b>Expiry Date</b> |
|-------------------------------|-------------------------------|---------------------------|--------------------------------------------------------------|--------------------|
| 375,000                       | 375,000                       | \$0.24                    | 0.05                                                         | January 20, 2025   |
| 1,625,000                     | 1,625,000                     | \$0.30                    | 1.02                                                         | January 8, 2026    |
| 600,000                       | 600,000                       | \$0.22                    | 1.76                                                         | October 5, 2026    |
| 1,875,000                     | 1,875,000                     | \$0.16                    | 2.76                                                         | October 5, 2027    |
| 100,000                       | 100,000                       | \$0.30                    | 3.34                                                         | May 2, 2028        |
| 1,925,000                     | 1,925,000                     | \$0.36                    | 3.57                                                         | July 26, 2028      |
| 200,000                       | 200,000                       | \$0.30                    | 3.59                                                         | August 3, 2028     |
| 200,000                       | 200,000                       | \$0.40                    | 3.77                                                         | October 3, 2028    |
| 3,000,000                     | 3,000,000                     | \$0.27                    | 4.30                                                         | April 18, 2029     |
| 500,000                       | 500,000                       | \$0.30                    | 4.97                                                         | December 18, 2029  |
| <b>10,400,000</b>             | <b>10,400,000</b>             |                           |                                                              |                    |

As at December 31, 2023, the following stock options were outstanding and exercisable:

| <b>Number<br/>Outstanding</b> | <b>Number<br/>Exercisable</b> | <b>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Contractual<br/>Life (Years)</b> | <b>Expiry Date</b> |
|-------------------------------|-------------------------------|---------------------------|--------------------------------------------------------------|--------------------|
| 425,000                       | 425,000                       | \$0.24                    | 1.06                                                         | January 20, 2025   |
| 1,825,000                     | 1,825,000                     | \$0.30                    | 2.02                                                         | January 8, 2026    |
| 725,000                       | 725,000                       | \$0.22                    | 2.76                                                         | October 5, 2026    |
| 2,000,000                     | 2,000,000                     | \$0.16                    | 3.76                                                         | October 5, 2027    |
| 100,000                       | 50,000                        | \$0.30                    | 4.34                                                         | May 2, 2028        |
| 2,000,000                     | 2,000,000                     | \$0.36                    | 4.57                                                         | July 26, 2028      |
| 200,000                       | 200,000                       | \$0.30                    | 4.59                                                         | August 3, 2028     |
| 200,000                       | 200,000                       | \$0.40                    | 4.76                                                         | October 3, 2028    |
| <b>7,475,000</b>              | <b>7,425,000</b>              |                           |                                                              |                    |

*Restricted Shares Unit*

On December 18, 2024, the Company issued 1,000,000 Restricted Share Units ("RSUs") with a fair value of \$0.30 per RSU and a vesting date of December 18, 2025.

**15. MILLING REVENUE AND OTHER INCOME**

Major customers are defined as customers that each individually account for greater than 10% of the Company's revenues. For the years ended December 31, 2024 and December 31, 2023, one customer accounted for 100% of the Company's milling revenue.

During the year ended December 31, 2024, the Company received \$1,968,941 (2023 - \$8,145,935) of other income related to royalty on gravel pit, space rental, and materials disposal.

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**16. RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and consist of its directors, the Chief Executive Officer, and the Chief Financial Officer.

The following is a summary of the Company's key management compensation:

|                          | <b>Year ended December 31,</b> |             |
|--------------------------|--------------------------------|-------------|
|                          | <b>2024</b>                    | <b>2023</b> |
|                          | <b>\$</b>                      | <b>\$</b>   |
| Consulting fees          | 413,250                        | 540,500     |
| Salaries and benefits    | 37,792                         | 157,000     |
| Share-based compensation | 477,460                        | 379,604     |
| Total                    | 928,502                        | 1,077,104   |

**17. FINANCIAL and CAPITAL RISK MANAGEMENT**

*Fair Value*

The carrying value of cash and cash equivalents, amounts receivables, accounts payable and accrued liabilities, secured convertible debentures and lease liabilities approximate their fair value because of the short-term nature of these instruments. The carrying value of restricted cash approximates fair value due to the nature of this asset.

The Company records its financial instruments, other than marketable securities which are at fair value through profit or loss, at amortized cost.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Marketable securities are measured using level 1 inputs.

*Risk Exposure and Management*

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, interest rate risk, liquidity risk, commodity and equity price risk, and currency risk.

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**17. FINANCIAL and CAPITAL RISK MANAGEMENT – (continued)**

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. As at December 31, 2024, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalent, restricted cash, and amounts receivables in the amount of \$3,570,649 (December 31, 2023 - \$6,598,702).

All off the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

Interest Rate Risk

The Company's financial assets exposed to interest rate risk consist of cash and short-term investments balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating rates.

The Company's secured convertible debenture which accrues interest is at a fixed rate of 10%, and does not expose the Company to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management anticipates that it may incur expenditures towards exploring its mineral interests and other Company assets. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has limited working capital, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of its mineral interests. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial, access to other resources, and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly.

Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration.

| December 31, 2024                           | Less than 12 months<br>(\$) | One to five years (\$) | Total (\$) |
|---------------------------------------------|-----------------------------|------------------------|------------|
| Accounts payable and<br>accrued liabilities | 1,616,118                   | -                      | 1,616,118  |
| Lease liabilities                           | 26,174                      | 28,427                 | 54,601     |
| Secured convertible<br>debenture            | 4,481,066                   | -                      | 4,481,066  |
| Total                                       | 6,123,358                   | 28,427                 | 6,151,785  |

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**17. FINANCIAL and CAPITAL RISK MANAGEMENT – (continued)**

Liquidity Risk – (continued)

| December 31, 2023                           | Less than 12 months<br>(\$) | One to five years (\$) | Total (\$) |
|---------------------------------------------|-----------------------------|------------------------|------------|
| Accounts payable and<br>accrued liabilities | 682,205                     | -                      | 682,205    |
| Lease liabilities                           | 16,353                      | -                      | 16,353     |
| Secured convertible<br>debenture            | -                           | 4,236,848              | 4,236,848  |
| Total                                       | 698,558                     | 4,236,848              | 4,935,406  |

Foreign Exchange Rate Risk

The functional currency of the Company is the Canadian dollar. As at December 31, 2024 and 2023, the Company has not entered into contracts to manage foreign exchange risk.

Commodity and Equity Price Risk

The ability of the Company to explore its exploration assets, continue milling operations, and the future profitability of the Company are directly related to the market price of copper, gold, silver, and other precious metals. Equity price risk is defined as the potential adverse impact on the Company's performance to movements in individual equity prices or general movements in the level of the stock market.

Capital Management

The Company considers capital to be the elements of shareholders' equity (deficit). The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests and Merritt Mill operations. The Company manages its capital structure to maximize its financial flexibility by adjusting to changes in economic conditions, and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There have been no changes to the management of capital during the current fiscal year.

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**18. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

|                                                                                                   | <b>2024</b>    | <b>2023</b><br>(Restated - note 2a) |
|---------------------------------------------------------------------------------------------------|----------------|-------------------------------------|
| Loss before income taxes                                                                          | \$ (5,230,946) | \$ (3,395,062)                      |
| Expected income tax (recovery)                                                                    | (1,412,000)    | (917,000)                           |
| Other                                                                                             | -              | (89,214)                            |
| Items not deductible for income tax purposes                                                      | 191,000        | 199,000                             |
| Impact of flow through shares                                                                     | 377,000        | 145,000                             |
| Share issue costs                                                                                 | (39,000)       | (3,000)                             |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | -              | 115,000                             |
| Change in unrecognized deductible temporary differences                                           | 883,000        | 481,000                             |
| Total income tax expense (recovery)                                                               | \$ -           | \$ (69,214)                         |

The following is the analysis of recognized deferred tax assets and liabilities:

| <b>Year ended December 31,</b>        | <b>2024</b> | <b>2023</b> |
|---------------------------------------|-------------|-------------|
| Deferred tax liabilities              |             |             |
| Marketable securities                 | \$ (14,000) | \$ -        |
| Debt with accretion                   | -           | (73,000)    |
| Deferred tax assets                   |             |             |
| Non-capital losses                    | 14,000      | 73,000      |
| Net deferred tax assets (liabilities) | \$ -        | \$ -        |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

|                                                 | <b>2024</b>  | <b>Expiry Date Range</b> | <b>2023</b><br>(Restated - note 2a) |
|-------------------------------------------------|--------------|--------------------------|-------------------------------------|
| Exploration and evaluation assets               | \$2,419,000  | No expiry date           | \$2,122,000                         |
| Investment tax credit                           | \$441,000    | 2030 to 2032             | \$441,000                           |
| Property, plant, and equipment                  | \$16,220,000 | No expiry date           | \$19,820,000                        |
| Share issue costs                               | \$177,000    | 2025 to 2028             | \$65,000                            |
| Debt with accretion                             | \$320,000    | No expiry date           | \$-                                 |
| Asset retirement obligation                     | \$14,220,000 | No expiry date           | \$14,506,000                        |
| Non-capital losses available for future periods | \$43,005,000 | 2026 to 2044             | \$40,555,000                        |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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**19. CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES**

|                               | January<br>1, 2023 | Cash<br>Flows      | Non-cash changes |                  |                                | December<br>31, 2023 |
|-------------------------------|--------------------|--------------------|------------------|------------------|--------------------------------|----------------------|
|                               |                    |                    | Amendment        | Conversion       | Interest<br>accretion/accruals |                      |
|                               | \$                 | \$                 | \$               | \$               | \$                             | \$                   |
| Secured convertible debenture | 5,668,086          | (2,079,529)        | 349,583          | (783,694)        | 1,082,402                      | 4,236,848            |
| Lease liabilities             | 37,011             | (24,240)           | -                | -                | 3,582                          | 16,353               |
| <b>Total</b>                  | <b>5,705,097</b>   | <b>(2,103,769)</b> | <b>349,583</b>   | <b>(783,694)</b> | <b>1,085,984</b>               | <b>4,253,201</b>     |

|                               | January 1,<br>2024 | Acquisition   | Cash Flows      | Non-cash<br>changes            | December 31,<br>2024 |
|-------------------------------|--------------------|---------------|-----------------|--------------------------------|----------------------|
|                               |                    |               |                 | Interest<br>accretion/accruals |                      |
|                               | \$                 | \$            | \$              | \$                             | \$                   |
| Secured convertible debenture | 4,236,848          | -             | (33,000)        | 591,480                        | 4,481,066            |
| Lease liabilities             | 16,353             | 64,476        | (31,975)        | 5,747                          | 54,601               |
| <b>Total</b>                  | <b>4,253,201</b>   | <b>64,476</b> | <b>(64,975)</b> | <b>597,227</b>                 | <b>4,535,667</b>     |

**20. SUBSEQUENT EVENTS**

- On January 3, 2025, a \$45,000 of convertible debenture and interest of \$4,472 were converted into 246,995 of the Company's common shares.
- On January 9, 2025, upon TSXV approval, the Company issued 1,469,935 common shares to settle an interest payment of \$411,583 of the convertible debenture.
- On January 20, 2025, 125,000 options exercisable at \$0.24 have expired.
- On February 28, 2025, 200,000 options exercisable at \$0.40 and 100,000 options exercisable at \$0.27 were forfeited.
- On March 12, 2025, the Company completed a non-brokered private placement issuing 4,038,955 Units ("Unit") at \$0.28 per Unit, for an aggregate gross proceeds of \$1,130,907. The Company paid \$63,827 of finder's fees, resulting a net proceeds of \$1,067,080. Each Unit consists of one common share and one-half of one share purchase warrant ("Warrant"), with each warrant entitling the holder thereof to purchase one additional Share (each, a "Warrant Share") of the Company at a price of \$0.40 per Warrant Share for a period of three years from the closing of the Offering. If during the exercise period of the Warrants, but after the resale restrictions on the Shares have expired, the Shares trade on the Exchange (or such other exchange on which the Shares may be traded at such time) at a closing price of \$0.60 or greater per Share for a period of ten (10) consecutive trading days, the Company may accelerate the expiry of the Warrants by giving notice to the holders thereof (by disseminating a press release advising of the acceleration of the expiry date of the Warrants) and, in such case, the Warrants will expire on the thirtieth (30th) day after the date of such notice.
- The Company issued 325,000 common shares due to stock option exercised. Total proceeds received was \$76,500.
- The Company issued a total of 1,072,287 common shares upon conversion of convertible debenture and settlement of interest.