

**VERTICAL EXPLORATION INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Vertical Exploration Inc.

### *Opinion*

We have audited the accompanying financial statements of Vertical Exploration Inc. (the "Company"), which comprise the statements of financial position as at February 29, 2024 and February 28, 2023, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2024 and February 28, 2023, and its financial performance and its cash flows for the years 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company will need additional capital to operate for the upcoming year. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### *Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")*

As described in Note 4 to the financial statements, the carrying amount of the Company's E&E Assets was \$5,222,129 as of February 29, 2024. As more fully described in Note 2 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter is that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Evaluating on a test basis, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

#### Assessment of Asset Retirement Obligation ("ARO")

As described in Note 3 to the financial statements, the carrying amount of the Company's reclamation liability was \$159,287 as of February 29, 2024. As more fully described in Note 2 to the financial statements, management assesses its provision for restoration, rehabilitation, and environmental obligations on an annual basis or when new material information becomes available.

The principal considerations for our determination that the estimate of reclamation liabilities is a key audit matter is that estimating the costs of such reclamation activities includes significant judgement such as when the reclamation will take place, the time period required to undertake the reclamation, the extent and costing of reclamation activities, regulatory and legislative changes, inflation and discount rates utilized. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their estimate of the net present value of reclamation liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Assessing the reasonableness of changes in cost estimates against prior year calculations, and timing of expected reclamation activities.
- Evaluating the mathematical accuracy of the reclamation liabilities model.
- Evaluating the inflation rate and discount rate utilized in the reclamation liabilities model.

#### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 financial statements of the current year ended 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 Michael MacLaren.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

June 26, 2024

**VERTICAL EXPLORATION INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	<b>February 29, 2024</b>	February 28, 2023
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 293,253	\$ 5,737
GST receivable	15,791	65,262
Prepaid expenses	17,277	6,281
	<b>326,321</b>	<b>77,280</b>
<b>Building and property</b> (Note 3)	<b>562,000</b>	<b>566,335</b>
<b>Exploration and evaluation assets</b> (Note 4)	<b>5,222,129</b>	<b>4,971,527</b>
	<b>\$ 6,110,450</b>	<b>\$ 5,615,142</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 6 and 7)	<b>\$ 506,523</b>	\$ 453,214
	<b>506,523</b>	<b>453,214</b>
<b>Asset retirement obligation</b> (Note 3)	<b>159,287</b>	<b>157,398</b>
	<b>665,810</b>	<b>610,612</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	<b>13,585,162</b>	<b>12,457,812</b>
Share-based payment reserve (Note 5)	<b>2,520,715</b>	<b>2,252,315</b>
Deficit	<b>(10,661,237)</b>	<b>(9,705,597)</b>
	<b>5,444,640</b>	<b>5,004,530</b>
	<b>\$ 6,110,450</b>	<b>\$ 5,615,142</b>

**Nature of Operations and Going Concern** (Note 1)

Approved on Behalf of the Board of Directors:

***"Peter Swistak"***

Director

***"John Sutherland"***

Director

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

**VERTICAL EXPLORATION INC.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	<b>For the year ended</b>	
	<b>February 29, 2024</b>	<b>February 28, 2023</b>
<b>Expenses</b>		
Accretion expense (Note 3)	\$ 1,889	\$ -
Consulting fees	120,200	163,672
Depreciation (Note 3)	56,633	29,807
Filing fees	22,087	10,095
Gain on flow-through liability recovery	-	(13,000)
Interest and penalties (Note 11)	239,243	-
Management fees (Note 6)	120,000	120,000
Office and miscellaneous	19,577	25,613
Professional fees (Note 6)	87,260	77,137
Promotion and marketing	4,769	9,700
Rent	18,000	18,000
Share-based payments (Notes 5 and 6)	250,000	110,500
Transfer agent fees	15,982	11,891
<b>Loss and Comprehensive Loss For the Year</b>	<b>\$ (955,640)</b>	<b>\$ (563,415)</b>
<b>Loss Per Share, Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Common Shares Outstanding – Basic and Diluted</b>	<b>134,771,505</b>	<b>123,284,053</b>

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

**VERTICAL EXPLORATION INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars)

	Share Capital		Share Based Payment Reserve	Deficit	Shareholders' equity
	Shares	Amount			
<b>Balance as at February 28, 2022</b>	<b>123,284,053</b>	<b>\$ 12,457,812</b>	<b>\$ 2,141,815</b>	<b>\$ (9,142,182)</b>	<b>\$ 5,457,445</b>
Share-based payments	-	-	110,500	-	110,500
Loss for the year	-	-	-	(563,415)	(563,415)
<b>Balance as at February 28, 2023</b>	<b>123,284,053</b>	<b>12,457,812</b>	<b>2,252,315</b>	<b>(9,705,597)</b>	<b>5,004,530</b>
Private placement	23,620,000	1,181,000	-	-	1,181,000
Share issuance cost - cash	-	(35,250)	-	-	(35,250)
Share issuance cost - warrants	-	(18,400)	18,400	-	-
Share-based payments	-	-	250,000	-	250,000
Loss for the year	-	-	-	(955,640)	(955,640)
<b>Balance as at February 29, 2024</b>	<b>146,904,053</b>	<b>\$ 13,585,162</b>	<b>\$ 2,520,715</b>	<b>\$ (10,661,237)</b>	<b>\$ 5,444,640</b>

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

**VERTICAL EXPLORATION INC.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	For the year ended	
	February 29, 2024	February 28, 2023
<b>Cash Flows Provided By (Used In):</b>		
<b>Operating Activities</b>		
Loss for the year	\$ (955,640)	\$ (563,415)
Items not involving cash:		
Accretion expense	1,889	-
Depreciation	56,633	29,807
Interest and penalties	114,500	-
Flow-through liability recovery	-	13,000
Share-based payments	250,000	110,500
Net change in non-cash working capital items:		
GST receivable	49,471	(7,035)
Prepaid expenses	(10,996)	55,586
Accounts payable and accrued liabilities	95,754	95,641
	<u>(398,389)</u>	<u>(265,916)</u>
<b>Investing Activities</b>		
Purchase of building	-	(438,744)
Construction in progress	(52,298)	-
Exploration and evaluation assets	(407,547)	(940,565)
	<u>(459,845)</u>	<u>(1,379,309)</u>
<b>Financing Activities</b>		
Private placement proceeds	1,181,000	-
Share issuance cost	(35,250)	-
Related party loan proceeds	15,000	-
Repayment of short term loan from related party	(15,000)	-
	<u>1,145,750</u>	<u>-</u>
<b>Change in cash during the year</b>	<b>287,516</b>	<b>(1,645,225)</b>
<b>Cash, beginning of year</b>	<b>5,737</b>	<b>1,650,962</b>
<b>Cash, end of year</b>	<b>\$ 293,253</b>	<b>\$ 5,737</b>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

**VERTICAL EXPLORATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**  
(Expressed in Canadian dollars)

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

Vertical Exploration was incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (“TSX-V”). The Company’s corporate office is located at Suite 1240 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada. The Company is a TSX-V junior mining company with exploration and evaluation assets in Canada.

These financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of financial statements, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company were primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

	<b>February 29, 2024</b>	February 28, 2023
Working capital deficiency	\$ (180,202)	\$ (375,934)
Deficit	\$ (10,661,237)	\$ (9,705,597)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

**Basis of presentation**

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the financial statements are presented below and are based on IFRS’ issued and outstanding as of June 26, 2024; the date the Board of Directors approved the financial statements.

**VERTICAL EXPLORATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**  
(Expressed in Canadian dollars)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**Estimates and judgments**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment of the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position.
- ii) The inputs in the Black-Scholes option pricing model to value stock options and compensatory warrants.
- iii) The estimated costs of future reclamation, inflation and discount rates to value asset retirement obligation.
- iv) The estimated provision related to flow-through shares.

Critical estimates and judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

- ii) Black-Scholes Option Pricing Model

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and finder's warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

- iii) Decommissioning and rehabilitation provision

Management's determination of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required and its estimate of the probable costs and timing of such activities and measures. Accounting for reclamation obligations requires management to make estimates and judgements of the future costs the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

**VERTICAL EXPLORATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**  
(Expressed in Canadian dollars)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

iv) Provision for Flow-Through Shares

Management estimates the probability each year for the likelihood of the provision. Changes to the probability of investor recourse can affect the carrying value of the provision as disclosed in Note 11.

**Financial instruments**

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets' classification, as described below:

Fair value through profit or loss ("FVTPL"): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to profit or loss.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include cash.

Fair value through other comprehensive income ("FVOCI"): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable and accrued liabilities, are classified as amortized cost. The Company does not currently have any FVTPL financial liabilities.

(iii) *Impairment of financial assets*

There is a three-stage expected credit loss model for calculating impairment for financial assets. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

**Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

**VERTICAL EXPLORATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**  
(Expressed in Canadian dollars)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Building and property**

Building is recorded at cost and depreciated using the declining balance method at the following rates per annum.

Building 10% per annum

Building and equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress ("CIP") is recorded at cost and is not depreciated until construction is completed.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

**Exploration and evaluation assets**

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized in profit or loss in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**VERTICAL EXPLORATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**  
(Expressed in Canadian dollars)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The 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 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 profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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 to an amount that 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 profit or loss.

**Decommissioning and restoration provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and property, plant and equipment assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets or property, plant and equipment assets, along with a corresponding increase in the rehabilitation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets, or property, plant, and equipment assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

**VERTICAL EXPLORATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**  
(Expressed in Canadian dollars)

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**Valuation of equity units issued in private placements**

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, was allocated to the attached warrants. Any value attributed to the warrants is recorded as share-based payment reserve.

**Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options and compensatory warrants are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

**Share issue costs**

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

The Company may also be subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through share regulations. When applicable, this tax is accrued as a financial expense until paid.

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

**Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Newly adopted accounting policy**

During the year ended February 29, 2024, the Company adopted certain new accounting standards and pronouncements, none of which had a material impact on the Company's financial statements other than IAS 1 amendment regarding adoption of material policies. The Company is currently evaluating a pending amendment to IAS 1 regarding current vs. long-term liabilities and does not expect this to have a material impact on the financial statements.

**Accounting standards and amendments issued but not yet adopted**

The Company has performed an assessment of new standards issued by the IASB that are not yet effective other than IAS 1 amendment regarding adoption of material policies and has determined that any new standards that have been issued would have no or very minimal impact on the Company's financial statements.

IAS 1 *Presentation of Financial Statements* aims to replace all instances of the term 'significant accounting policies' with 'material accounting policies'. Accounting policies are material if, when considered together with other information included in an entity's financial statements, it can reasonable be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The adoption of these amendments did not materially impact the financial statements of the Company.

IAS 12 *Income Taxes* require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operations. The adoption of these amendments did not materially impact the financial statements of the Company.

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**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)**

IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows.

IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

**3. BUILDING AND EQUIPMENT**

Property and equipment are carried at cost less accumulated depreciation. Details are as follows:

	<b>Building</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Cost</b>			
Balance, February 28, 2022	\$ -	\$ -	\$ -
Additions	596,142	-	596,142
Balance, February 28, 2023	596,142	-	596,142
Additions	-	52,298	52,298
Balance, February 29, 2024	\$ 596,142	\$ 52,298	\$ 648,440
<b>Accumulated Depreciation</b>			
Balance, February 28, 2022	\$ -	\$ -	\$ -
Additions	29,807	-	29,807
Balance, February 28, 2023	29,807	-	29,807
Additions	56,633	-	56,633
Balance, February 29, 2024	\$ 86,440	\$ -	\$ 86,440
<b>Carrying amounts</b>			
Balance, February 28, 2023	\$ 566,335	\$ -	\$ 566,335
Balance, February 29, 2024	\$ 509,702	\$ 52,298	\$ 562,000

During the year ended February 29, 2024, the Company began construction of a sedimentation basin. No depreciation has been charged on these balances until the sedimentation basin is fully available for use.

The Company's asset retirement obligations are estimated based on the management estimation on the costs associated with the site remediation and restoration plan, such as equipment rental and labour costs, provided by consultants who worked in the mining industry.

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**3. BUILDING AND EQUIPMENT (Continued)**

The undiscounted amount of estimated cash flows required to settle the asset retirement obligations was \$225,120 at February 29, 2024 (2023 - \$225,120). At February 29, 2024, the estimated future cash flows were discounted using a risk free rate of 3.23% (2023 – 3.20%) and an inflation rate of 2.00% (2023 – 2.00%) resulting in a present value of \$159,287 (2023 – \$157,398) which has been capitalized and recognized to the total cost of the building. The asset retirement obligations will be accreted over a period of 29 years (2023 – 30 years). During February 29, 2024, the Company recorded accretion expense of \$1,889 (2023 - \$Nil).

<b>Asset retirement obligation</b>	
Balance, February 28, 2022	\$ -
Additions	157,398
Balance, February 28, 2023	157,398
Accretion expense	1,889
Balance, February 29, 2024	\$ 159,287

**4. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets properties involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

	<b>Year Ended February 29, 2024</b>	
	<b>St. Onge Wollastonite Deposit</b>	<b>Total</b>
Acquisition costs, beginning of year	\$ 1,852,500	\$ 1,852,500
Acquisition costs, end of year	\$ 1,852,500	\$ 1,852,500
Exploration costs, beginning of year	\$ 3,119,027	\$ 3,119,027
Administration	6,330	6,330
Assays/lab	12,615	12,615
Geo-consulting	76,862	76,862
Equipment	137,857	137,857
Field expenses	11,993	11,993
Meal and lodging	4,945	4,945
Exploration costs, end of year	\$ 3,369,629	\$ 3,369,629
Total, end of year	\$ 5,222,129	\$ 5,222,129

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**4. EXPLORATION AND EVALUATION ASSETS (Continued)**

	<b>Year Ended February 28, 2023</b>	
	<b>St. Onge Wollastonite Deposit</b>	<b>Total</b>
Acquisition costs, beginning of year	\$ 1,852,500	\$ 1,852,500
Acquisition costs, end of year	\$ 1,852,500	\$ 1,852,500
Exploration costs, beginning of year	\$ 2,021,517	\$ 2,021,517
Assays/lab	114,295	114,295
Geo-consulting	459,939	459,939
Drilling	42,055	42,055
Equipment	83,576	83,576
Field expenses	156,304	156,304
Meal and lodging	263,166	263,166
Less: recovery*	(21,825)	(21,825)
Exploration costs, end of year	\$ 3,119,027	\$ 3,119,027
<b>Total, end of year</b>	<b>\$ 4,971,527</b>	<b>\$ 4,971,527</b>

\* recovery consists of sales of wollastonite

**St. Onge Wollastonite Deposit**

During the year ended February 28, 2018, the Company entered into an option agreement to acquire the St. Onge Wollastonite Deposit, located in the St-Onge township, in the Saguenay – Lac St. Jean region of Quebec. The Company earned a 100% interest by making cash payments of \$750,000, issuing 8,000,000 common shares (valued at \$670,000) and incurring \$2,000,000 in exploration expenditures.

The Company also granted a 2% net smelter return royalty, of which 1% can be purchased by the Company for \$1,000,000. Additionally, a \$5 per tonne royalty on the first million tonnes of raw material shipped from the property without processing was granted.

During the year ended February 29, 2020, the Company acquired additional claims in consideration of 1,000,000 common shares (issued and valued at \$40,000).

During the year ended February 28, 2022, the Company acquired additional claims in consideration of \$25,000 cash payment (paid) and 3,500,000 common shares (issued and valued at \$367,500).

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**5. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS**

Authorized share capital – an unlimited number of common shares without par value

**SHARES ISSUED DURING THE YEAR ENDED FEBRUARY 29, 2024**

During the year ended February 29, 2024,

- i) the Company issued 14,160,000 non-brokered private placement units at a price of \$0.05 per unit for gross proceeds of \$708,000. Each unit consists of one common share and one common share purchase warrant authorizing the purchase of one additional common share at a price of \$0.10 per share until June 30, 2025. In connection with the private placement, the Company paid cash finder's fees of \$12,100 and issued 242,200 finder's warrants with a fair value of \$6,400. Each finder's warrant is exercisable into one common share of the Company at a price of \$0.10 per finder's warrant until June 30, 2024.
- ii) closed private placement of 9,460,000 units at \$0.05 per unit for total gross proceeds of \$473,000. Each unit consists of one common share and one transferable common share purchase warrant authorizing the purchase of one additional common share at a price of \$0.10 per share until June 13, 2025 subject to an acceleration clause. In connection with the private placement, the Company paid cash finder's fees to arm's length parties, totaling \$23,150 and issued 413,100 finder's warrants with a fair value of \$12,000. Each finder's warrant is exercisable into one common share of the Company at a price of \$0.10 per finder's warrant until December 13, 2024.

**SHARES ISSUED DURING THE YEAR ENDED FEBRUARY 28, 2023**

During the year ended February 28, 2023, the Company had no share activity.

**STOCK OPTIONS**

The Company adopted an equity settled stock option plan. The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company.

Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting terms are determined by the Board of Directors at the time of grant.

During the year ended February 29, 2024, the Company:

- i) granted 4,050,000 stock options to directors, officers and consultants of the Company exercisable at \$0.075 per share until April 28, 2024, resulting in share-based compensation of \$163,300, calculated using the Black-Scholes pricing model.
- ii) granted 2,850,000 stock options to directors, officers and consultants of the Company exercisable at \$0.25 per share until June 28, 2025, resulting in share-based compensation of \$86,700, calculated using the Black-Scholes pricing model.

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**5. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS (Continued)**

**STOCK OPTIONS (Continued)**

During the year ended February 28, 2023, the Company:

- i) granted 300,000 stock options, exercisable at a price of \$0.15 per option until July 4, 2023, and resulting in share-based compensation of \$7,300, calculated using the Black-Scholes pricing model.
- ii) granted 1,000,000 stock options, exercisable at a price of \$0.15 per option until August 5, 2025, and resulting in share-based compensation of \$103,200, calculated using the Black-Scholes pricing model.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at February 28, 2022	4,275,000	\$0.15
Granted	1,300,000	0.15
Balance at February 28, 2023	5,575,000	0.15
Granted	6,900,000	0.15
Expired	(4,575,000)	0.15
<b>Balance at February 29, 2024</b>	<b>7,900,000</b>	<b>\$0.15</b>

As of February 29, 2024, the following stock options were outstanding:

Expiry date	Number of Options	Exercise price	Number of options exercisable
April 28, 2024	4,050,000*	\$0.075	4,050,000
June 28, 2025	2,850,000	\$0.25	2,850,000
August 5, 2025	1,000,000	\$0.15	1,000,000
	7,900,000		7,900,000

\* Subsequently expired unexercised.

As of February 29, 2024, the Company's outstanding options has a weighted average remaining life of 0.74 years (February 28, 2023 – 0.94 years).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during:

	February 29, 2024	February 28, 2023
Risk-free interest rate	3.42%	3.20%
Expected life of options	1.21 years	2.54 years
Expected annualized volatility	180.75%	162.10%
Expected dividend rate	-	-

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**5. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS (Continued)**

**WARRANTS**

During the year ended February 29, 2024, the Company:

- i) granted 14,160,000 unit warrants exercisable at \$0.10 until June 30, 2025 and 242,200 finder's warrants exercisable at \$0.10 per share until June 30, 2024, resulting in share issuance cost of \$6,400, calculated using the Black-Scholes pricing model.
- ii) granted 9,460,000 unit warrants exercisable at \$0.10 per share until June 13, 2025 and 413,100 finder's warrants exercisable at \$0.10 per share until December 13, 2024, resulting in share issuance cost of \$12,000, calculated using the Black-Scholes pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at February 28, 2022	46,358,280	\$0.12
Expired	<u>(15,086,579)</u>	0.05
Balance at February 28, 2023	31,271,701	0.19
Granted	24,275,300	0.10
Expired	<u>(31,271,701)</u>	0.19
<b>Balance at February 29, 2024</b>	<b>24,275,300</b>	<b>\$0.10</b>

As at February 29, 2024, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price	Number of warrants exercisable
June 30, 2024	242,200	\$0.10	242,200
December 13, 2024	413,100	\$0.10	413,100
June 13, 2025	9,460,000	\$0.10	9,460,000
June 30, 2025	14,160,000	\$0.10	14,160,000
<b>Total Outstanding</b>	<b>24,275,300</b>		<b>24,275,300</b>

As of February 29, 2024, the Company's outstanding warrants has a weighted average remaining life of 1.30 years (February 28, 2023 – 0.70 years).

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted during:

	February 29, 2024	February 28, 2023
Risk-free interest rate	4.19%	-
Expected life of options	1.00 years	-
Expected annualized volatility	182.49%	-
Expected dividend rate	-	-

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**6. RELATED PARTY TRANSACTIONS**

The Company's related parties and key management consist of executive officers, directors, companies owned by executive officers, companies owned by directors, and companies owned by spouses of directors.

The Company incurred the following expenses in connection with key management, including companies owned by key management and directors.

<b>Key Management</b>	<b>For the year ended,</b>	
	<b>February 29, 2024</b>	<b>February 28, 2023</b>
<b>Management fees</b>		
Paid or accrued to an officer of the Company	\$ 120,000	\$ 120,000
<b>Professional fees</b>		
Paid or accrued to an officer of the Company	\$ 4,600	\$ 3,600
<b>Share-based payments</b>		
Paid or accrued to directors and officer of the Company	\$ 56,099	\$ -

Included in accounts payable and accrued liabilities at February 29, 2024 is \$323,500 (February 28, 2023 - \$208,000) owed to officers of the Company.

During the year ended February 29, 2024, the Company received a loan of \$15,000 loan from an officer of the Company that was repaid in full.

The amount due to related parties are unsecured, non-interest bearing and has no specific due date.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities consist of:

	<b>February 29, 2024</b>	<b>February 28, 2023</b>
Trade payable	\$ 361,523	\$ 404,214
Accrued liabilities	145,000	49,000
	<b>\$ 506,523</b>	<b>\$ 453,214</b>

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**8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

**Fair value**

Financial instruments that are measured at fair value using inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

Given that they will mature shortly, the fair value of cash and accounts payable and accrued liabilities approximate their carrying value.

**Financial Risk**

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's net assets from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to credit risk, liquidity risk and various market risks, including interest rate.

**Interest Rate Risk**

Fluctuations in interest rates have only an impact on the return that the cash generates as interest income. Unfavorable changes in the applicable interest rate may result in a decrease of interest income.

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on short-term investments given their short-term nature. As a result fluctuations in market interest rates during the current year would not have any significant impact on the Company's financial results.

**Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's ability to meet its commitments for exploration programs, and meet all of its general and administrative costs on a continuous basis is dependent on the continued support of the financial markets. In particular, the Company may have to issue additional common shares. The Company is exposed to liquidity risk.

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**8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**  
(Continued)

**Other Price Risk**

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company exposure to other price risk is minimal.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. All of the cash is held with one financial institution. Consequently, the Company is exposed to concentration of credit risks of that institution. However, the credit risk is limited, based on the high-quality external credit rating of that institution.

**Capital Management**

The Company considers the items included in shareholders' equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue its exploration activities and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There was no change in the Company's capital management strategy during the year ended February 29, 2024.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	<b>For the year ended</b>	
	<b>February 29, 2024</b>	<b>February 28, 2023</b>
Fair value of finders' warrants issued	\$ 18,400	\$ -
Asset retirement obligation	\$ -	\$ 157,398
Accrued exploration and evaluation asset costs in accounts payable	\$ -	\$ 156,945

**10. SEGMENTED INFORMATION**

The Company operates in one reportable segment being the acquisition, exploration and evaluation of mineral properties in Canada.

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**11. INCOME TAXES**

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

	<b>2024</b>	<b>2023</b>
Loss for the year	\$ (955,640)	\$ (563,415)
Expected income tax (recovery)	\$ (258,000)	\$ (152,000)
Change in statutory, foreign tax, foreign exchange rates and other	36,000	1,000
Permanent differences	132,000	30,000
Share issue costs	(10,000)	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	15,000	434,000
Change in unrecognized deductible temporary differences	85,000	(313,000)
<b>Total income tax (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets that have not been included on the statement of the financial position are as follows:

	<b>2024</b>	<b>2023</b>
Deferred tax liabilities		
Share issue costs	\$ 26,000	\$ 30,000
Asset retirement obligation	43,000	42,000
Non-capital losses available for future period	1,286,000	1,198,000
	1,355,000	1,270,000
Unrecognized deferred tax assets	(1,355,000)	(1,270,000)
<b>Total income tax (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have on been included on the statement of financial position are as follows:

	<b>2024</b>	<b>Expiry Date Range</b>	<b>2023</b>	<b>Expiry Date Range</b>
Temporary Difference				
Share issue costs	95,000	2025 to 2028	113,000	2024 to 2026
Asset retirement obligation	159,000	N/A	157,000	N/A
Non-Capital losses available for future Period	4,761,000	2026 to 2044	8,064,000	2026 to 2043

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

During fiscal 2024, the Company incurred penalties and interest of \$124,743 related to a flow-through financing, and additionally accrued \$114,500 as an indemnification liability estimate for the investor for which the shortfall was assigned.