



JAMES BAY RESOURCES LIMITED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

To the Shareholders of James Bay Resources Limited:

Opinion

We have audited the financial statements of James Bay Resources Limited (the "Company"), which comprise the statements of financial position as at December 31, 2025 and December 31, 2024, and the statements of loss and other comprehensive loss, cashflows and changes in equity for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and December 31, 2024, 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 audits 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 audits 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has a working capital deficiency and an accumulated deficit as at December 31, 2025, which has been funded primarily by the issuance of equity and debt. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 period. 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.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits 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 audits 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 on this other information, 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 as issued by the International Accounting Standards Board, 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 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 Zahra Alnoor Bhanji.

Mississauga, Ontario

April 9, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

JAMES BAY RESOURCES LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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JAMES BAY RESOURCES LIMITED

Statements of Financial Position

Expressed in Canadian dollars

As at

	December 31, 2025	December 31, 2024
	\$	\$
ASSETS		
Current assets		
Cash	20,269	3,365
Prepaid expenses	6,893	21,776
Amounts receivable	18,442	19,701
Total current assets	45,604	44,842
Right-of-use asset (ROU) (Note 6)	130,202	13,476
Total assets	175,806	58,318
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 14, 15)	1,267,240	675,927
Subscription payable (Note 10)	50,000	-
Due to 1001399076 Ontario Inc. (Note 15)	110,340	-
Shareholder loans (Note 8)	809,090	325,476
Current portion of lease payable (Note 7)	17,358	21,961
Canada emergency business account loan (Note 9)	66,000	63,000
Convertible debentures (Note 10)	431,326	418,688
Total current liabilities	2,751,354	1,505,052
Non-current		
Lease payable (Note 7)	129,489	-
Total liabilities	2,880,843	1,505,052
SHAREHOLDER'S EQUITY		
Share capital (Note 11)	19,574,850	19,507,973
Convertible debentures equity component (Note 10)	28,737	28,737
Share based payment reserve (Note 12)	372,300	372,300
Deficit	(22,680,924)	(21,355,744)
Total common shareholders' deficit	(2,705,037)	(1,446,734)
Total liabilities and shareholders' equity	175,806	58,318

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 16)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY" _____, Director

Signed "JEAN J. GAUTHIER" _____, Director

See accompanying notes to the financial statements

JAMES BAY RESOURCES LIMITED
Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars

	2025	2024
	\$	\$
Expenses		
Professional fees (Note 15)	408,400	375,564
Management salaries and benefits (Note 15)	209,713	220,305
Office and general	63,640	54,841
Transfer agent and listing fees	25,506	22,349
Depreciation	34,201	54,805
	<hr/>	<hr/>
Loss before the undernoted	(741,460)	(727,864)
Foreign exchange gain (loss)	-	2,068
Interest (expense) income (Note 8, 9 10)	(133,720)	(80,413)
Loss from investment in Cerrado Gold	-	(181,839)
Loss from lawsuit (Note 16)	(450,000)	-
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Loss before recovery of income tax	(1,325,180)	(988,048)
Deferred tax recovery (provision) (Note 18)	-	11,620
	<hr/>	<hr/>
Total comprehensive loss for the year	(1,325,180)	(976,428)
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Loss per share		
Basic and diluted	(0.02)	(0.01)
	<hr/>	<hr/>
Weighted average number of shares outstanding		
Basic and diluted	81,518,022	81,076,241

See accompanying notes to the financial statements

JAMES BAY RESOURCES LIMITED

Statements of Cash Flows

Expressed in Canadian dollars

	2025	2024
	\$	\$
Cash provided (used) by operating activities:		
Net loss for the year	(1,325,180)	(976,428)
Add (deduct) items not affecting cash:		
Depreciation	34,201	54,805
Deferred tax recovery	-	(11,620)
Unrealized loss from investment in Cerrado Gold Inc.	-	181,839
Interest expense	77,573	31,804
Foreign exchange gain	-	(2,068)
Net change in non-cash working capital:		
Prepaid expenses	14,883	(6,791)
Accounts receivable	1,259	336
Canada emergency business account loan (Note 11)	3,000	3,000
Accounts payable and accruals	590,980	291,046
Net cash used in operating activities	<u>(603,284)</u>	<u>(434,077)</u>
Cash provided by (used in) investing activities:		
Proceeds from the sale of Cerrado Gold (Note 8)	-	158,661
Net cash provided by investing activities	<u>-</u>	<u>158,661</u>
Cash provided by (used in) financing activities:		
Lease payments	(34,450)	(68,416)
Shareholder loans advance (Note 8)	427,421	2,432
Proceeds from convertible debentures	-	327,000
Proceeds from private placement (Note 11)	75,000	-
Share issue costs (Note 11)	(8,123)	-
Subscription payable (Note 11)	50,000	-
Proceeds from 100139976 Ontario Inc. (Note 15)	110,340	-
Net cash provided by financing activities	<u>620,188</u>	<u>261,016</u>
Increase (decrease) in net cash flow during the year	16,904	(14,400)
Cash, beginning of the year	3,365	17,765
Cash, end of the year	<u>20,269</u>	<u>3,365</u>

See accompanying notes to the financial statements

JAMES BAY RESOURCES LIMITED

Statements of Changes in Equity

Expressed in Canadian dollars

	Common Shares \$	payments reserve \$	Convertible debentures equity component \$	Deficit \$	Shareholders' equity \$
Balance, December 31, 2024	19,507,973	372,300	28,737	(21,355,744)	(1,446,734)
Private Placement, net share issued cost	66,877	-	-	-	66,877
Net loss for the year	-	-	-	(1,325,180)	(1,325,180)
Balance, December 31, 2025	19,574,850	372,300	28,737	(22,680,924)	(2,705,037)

	Common Shares \$	payments reserve \$	Convertible debentures equity component \$	Deficit \$	Shareholders' equity \$
Balance, December 31, 2023	19,507,973	372,300	-	(20,379,316)	(499,043)
Convertible debentures equity component	-	-	28,737	-	28,737
Net loss for the year	-	-	-	(976,428)	(976,428)
Balance, December 31, 2024	19,507,973	372,300	28,737	(21,355,744)	(1,446,734)

See accompanying notes to the financial statements

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

James Bay Resources Limited (the "Company" or "James Bay") was incorporated on November 5, 2007. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "JBR".

As at December 31, 2025, the Company had a working capital deficiency of \$2,705,750 (December 31, 2024 - \$1,460,210) and had an accumulated deficit of \$22,680,924 (December 31, 2024 - \$21,355,744) which has been funded primarily by the issuance of equity and debt. The ability of the Company to continue as a going concern is dependent upon its ability to raise sufficient funds to meet its obligations as they become due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. The material uncertainties noted above together may cast significant doubt upon the Company's ability to continue as a going concern.

The head office, principal address and records office of the Company is located at 1200 Bay Street, Suite 1103, Toronto, Ontario, Canada, M5R 2A5.

2. BASIS OF PREPARATION

Statement of compliance

The Company financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB"). These financial statements were approved by the Board of Directors on April 7, 2026.

These financial statements of the Company were prepared in accordance with IFRS on a going concern basis, under the historical cost basis except for those financial instruments carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

3. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

(a) New amendments adopted by the Company

Lack of Exchangeability (Amendment to IAS 21) Effective January 1, 2025, the Company adopted the Amendment to IAS 21 – Lack of Exchangeability, which provides guidance on determining currency exchangeability, establishing non-exchangeable currency rates, and related disclosure requirements; the adoption had no impact on the December 31, 2025 Financial Statements.

(b) Standards and amendments issued but not yet effective or adopted

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2025:

(i) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required, and early adoption is permitted.

(ii) Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required, and early adoption is permitted.

The Company is assessing the impact of the pronouncements on the Company's financial statements upon adoption.

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods. Such estimates and assumptions affect the carrying value of assets, the determination of impairment charges of non-current assets, impact decisions as to when exploration and evaluation costs should be capitalized or expensed and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of share-based payments, warrants and income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

(a) Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(b) Share-based payments and warrants

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Warrants are valued in a similar way. Changes in these assumptions affect the fair value estimates.

(c) Estimated useful life of equipment and ROU, depreciation

Management estimates the useful lives of equipment and ROU based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of equipment and ROU for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's equipment and ROU in the future.

(d) Valuation of liability components of the convertible debentures

The Company had issued convertible debentures that contain both liability and equity components. The allocation of the proceeds between the components is based on the fair value of the liability component, with the residual allocated to equity. The fair value of the liability component is determined using the market interest rate for similar debt instruments without a conversion feature. Significant judgement and estimation is required in determining the appropriate effective interest rate.

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

5. MATERIAL ACCOUNTING POLICIES

(a) Reporting and functional currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statements of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on translation are charged to the statements of loss and comprehensive loss.

(b) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payments note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded-vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in common shares. Unexercised stock options and warrants are transferred to deficit.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(c) Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
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Expressed in Canadian dollars

5. MATERIAL ACCOUNTING POLICIES (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(d) Property

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Right of use asset	-	lesser of expected useful life or the lease term
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(e) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation assets and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. For exploration and evaluation assets, indicators of impairment would include exploration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to profit or loss to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of loss and comprehensive loss in the period of reversal.

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

5. MATERIAL ACCOUNTING POLICIES (continued)

(f) Financial instruments

Financial assets:

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Financial assets recorded at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss. Cerrado Gold shares were recorded at fair value through profit or loss (FVTPL).

Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's cash and amounts receivable are classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities, convertible debentures and shareholder loans are classified as measured at amortized cost.

Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income ("FVTOCI").

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

5. MATERIAL ACCOUNTING POLICIES (continued)

Expected Credit Loss Impairment Model:

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For amounts receivable, the Company uses a combined approach of specific account identification and a provision matrix to estimate lifetime expected impairment. For all other financial assets, the Company uses specific account identification to determine the amount of expected impairment. Losses are recognized in the statements of loss and comprehensive loss and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the statements of loss and comprehensive loss.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(g) Income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted income (loss) per share is calculated by assuming that the proceeds to be received on the exercise of dilutive convertible debentures, share options and warrants are used to repurchase common shares at the average market price during the period.

For the years ended December 31, 2025 and 2024 diluted loss per share is the same as basic loss per share as the effects of options and warrants would be anti-dilutive.

(h) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then an asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

JAMES BAY RESOURCES LIMITED
Notes to the Financial Statements
For the years ended December 31, 2025 and 2024
Expressed in Canadian dollars

5. MATERIAL ACCOUNTING POLICIES (continued)

- In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - o The Company has the right to operate the asset; or
 - o The Company designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using the discount rate implicit in the lease, or if that is not available, a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a right-of-use asset (“ROU”) that will generally be equal to the lease obligation at adoption.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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6. RIGHT-OF-USE ASSET

The Company's lease is for office space. On March 25, 2025, the Company entered into a premise lease with a lease term of 5 years. The Company has estimated an annual incremental borrowing rate of 10% on the office space. The lease agreement includes a rent-free period, which has been considered in the measurement of the lease liability and right-of-use-asset.

	\$
Balance, December 31, 2023	68,282
Depreciation	<u>(54,806)</u>
Balance, December 31, 2024	13,476
Addition	150,927
Depreciation	<u>(34,201)</u>
Balance, December 31, 2025	<u>130,202</u>

7. LEASE LIABILITY

	December 31, 2025	December 31, 2024
	\$	\$
Lease liability - opening balance	21,961	84,518
Addition	143,863	-
Lease payments	(27,387)	(68,416)
Interest expense on lease liability	8,410	5,859
Lease liability - ending balance	<u>146,847</u>	<u>21,961</u>
Lease liability – current portion	17,358	21,961
Lease liability – non-current portion	129,489	-

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8. SHAREHOLDER LOANS

The President and CEO of the Company had extended a loan to finance the working capital of the Company. The loan bears an interest rate of 10% and is due on demand. As at December 31, 2025, the Company owed \$709,090 (December 31, 2024 - \$224,475) which includes accrued interest in the amount of \$134,850 (December 31, 2024 - \$78,656).

Subsequent to period-end, the Company made a net repayment of \$18,876 to the President and CEO of the Company. An Officer of the Company extended \$6,500 to finance the working capital of the Company. The loan from the Officer is non-interest bearing and is due on demand.

A director of the Company extended a \$100,000 loan to finance the working capital of the Company. The loan is non-interest bearing and is due on demand.

As at December 31, 2025, the Company had a total shareholder loan balance of \$809,090 (December 31, 2024 - \$325,476) which includes accrued interest in the amount of \$134,850.

9. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA)

The Company received a loan of \$60,000 pursuant to the Canada Emergency Business Account (“CEBA”). The CEBA provides zero-interest, partially forgivable loans of up to \$60,000 to small businesses that have experienced diminished revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes, and employment costs. The loan was converted to a three-year term loan bearing interest at 5% per annum. As at December 31, 2025, the Company owed an aggregated balance of \$66,000 (December 31, 2024 - \$63,000) which includes accrued interest in the amount of \$3,000.

10. CONVERTIBLE DEBENTURES

From December, 2023 to December 2024, the Company issued \$452,000 principal amount of convertible debentures. The convertible debentures bear interest of 15% per annum, payable semi-annually and mature three years following the date of issuance. The convertible debentures are convertible at a conversion price of \$0.05 per common share.

Date of issuance	\$
December 21, 2023	125,000
January 30, 2024	50,000
February 6, 2024	25,000
March 8, 2024	50,000
September 30, 2024	127,000
December 31, 2024	75,000
Total	452,000

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10. CONVERTIBLE DEBENTURES (continued)

In April 2023, the Company initiated a negligence claim against the lawyer who acted for CB Holdings and related companies in relation to the US\$3.5M loans made by James Bay in 2018, seeking damages incurred from the lawyer's negligent conduct. The claim has been filed in California and has been served on the defendants (the "California Litigation").

James Bay has made legal filings in April 2023 to pursue 1782 disclosure under Nevada law from Wynn Casinos in Nevada, in efforts to obtain evidence to substantiate the claim that Wynn Casinos did not properly fulfill its duty to know your client and to properly investigate sources of funding from designated guests spending excessively at the casinos and other facilities extensively (the "Nevada Litigation"). The California Litigation and the Nevada Litigation, collectively the "Litigation".

The Company concurrently sold and assigned, pursuant to separate agreements with each subscriber, a pro rata entitlement (based on all the subscribers) for up to an aggregate of 30% of the net proceeds of the Litigation, if any (whether as a result of final judgement by a court of competent jurisdiction or settlement for which no appeal or further proceeding may be taken (the "Final Award")), after deduction of all related costs and taxes incurred by the Company in the Litigation (the "Net Final Amount"), for the initial 1 Million of Net Final Amount and 20% of any Net Final Amount above \$1,000,000 payable to the Holders within 60 days from the receipt of the Final Award. In the event the Company prepays the Debentures in full prior to that date which is one year from the date of issue and prior to the date of the Final Award, then the amount payable to the Holders under the agreement will be adjusted to reflect an aggregate entitlement of 15%. Should the Company's litigation be settled or be the subject of a final decision and if the Company is in receipt of settlement funds, the convertible debentures holders will have rights to accelerate the maturity date to 15 days following the date the convertible debentures holders provide written notice to the Company.

The President and CEO of the Company purchased an aggregate of \$102,000 of convertible debentures. Two directors of the Company purchased an aggregate of \$175,000 of convertible debentures.

In accordance with IFRS, the Company has separated the convertible debentures into debt and equity components on the statements of financial position using the residual method. The equity component represents the value of the conversion feature and is the difference between the estimated fair value of the liability component and the proceeds received of \$452,000. The net present value of the liability component of the convertible debentures has been estimated using an effective interest rate of 18.95%. The directly attributable transaction costs were expense in the statements of loss and comprehensive loss. The convertible debentures, net of the equity component and transaction costs, are accreted such that carrying amount of the convertible debenture will equal the face value of the convertible debenture at maturity. The accretion on the convertible debentures is included in interest expense in the statements of loss and comprehensive loss.

The rate of 18.95% used in estimating the value of the liability component of the convertible debentures and used to apply the effective interest rate method to the convertible debentures is based on significant management estimation.

As of December 31, 2025, included in accounts payable and accrued liabilities is accrued interest on convertible debentures in the amount of \$112,588 (December 31, 2024 - \$43,850).

Assignment of convertible debentures
Refer to Note 15.

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11. SHARE CAPITAL

- (a) **Authorized** - Unlimited common shares, with no par value
(b) **Issued** – 84,826,241 common shares

	#	\$
Balance, December 31, 2024 ⁽ⁱ⁾	81,076,241	19,507,973
Commons share issued in private placement ⁽ⁱⁱ⁾	3,750,000	75,000
Share issued costs ⁽ⁱⁱ⁾		(8,123)
Balance, December 31, 2025 and 2024	84,826,241	19,574,850

- (i) There was no activity in 2024 in share capital
- (ii) On November 18, 2025, the Company has received \$75,000 for the issuance of 3,750,000 Common Shares at a price of \$0.02 per share in this first tranche of the private placement. The Company incurred \$8,123 in share issuance costs in connection with the financing.

In December 2025, the Company received \$50,000 for the issuance of 2,500,000 common shares in connection with tranche 2. The common shares were issued after year-end. Thus, the amount was classified as subscription liability as at December 31, 2025.

Subsequent Event
Refer to Note 17.

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12. SHARE-BASED PAYMENTS RESERVE

The Company has an incentive stock option plan (the “Plan”) whereby the Company can grant to directors, officers, employees and consultants, options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 20% of the Company's issued and outstanding capital at the time of granting of options for a maximum term of five years. In no case (calculated at the time of grant) shall the Plan result in:

- the number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- the aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- the number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- the aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

The following reconciles the share options outstanding:

	December 31, 2025		December 31, 2024	
	Number	Weighted	Number	Weighted
	of options	average	of options	average
	#	exercise price	#	exercise price
		\$		\$
Balance, beginning of period/year	5,000,000	0.10	5,000,000	0.10
Granted	-	-	-	-
Balance, end of period/year	<u>5,000,000</u>	<u>0.10</u>	<u>5,000,000</u>	<u>0.10</u>

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its properties. The capital structure of the Company consists of equity attributable to common shareholders comprised of common shares, warrant reserve, share-based payments reserve, and deficit. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended December 31, 2025 and 2024. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the CSE which requires adequate working capital of \$50,000. As of December 31, 2025, the Company is not in compliance with the policies of the CSE.

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14. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and cash equivalents and amounts receivable is remote.

Liquidity risk

The Company will not have sufficient cash resources to meet its financial obligations as they come due as described in Note 1. The Company's approach to managing liquidity risk is to ensure that it will have liquidity to meet liabilities when due. At December 31, 2025, the Company had cash of \$20,269 to settle current liabilities of \$2,751,354 (December 31, 2024 - \$1,505,052). The Company had a working capital deficiency of \$2,705,750 (December 31, 2024 - \$1,460,210). The Company's current financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Fair value

The carrying value of cash, amounts receivable, CEBA loan, shareholder loans, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the financial instruments. The carrying value of the convertible debentures is equal to its fair value.

Fair value hierarchy and liquidity risk disclosure

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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15. RELATED PARTY DISCLOSURES

These financial statements include balances and transactions with directors and officers of the Company and/or corporations related to them. During the years ended December 31, 2025 and 2024, the Company entered into the following transactions involving related parties:

During the years ended December 31, 2025, \$135,872 (December 31, 2024 - \$109,078) was charged by a law firm of which a partner is a director of the Company. As of December 31, 2025, included in accounts payable and accrued liabilities is an accumulated balance of approximately \$205,388 (December 31, 2024 - \$107,171) owing to this law firm.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of key management personnel for periods ended December 31, 2025 and 2024 were as follows:

	December 31, 2025	December 31, 2024
Management salaries	\$72,000	\$72,000
Director fees	40,000	40,000
	<u>\$112,000</u>	<u>\$112,000</u>

As of December 31, 2025, included in accounts payable and accrued liabilities is an accumulated balance of \$89,344 owing to two executive officers.

During the year ended December 31, 2025, the Company accrued \$40,000 in directors' fees. Included in accounts payable and accrued liabilities is an accumulated balance of \$120,000 owing to four directors.

On December 16, 2025, the Company announced that it has entered into an investor agreement (the "Agreement") with 1001399076 Ontario Inc. ("1001") pursuant to which 1001 will assume responsibility for providing funding related to the Company's ongoing US litigation claims against Wynn Resorts Ltd. (previously announced in the Company's news release dated October 3, 2024) and the claim against John Armstrong and his firm (together, the "US Claims"). In consideration for assuming the financing obligations associated with the US Claims, 1001 will be entitled to receive 80% of the proceeds from any settlement or final judgement for which no appeal or further proceeding may be taken that may result from the US Claims (the "Final Award"). The remaining 20% interest in any Final Award will be retained by James Bay.

Under the terms of the Agreement, the Company assigned a series of its existing convertible debentures (the "Convertible Debentures") with an aggregate principal value of \$452,000, held by the shareholders of 1001, to 1001. The Company will not have any further obligations to repay the Convertible Debentures. However, in the event that a Final Award is not received within two years of the effective date of the Agreement, holders of the Convertible Debentures shall have the option to convert the then outstanding principal and accrued interest under the Convertible Debentures into units of the Company ("Units") at the rate of \$0.05 per Unit, with each Unit comprised of a common share in the capital of the Company ("Common Share"), and a common share purchase warrant ("Warrant"), with each Warrant exercisable.

The President and CEO and two directors of the Company have ownership interest in 1001.

During the year ended December 31, 2025, 1001 paid a total amount of \$110,340 in legal fees on behalf of James Bay. The amount is included as Due to 1001399076 Ontario Inc.

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16. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts, which contain clauses requiring additional payments of up to \$865,800 be made upon the occurrence of certain events such as a change of control and additional payments of up to \$873,383 be made upon termination of contracts. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements. As of December 31, 2025, under these management contracts, management has committed to \$522,900 of salaries and benefits due within one year.

The Company announced on December 13, 2023 that it had received the decision of Justice Papageorgiou (the “Decision”) of the Ontario Superior Court of Justice, in the claim made by James Bay against Mak Mera Nigeria Limited (“Mak Mera”) and Wale Sola. Under the Decision, James Bay was successful in all claims, and was awarded \$405,000 to be repaid by Mak Mera, plus \$200,000 in damages for defamation against Mak Mera and Wale Sola, jointly and severally.

In relation to the Decision in April 2024, James Bay was awarded costs of approximately \$309,402, solely against Mak Mera. Costs were not awarded against Mr. Wale Sola personally, as Justice Papageorgiou determined that there was divided success in the Decision concerning the issues between Mr. Sola and James Bay.

Mak Mera and Wale Sola appealed the Decision and the costs awarded. The Appeal Decision reversed the Decision, and set aside the award of \$405,000, and while the finding of defamation stood, the damages award was reduced to \$1,000.

In addition, the costs award of \$309,401 solely against Mak Mera rendered under the Decision was reversed, with the Ontario Court of Appeal awarding costs of \$400,000 for the trial to be paid by James Bay, along with costs of \$50,000 for the Appeal itself.

As of December 31, 2025, included in accounts payable and accrued liabilities is a balance of \$450,000 in connection to this litigation.

17. SUBSEQUENT EVENT

In January 2026, the Company closed the second tranche of a non-brokered private placement (the “Offering”). The Company raised gross proceeds of \$157,000 from the issuance of 7,875,000 common shares at a price of \$0.02 per share. The common shares issued pursuant to the second tranche will be subject to a four month plus one day regulatory hold period commencing from the date of closing of the second tranche.

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18. INCOME TAX

The reconciliation of the combined Canadian federal and provincial statutory income taxes of 26.5% (2024 - 26.5%) to the effective tax rate is as follows:

	2025	2024
	\$	\$
Loss before income taxes	(1,325,180)	(988,048)
Expected income tax (recovery) based on statutory rate	(351,170)	(261,830)
Non-deductible and other expenses	-	21,010
Change in tax benefits not recognized	351,170	229,200
Deferred tax (recovery)	-	(11,620)

The following table summarizes the components of deferred tax:

	2025	2024
	\$	\$
Deferred Tax Assets		
Finance lease Receivables	38,600	2,190
Operating tax losses carried forward	-	-
Subtotal of Assets	38,600	2,190
Deferred Tax Liabilities Equipment & ROU		
Convertible Debentures	(33,120)	(2,190)
	(5,480)	-
Subtotal of Liabilities	(38,600)	(2,190)
Net deferred tax liability	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities

	2025	2024
	\$	\$
Balance at the beginning of the year	-	-
Recognized in the statement of loss	-	11,620
Recognized in equity	-	(11,620)
Total	-	-

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18. INCOME TAX (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2025 \$	2024 \$
Operating tax losses carried forward Canada	9,506,530	8,234,370
Resource pools – mineral properties	3,451,850	3,451,850
Capital losses carried forward	18,178,810	18,178,810
Share issue costs	13,600	11,950
Reserves	200,000	160,000
Capital lease obligation	-	13,690
Total	31,350,790	30,050,670

The Canadian operating tax loss carry forwards expire as noted in the table below. The capital loss carried forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian operating tax losses expire as follows:

<u>Year of expiry</u>	<u>Canada</u>
2031	\$ 708,790
2032	900,460
2033	139,530
2034	1,087,350
2035	1,525,950
2036	352,270
2037	466,070
2039	896,040
2040	227,110
2042	500,380
2043	683,530
2044	748,040
2045	1,270,010
Indefinite	-
	<u>\$ 9,506,530</u>