

Lion Rock Resources Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)



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Independent Auditor's Report

To the Shareholders of Lion Rock Resources Inc.

Opinion

We have audited the consolidated financial statements of Lion Rock Resources Inc. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated 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 consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We obtained the other information 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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

Crowe Mackay LLP

**Chartered Professional Accountants
Vancouver, Canada
April 27, 2026**

Lion Rock Resources Inc.
Consolidated Statements of Financial Position
As at December 31,
Expressed in Canadian Dollars

	2025	2024
Assets		
Current		
Cash	\$ 1,869,447	\$ 193,143
Goods and Services Tax receivable	19,813	15,718
Prepaid expenses (Note 11)	514,931	100,463
	2,404,191	309,324
Restricted cash (Note 14)	68,530	-
Equipment	18,503	-
Exploration and evaluation assets (Note 6)	1,990,104	592,023
	2,077,137	592,023
	\$ 4,481,328	\$ 901,347
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 983,253	\$ 692,844
Reclamation accrual (Note 8)	352,305	-
Loans payable (Note 7)	-	124,200
	1,335,558	817,044
Asset retirement obligation (Note 8)	-	1,850,000
	1,335,558	2,667,044
Shareholders' Equity (Deficit)		
Share capital (Note 9)	35,664,034	24,471,255
Share subscriptions (Note 9)	-	185,000
Reserves (Note 9)	1,951,853	38,936
Accumulated other comprehensive loss	(2,600)	-
Deficit	(34,467,517)	(26,460,888)
	3,145,770	(1,765,697)
	\$ 4,481,328	\$ 901,347

Note 2 – Going concern
Note 14 – Commitments
Note 16 – Subsequent events

Approved and authorized by the board of directors on April 27, 2026:

“R. Dale Ginn”

Director

“Richard Boulay”

Director

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

Lion Rock Resources Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended December 31,

Expressed in Canadian Dollars

	2025	2024
Expenses		
Accounting and audit fees (Note 11)	\$ 162,138	\$ 163,525
Consulting fees (Note 11)	1,117,266	534,000
Depreciation	2,097	-
Exploration and evaluation expenditures (Notes 6 and 11)	3,015,494	372,359
Foreign exchange	10,067	1,182
Legal fees	79,626	165,163
Office and general (Note 11)	83,257	33,006
Public company costs	128,751	82,115
Rent (Note 11)	126,426	48,000
Share-based payments (Notes 10 and 11)	1,999,537	-
Shareholder communications and investor relations (Note 11)	717,821	46,018
Travel and meals	227,293	57,784
	(7,669,773)	(1,503,152)
Other Items		
Gain on sale of exploration and evaluation asset (Note 6)	1,849,999	-
Impairment of exploration and evaluation assets (Note 6)	(2,246,847)	(464,000)
Write-off of accounts payable	23,900	-
Change in asset retirement obligation (Note 8)	-	(250,000)
Net Loss for the Year	(8,042,721)	(2,217,152)
Other Comprehensive Loss		
Exchange difference on translating foreign operations	(2,600)	-
Comprehensive Loss for the Year	\$ (8,045,321)	\$ (2,217,152)
Basic and Diluted Loss per Share	\$ (0.10)	\$ (0.06)
Weighted Average Number of Common Shares Outstanding –		
Basic and Diluted	80,649,307	39,851,199

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

Lion Rock Resources Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Expressed in Canadian Dollars, except number of shares

	Number of Shares	Share Capital \$	Share Subscriptions Received \$	Reserves \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total \$
Balance, December 31, 2023	31,468,685	23,517,691	-	-	(24,243,736)	-	(726,045)
Shares issued for cash (Note 9(b))	10,000,000	1,000,000	-	-	-	-	1,000,000
Share issuance costs (Note 9(b))	400,000	(46,436)	-	38,936	-	-	(7,500)
Share subscriptions received	-	-	185,000	-	-	-	185,000
Net loss for the year	-	-	-	-	(2,217,152)	-	(2,217,152)
Balance, December 31, 2024	41,868,685	24,471,255	185,000	38,936	(26,460,888)	-	(1,765,697)
Shares issued for cash (Note 9(b))	51,427,281	8,110,056	(185,000)	-	-	-	7,925,056
Share issuance costs (Note 9(b))	-	(48,005)	-	-	-	-	(48,005)
Shares issued for exploration and evaluation assets (Note 9(b))	13,001,000	3,080,200	-	-	-	-	3,080,200
Stock options granted	-	-	-	1,999,537	-	-	1,999,537
Transfer of fair value upon exercise of stock options	-	50,528	-	(50,528)	-	-	-
Transfer of fair value upon expiry of stock options	-	-	-	(36,092)	36,092	-	-
Net loss for the year	-	-	-	-	(8,042,721)	-	(8,042,721)
Exchange difference on translating foreign operations	-	-	-	-	-	(2,600)	(2,600)
Balance, December 31, 2025	106,296,966	35,664,034	-	1,951,853	(34,467,517)	(2,600)	3,145,770

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

Lion Rock Resources Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31,
Expressed in Canadian Dollars

	2025	2024
Operating Activities		
Net loss for the year	\$ (8,042,721)	\$ (2,217,152)
Items not involving cash		
Depreciation	2,097	-
Foreign exchange	(873)	-
Share-based payments	1,999,537	-
Gain on sale of exploration and evaluation asset	(1,849,999)	-
Impairment of exploration and evaluation assets	2,246,847	464,000
Gain on write-off of accounts payable	(23,900)	-
Change in asset retirement obligation	-	250,000
Changes in non-cash operating working capital		
Goods and Services Tax receivable	(4,095)	(1,995)
Prepaid expenses	(414,468)	7,912
Accounts payable and accrued liabilities	314,309	607,229
Reclamation accrual	352,305	-
Net Cash Used in Operating Activities	(5,420,961)	(890,006)
Investing Activities		
Cash acquisition costs related to exploration and evaluation assets	-	(334,022)
Restricted cash	(69,890)	-
Purchases of equipment	(20,967)	-
Exploration and evaluation asset expenditures	(564,729)	-
Net Cash Used in Investing Activities	(655,586)	(334,022)
Financing Activities		
Shares issued for cash	7,925,056	1,000,000
Share issuance costs	(48,005)	(7,500)
Share subscriptions received	-	185,000
Repayment of loans payable	(124,200)	-
Net Cash Provided by Financing Activities	7,752,851	1,177,500
Increase (Decrease) in Cash	1,676,304	(46,528)
Cash, Beginning of Year	193,143	239,671
Cash, End of Year	\$ 1,869,447	\$ 193,143
Non-cash Investing and Financing Activities and Supplemental Disclosures		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Finders' warrants issued	\$ -	\$ 38,936
Fair value of exercised stock options	\$ 50,528	\$ -
Shares issued for exploration and evaluation assets	\$ 3,080,200	\$ -

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

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
Expressed in Canadian Dollars

1. NATURE OF OPERATIONS

Lion Rock Resources Inc. (“Lion Rock” or the “Company”) was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998. On August 11, 2020, the Company continued from being incorporated under Canadian federal jurisdiction to being incorporated under the *Business Corporations Act* of British Columbia. The Company is a public company, and as of July 12, 2022, is listed on the TSX Venture Exchange (“TSX-V”) in Canada with the symbol “ROAR” and the OTCQB in the United States with the symbol “LRRIF”. The Company is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company changed its name from King’s Bay Resources Corp. to Lion Rock Resources Inc. on July 7, 2022.

The head office, principal address, and registered and records office of the Company are located at 1615 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

2. GOING CONCERN

The Company has not generated any revenues and has a net loss of \$8,042,721 during the year ended December 31, 2025 (2024 - \$2,217,152) and accumulated deficit of \$34,467,517 (2024 - \$26,460,888) since inception. As at December 31, 2025, the Company has working capital of \$1,068,633 (2024 - deficit of \$507,720). These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively seeking to raise the necessary capital to meet its funding requirements. The conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is not expected to be profitable during the ensuing twelve months, and therefore, must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, tariffs, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges, such as the risk of higher inflation and the energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

3. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
Expressed in Canadian Dollars

3. BASIS OF PRESENTATION – continued

Basis of Measurement and Consolidation

These consolidated financial statements are presented in Canadian dollars (or “CAD”), unless otherwise noted. These consolidated financial statements include the accounts of the Company and its subsidiaries at the end of the reporting period as follows:

	Incorporation	Functional Currency	Percentage Owned	
			December 31, 2025	December 31, 2024
Lion Rock Exploration Inc. (“LRE”)	Canada	CAD	100%	100%
Lion Rock Resources (SD) Inc. (“LRSD”)	United States	USD	100%	Nil%

During the year ended December 31, 2025, the Company incorporated LRSD.

Intercompany balances and transactions are eliminated in preparation of the Company’s consolidated financial statements.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Approval of the Consolidated Financial Statements

The audited consolidated financial statements of Lion Rock as at December 31, 2025 and for the year then ended were authorized for issue in accordance with a resolution of the directors on April 27, 2026.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Asset Retirement Obligation and Reclamation

The calculations for asset retirement obligation require significant estimates and assumptions, including estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, and the effectiveness of maintenance and restoration measures. Changes to these variables could impact the amounts actually paid by the Company. Additionally, environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company’s operations may cause additional expenses and restrictions.

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
Expressed in Canadian Dollars

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS – continued

Management Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- The assessment of the Company's ability to continue as a going concern requires significant judgment. The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.
- The application of the Company's accounting policy for exploration and evaluation assets and impairment of the capitalized costs requires judgment in determining whether there are indicators of impairment under IFRS 6 *Exploration for and Evaluation of Mineral Resources*.
- The determination of the reclamation accrual on the Volney Property requires management judgment on the timing and amount of remediation costs, as disclosed in Note 8.

5. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. The residual value, useful life and depreciation method are evaluated every reporting period and changes to the residual value, estimated useful life or depreciation method resulting from such review are accounted for prospectively.

Depreciation is provided for using the declining-balance method at the following rate per annum:

Office equipment	20%
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Exploration and Evaluation Assets

- *Exploration and evaluation expenditures*

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Proceeds received for farm-out arrangements or recoveries of costs are credited against the cost of the related claims. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Mineral property acquisition costs include cash costs and the fair market value of common shares issued, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment. Exploration and evaluation assets are classified as intangible assets.

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES – continued

Exploration and Evaluation Assets – continued

- *Impairment*

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount, and at least annually. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. 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 the period.

Under IFRS 6, one or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Asset Retirement Obligations

Future obligations to retire an asset, including site closure, dismantling, remediation and ongoing treatment and monitoring, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk-free rate. The measurement determination is based on estimated future cash flows, the current risk-free discount rate and an estimated inflation factor. The value of restoration provisions is adjusted at each reporting period for changes to factors, including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free interest rate. The accretion of the liability to its value as a result of the passage of time, and changes resulting from revisions to either the timing or the amount of the original estimate of the undiscounted cash flows, where the initial asset retirement obligation has not been recorded as part of the carrying amount of the related asset, is recorded in profit or loss. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

Share-based Payment Transactions

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

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
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Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES – continued

Share-based Payment Transactions – continued

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

For those options that expire or are forfeited after vesting, the recorded value is transferred from reserves to deficit.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

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 provided using the liability method, 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 affects neither accounting nor taxable profit, except for transactions that give rise to equal and offsetting temporary differences; and differences relating to investments in subsidiaries and associates 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 amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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. 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.

Share Capital

The Company records proceeds from share issuances, net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the common shares are issued.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES – continued

Loss per Share

The Company presents basic and diluted loss per share data 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 period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Financial Instruments

Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income; or (iii) at fair value through profit or loss (“FVTPL”).

Financial liabilities are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the classification of the Company’s financial instruments:

	Classification
Financial Asset	
Cash	FVTPL
Restricted cash	Amortized cost
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

Foreign Currency Translation

The functional currency of the Company is the Canadian dollar. The functional currency of the Company’s subsidiaries, LRE and LRSD, are the Canadian dollar and US dollar, respectively, which is the local currency of their home jurisdictions. Each component’s functional currency is the currency of the primary economic environment in which the component operates. The Company’s consolidated financial statements are presented in Canadian dollars.

Transactions in foreign currencies are translated to the functional currency of each entity at a rate of exchange approximating the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at each reporting period-end at the foreign exchange rate in effect at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are recognized in profit or loss.

Accounting Standard Issued but not yet Effective

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18. This standard aims to improve the consistency and clarity of financial statement presentation and disclosures by providing updated guidance on the structure and content of financial statements. Key changes include enhanced requirements for the presentation of financial performance, financial position and cash flows, as well as additional disclosures to improve transparency and comparability.

Lion Rock Resources Inc.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2025 and 2024
Expressed in Canadian Dollars

5. MATERIAL ACCOUNTING POLICIES – continued

Accounting Standard Issued but not yet Effective – continued

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The Company is currently assessing the impact that the adoption of IFRS 18 will have on its future consolidated financial statements.

6. EXPLORATION AND EVALUATION ASSETS

Maybrun Property

As a result of the acquisition of LRE on July 7, 2022, the Company acquired 100% of the interest in the Maybrun Property, a mineral exploration property located in Ontario, Canada.

At December 31, 2023, the Maybrun Property was deemed to be impaired and written down to \$1.

On August 22, 2025, the Company entered into an agreement to sell the Maybrun Property. The purchaser will use commercially reasonable efforts to sell the Maybrun Property to a corporation listed for trading on a recognized stock exchange in Canada or the United States (a “Subsequent Buyer”), and the purchaser will also assume and agree to pay, perform and discharge when due any and all existing and future liabilities arising out of or relating to the ownership of the Maybrun Property.

In the event that the purchaser successfully sells all or a portion of the Maybrun Property to a Subsequent Buyer, the purchaser shall cause the Subsequent Buyer to issue to the Company, on or before the second anniversary of the date on which the Subsequent Buyer and purchaser enter into an agreement setting out the terms of the subsequent sale, that number of fully paid and non-assessable common shares of the Subsequent Buyer having an aggregate value of \$200,000.

The Company has not recorded a receivable for the \$200,000 given the uncertainty of the purchaser finding a Subsequent Buyer. As a result of the sale, the asset retirement obligation of \$1,850,000 was reduced to \$nil (Note 8). Accordingly, the Company recognized a gain on sale of exploration and evaluation asset of \$1,849,999.

Revell Property

On June 8, 2023, and as amended on June 21, 2024 and September 30, 2024, the Company entered into an option agreement to acquire a 100% interest in the Revell Property located in Ontario, Canada. Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue 1,600,000 common shares of the Company within five days of approval by the TSX-V, which was received on June 21, 2023 (issued and valued at \$192,000);
- Pay \$150,000 on or before December 21, 2023 (paid);
- Pay \$100,000 on or before October 1, 2024 (paid in the year ended December 31, 2023); and
- Issue 2,000,000 common shares of the Company on or before June 1, 2025 (issued and valued at \$560,000).

The claims are subject to a 2% net smelter return (“NSR”) royalty, of which one-half (1%) can be purchased by the Company for \$500,000.

At December 31, 2025, the Company recorded impairment on the property of \$1,007,599, as further exploration is neither budgeted nor planned.

Lion Rock Resources Inc.

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6. EXPLORATION AND EVALUATION ASSETS – continued

Fleuron Property

On June 13, 2023, and as amended on July 19, 2024 and September 30, 2024, the Company entered into an option agreement to acquire a 100% interest in the Fleuron Property, located in Québec, Canada. Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue 1,500,000 common shares of the Company within five days of approval by the TSX-V, which was received on July 19, 2023 (issued and valued at \$180,000);
- Pay \$100,000 on or before January 19, 2024 (paid);
- Pay \$150,000 on or before October 1, 2024 (paid);
- Issue 2,000,000 common shares of the Company on or before June 1, 2025 (issued and valued at \$560,000); and
- Pay \$150,000 (paid) and issue 2,000,000 common shares of the Company on or before July 19, 2025 (issued and valued at \$560,000).

The claims are subject to a 2% NSR royalty, of which one-half (1%) can be purchased by the Company for \$500,000.

At December 31, 2024, the Company recorded impairment on the property of \$464,000, as the Company planned to let certain claims lapse and focus on a portion of the Fleuron Property.

At December 31, 2025, the Company recorded impairment on the property of \$1,239,248, as further exploration is neither budgeted nor planned.

Volney Property

On January 26, 2024, the Company entered into a non-binding letter of intent (“LOI”) to acquire the Volney lithium property, located in South Dakota, USA. The LOI provided for the parties to enter into a formal option agreement under which the Company could acquire the Volney Property. The Company paid US\$25,000 upon execution of the LOI. On October 7, 2024, the Company entered into an option agreement to acquire a 100% interest in the Volney Property. On March 12, 2025, the Company received TSX-V approval.

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6. EXPLORATION AND EVALUATION ASSETS – continued

Volney Property – continued

Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue common shares of the Company equal to 9.9% of the issued and outstanding common shares of the Company on an undiluted, post-transaction basis within five business days of TSX-V approval (issued 7,001,000 common shares of the Company valued at \$1,400,200);
- Pay US\$400,000 by September 12, 2025 (paid);
- Issue common shares of the Company within 10 business days of March 12, 2026, equal to the greater of:
 - The number of shares required for the vendors to maintain their shareholdings at an amount equal to 9.9% of the then issued and outstanding common shares of the Company on an undiluted basis; and
 - the amount equal to a value of US\$500,000 (issued subsequent to December 31, 2025);
- Pay US\$1,050,000 by September 12, 2026;
- Issue common shares of the Company within 10 business days of March 12, 2027, equal to the greater of:
 - The number of shares required for the vendors to maintain their shareholdings at an amount equal to 9.9% of the then issued and outstanding common shares of the Company on an undiluted basis; and
 - the amount equal to a value of US\$750,000; and
- Pay US\$1,950,000 by September 12, 2027.

Also under the terms of the agreement, the Company will be required to incur exploration expenditures as follows:

- Incur US\$1,000,000 of exploration expenditures on the property on or before March 12, 2026 (incurred); and
- Incur US\$1,500,000 of exploration expenditures on the property on or before March 12, 2027.

The optionor retains:

- A 2% NSR royalty for gold mined from the property subject to a buy-back option exercisable upon the commencement of commercial production for a period of five years in favour of the Company equal to one-half (1%) of the NSR royalty for US\$1,000,000; and
- A 2% gross proceeds (“GP”) royalty on all other minerals mined from the property subject to a buy-back option exercisable upon the commencement of commercial production for a period of five years in favour of the Company equal to one-half (1%) of the GP royalty for US\$1,000,000.

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6. EXPLORATION AND EVALUATION ASSETS – continued

A summary of exploration and evaluation assets for the years ended December 31, 2025 and 2024 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Volney Property	Total
Balance, December 31, 2023	\$ 1	\$ 442,000	\$ 280,000	\$ -	\$ 722,001
Acquisition Costs					
Acquisition – cash	-	-	300,000	34,022	334,022
Impairment	-	-	(464,000)	-	(464,000)
Balance, December 31, 2024	1	442,000	116,000	34,022	592,023
Acquisition Costs					
Acquisition – cash	-	-	-	555,880	555,880
Acquisition – shares	-	560,000	1,120,000	1,400,200	3,080,200
Staking	-	5,600	3,249	-	8,849
Impairment	-	(1,007,599)	(1,239,248)	-	(2,246,847)
Disposition	(1)	-	-	-	(1)
Balance, December 31, 2025	\$ -	\$ 1	\$ 1	\$ 1,990,102	\$ 1,990,104

Lion Rock Resources Inc.

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6. EXPLORATION AND EVALUATION ASSETS – continued

A summary of exploration and evaluation expenditures for the year ended December 31, 2025 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Volney Property	Total
Exploration Costs					
Archaeological	\$ -	\$ -	\$ -	\$ 176,080	\$ 176,080
Claim costs	1,209	-	-	-	1,209
Drilling and reclamation	-	-	-	1,769,592	1,769,592
Geological	7,611	-	-	844,810	852,421
Geophysical	-	-	55,223	80,089	135,312
Mineralogy	-	-	-	38,013	38,013
Travel	-	-	-	42,867	42,867
Balance, December 31, 2025	\$ 8,820	\$ -	\$ 55,223	\$ 2,951,451	\$ 3,015,494

A summary of exploration and evaluation expenditures for the year ended December 31, 2024 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Volney Property	Total
Exploration Costs					
Claim costs	\$ 1,209	\$ -	\$ -	\$ 9,752	\$ 10,961
Drilling	-	-	-	55,494	55,494
Environmental	12,942	-	-	-	12,942
Geological	90,000	16,250	16,250	161,926	284,426
Mineralogy	-	-	-	8,536	8,536
Balance, December 31, 2024	\$ 104,151	\$ 16,250	\$ 16,250	\$ 235,708	\$ 372,359

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7. LOANS PAYABLE

Upon the acquisition of LRE, the Company assumed loans payable of \$179,000. The amounts were unsecured, non-interest-bearing and due on demand. During the year ended December 31, 2023, the Company repaid loans payable of \$54,800. During the year ended December 31, 2025, the Company repaid the remaining \$124,200.

8. ASSET RETIREMENT OBLIGATION AND RECLAMATION

The Company's asset retirement obligation provision consists of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthworks, revegetation, water treatment, waste management and demolition.

On August 22, 2025, the Company entered into an agreement to sell the Maybrun Property (Note 6). The purchaser assumes all existing and future liabilities, which includes the asset retirement obligation.

The Company estimated the fair value of the asset retirement obligation for the Maybrun Property to be \$nil at December 31, 2025 (2024 - \$1,850,000). The fair value of the liability was determined to be equal to the estimated remediation costs.

The Company's reclamation accrual consists of costs associated with drill program reclamation. At December 31, 2025, the Company had outstanding reclamation costs related to drilling activity on the Volney property of \$352,305 (2024 - \$nil).

9. SHARE CAPITAL

a) Authorized

Unlimited number of Class A common voting shares with no par value
Unlimited number of Class B common non-voting shares with no par value

b) Issued and outstanding

During the year ended December 31, 2025:

On February 6, 2025, the Company closed the first tranche of a non-brokered private placement of 21,600,000 units at a price of \$0.10 per unit for gross proceeds of \$2,160,000. Each unit consisted of one common share and one warrant, with each warrant exercisable into one additional common share at a price of \$0.20 for a period of two years from closing. The Company incurred additional share issuance costs of \$15,389. The Company received \$185,000 of share subscriptions related to the private placement in the previous fiscal year.

On February 14, 2025, Company closed the second tranche of a non-brokered private placement of 250,000 units at a price of \$0.10 per unit for gross proceeds of \$25,000. Each unit consisted of one common share and one warrant, with each warrant exercisable into one additional common share at a price of \$0.20 for a period of two years from closing.

On March 10, 2025, the Company issued 7,001,000 common shares valued at \$1,400,200 for the Volney Property (Note 6).

On April 29, 2025, the Company issued 2,000,000 common shares for the Revell Property and 4,000,000 common shares for the Fleuron Property valued at \$560,000 and \$1,120,000, respectively (Note 6).

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9. SHARE CAPITAL – continued

b) Issued and outstanding – continued

During the year ended December 31, 2025: – continued

On September 15, 2025, the Company closed a non-brokered private placement of 26,585,281 units at a price of \$0.20 per unit for gross proceeds of \$5,317,056. Each unit consisted of one common share and one warrant, with each warrant exercisable into one additional common share at a price of \$0.30 for a period of two years from closing. The Company incurred additional share issuance costs of \$32,616.

During the year ended December 31, 2025, the Company received proceeds of \$538,000 from the exercise of 2,642,000 warrants and \$70,000 from the exercise of 350,000 stock options.

During the year ended December 31, 2024:

On March 11, 2024, Company closed a non-brokered private placement of 10,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one warrant, with each warrant exercisable into one additional common share at a price of \$0.20 for a period of two years from closing. The Company issued 400,000 common shares and 400,000 warrants as finders' fees. Each finder's warrant is exercisable into one additional common share at a price of \$0.20 for a period of two years. The finder's warrants were valued at \$38,936 and the Company incurred additional share issuance costs of \$7,500.

c) Warrants

A summary of the Company's outstanding and exercisable warrants movements for the years ended December 31, 2025 and 2024 is as follows:

	December 31, 2025		December 31, 2024	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of year	24,100,000	0.21	13,700,000	0.21
Issued	48,435,281	0.25	10,400,000	0.20
Exercised	(2,642,000)	0.20	-	-
Expired	(12,308,000)	0.21	-	-
Balance, end of year	57,585,281	0.25	24,100,000	0.21

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9. SHARE CAPITAL – continued

c) Warrants – continued

The following warrants were outstanding and exercisable at December 31, 2025:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Warrants
March 11, 2026*	0.19	0.20	9,650,000
February 6, 2027	1.10	0.20	21,100,000
February 14, 2027	1.12	0.20	250,000
September 15, 2027	1.71	0.30	26,585,281
	1.23	0.25	57,585,281

*See Note 16(a)

10. SHARE-BASED PAYMENTS

Stock Options

During the year ended December 31, 2025, the Company adopted a Long-term Incentive Plan (“LTIP”). The LTIP is a combined rolling and fixed security-based compensation plan pursuant to which:

- the aggregate number of common shares reserved for issuance pursuant to stock options granted thereunder may not exceed, at the time of grant, in aggregate 10% of the Company’s issued and outstanding common shares; and
- the aggregate number of common shares reserved for issuance pursuant to all other equity incentive awards granted under the LTIP, which include performance share units, restricted share units and deferred share units, cannot exceed 7,787,268 common shares.

If outstanding stock options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the stock options available to grant under the LTIP increase proportionately. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over twelve months with one-quarter of the options vesting in any three-month period.

A summary of the Company’s outstanding and exercisable stock options movements for the years ended December 31, 2025 and 2024 is as follows:

	December 31, 2025		December 31, 2024	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	-	-	-	-
Issued	11,200,000	0.26	-	-
Exercised	(350,000)	0.20	-	-
Expired	(250,000)	0.20	-	-
Balance, end of year	10,600,000	0.27	-	-

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10. SHARE-BASED PAYMENTS – continued

Stock Options – continued

The fair value calculated for stock options granted during the year ended December 31, 2025 was \$1,999,537 (2024 - \$nil) using the Black-Scholes Option Pricing Model. The weighted average share price on the date stock options were exercised during the year ended December 31, 2025 was \$0.28 (2024 - \$nil).

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

	December 31, 2025	December 31, 2024
Risk-free interest rate	2.49%	N/A
Expected life of options	3 Years	N/A
Annualized volatility (based on historical trading price)	115%	N/A
Dividend rate	Nil	N/A
Weighted average grant date fair value	\$0.18	N/A

The following stock options were outstanding and exercisable at December 31, 2025:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Outstanding	Exercisable
March 10, 2028	2.19	0.20	5,100,000	5,100,000
May 16, 2028	2.38	0.31	1,000,000	1,000,000
November 4, 2028	2.85	0.33	4,500,000	4,500,000
	2.49	0.27	10,600,000	10,600,000

11. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of operations and comprehensive loss for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Short-term compensation		
Accounting fees	\$ 60,000	\$ 58,000
Consulting fees	360,000	185,000
Exploration and evaluation expenditures (geological)	-	20,000
	420,000	263,000
Share-based payments	845,764	-
	\$ 1,265,764	\$ 263,000

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11. RELATED PARTY TRANSACTIONS – continued

During the year ended December 31, 2025, the Company incurred \$48,000 (2024 - \$48,000) in rent to companies with a common officer and common director. As at December 31, 2025, \$nil (2024 - \$8,400) was payable to a company with a common officer for rent.

During the year ended December 31, 2025, the Company incurred \$20,000 (2024 - \$nil) in office and general and \$20,000 (2024 - \$nil) in shareholder communications and investor relations to a company controlled by a director of the Company for shared expenses.

As at December 31, 2025, the Company has outstanding amounts payable to officers and directors of the Company of \$23,015 (2024 - \$158,110).

At December 31, 2025, the Company has an amount payable of \$nil (2024 - \$14,945) to a private company controlled by directors of the Company and amounts prepaid of \$30,968 (2024 - \$nil) to a private company controlled by a director of the Company.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest-bearing and have no specific terms of repayment.

12. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of resource properties. Geographical information related to the Company's non-current assets is as follows:

	December 31, 2025	December 31, 2024
Restricted cash – USA	\$ 68,530	\$ -
Equipment – USA	18,503	-
Exploration and evaluation assets – Canada	2	558,001
Exploration and evaluation assets – USA	1,990,102	34,022
	<u>\$ 2,077,137</u>	<u>\$ 592,023</u>

13. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The board of directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balance. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

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13. FINANCIAL RISK MANAGEMENT – continued

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has a cash balance and is not exposed to any significant interest rate risk.

d) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at December 31, 2025, the Company's shareholders' equity was \$3,145,770 (2024 - deficit of \$1,765,697). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. 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 has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its business plan. The capital structure of the Company currently consists of working capital and shareholders' equity (deficit). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

e) Fair value

The fair values of the Company's financial assets and liabilities measured at amortized cost approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

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13. FINANCIAL RISK MANAGEMENT – continued

e) Fair value - continued

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Cash and restricted cash are grouped into Level 1 as at December 31, 2025 and 2024.

Financial instruments that are not measured at fair value on the consolidated statement of financial position are represented by accounts payable and accrued liabilities and loans payable. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

f) Currency exchange risk

Currency exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada and the USA and incurs operating and exploration expenditures in both currencies. The fluctuation of the Canadian dollar in relation to the US dollar will have an impact upon the results of the Company. The Company does not use any techniques to mitigate currency risk.

14. COMMITMENTS

Environmental

The Company's mineral exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. In the future, the Company may be required to make expenditures to comply with such laws and regulations or its exploration and evaluation activities.

As of December 31, 2025, the Company had US\$100,000 of surety bonds in place issued to the South Dakota Board of Minerals and Environment and the United States Department of Agriculture and Natural Resources to bond for potential future planned disturbances at the Volney Property, specifically associated with exploration drilling. The bonds were partially collateralized with restricted cash of \$68,530 (US\$50,000) as of December 31, 2025. As of December 31, 2025, the Company has accrued reclamation costs associated with the Volney Property, though these will be paid in cash by the Company and will not change the surety bonds in place.

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15. DEFERRED TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Loss before income tax	\$ (8,042,721)	\$ (2,217,152)
Statutory tax rate	27%	27%
Expected income tax (recovery)	(2,171,535)	(598,631)
Non-deductible and other items	549,216	490
Change in deferred tax asset not recognized	1,622,319	598,141
Total income tax expense (recovery)	\$ -	\$ -

The unrecognized deductible temporary differences and unused tax losses as at December 31, 2025 and 2024 are comprised of the following:

	December 31, 2025	Expiry Date	December 31, 2024	Expiry Date
Exploration and evaluation assets and capital cost allowance	\$ 7,406,000	None	\$ 2,494,000	None
Asset retirement obligation	-	N/A	1,850,000	None
Marketable securities	108,000	None	108,000	None
Financing costs	49,000	2026-2029	18,000	2025-2028
Capital losses	219,000	None	219,000	None
Non-capital losses	12,985,000	2026-2045	10,003,000	2026-2044
Unrecognized deductible temporary differences	\$ 20,767,000		\$ 14,692,000	

16. SUBSEQUENT EVENTS

- Subsequent to December 31, 2025, 5,000,000 warrants expired unexercised.
- Subsequent to December 31, 2025, the Company issued 5,100,000 common shares upon the exercise of 5,100,000 warrants for gross proceeds of \$1,020,000.
- On March 23, 2026, the Company issued 4,469,800 common shares in relation to the Volney Property acquisition (Note 6).