



# **2025 Annual Financial Report**

Management's Discussion and Analysis and Consolidated Financial Statements

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

**Year ended December 31, 2025**

*This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated March 31, 2026 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2025, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.*

### SELECTED ANNUAL INFORMATION

	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Revenue and Other Income</b>	112,249	171,001	12,270
<b>Net loss from continuing operations</b>	(4,524,646)	(3,608,045)	(2,850,574)
<b>Basic loss per common share</b>	(0.01)	(0.01)	(0.01)
<b>Fully diluted loss per common share</b>	(0.01)	(0.00)	(0.01)
<b>Total assets</b>	10,293,386	4,815,025	1,560,845
<b>Debt – current</b>	15,255,153	10,278,992	9,274,663

Revenue and other income decreased in 2025 as a result of recognizing flow through share premium as eligible expenditures were renounced. The net loss from continuing operations has increased year over year primarily due to an increase in project development and permitting expenditures. Total assets have increased year over year, mainly due to an increase in deposits made on capital assets related to the proposed hydrometallurgical facility in Alberta, and the purchase of that facility in 2025. The maturity of the current debt is April 30, 2026, the increase year over year is due to accrued interest which is payable at maturity. The non-current debt is related to a mortgage for the purchase of the Alberta hydrometallurgical facility.

### SUMMARY OF QUARTERLY RESULTS

The following table provides selected consolidated financial information that is derived from the unaudited interim condensed consolidated financial statements and audited consolidated financial statements of the Company. The amounts represent the three-month periods ended:

	<b>2025</b>				<b>2024</b>			
	<b>Dec-31</b>	<b>Sep-30</b>	<b>Jun-30</b>	<b>Mar-31</b>	<b>Dec-31</b>	<b>Sep-30</b>	<b>Jun-30</b>	<b>Mar-31</b>
<b>Revenue and Other Income</b>	49,879	(16,911)	64,150	15,131	48,624	1,994	99,870	20,513
<b>Net loss</b>	(750,863)	(1,027,838)	(1,772,701)	(973,244)	(1,619,313)	(301,130)	(1,064,676)	(622,926)
<b>Basic and fully diluted loss per common share<sup>(1)</sup></b>	—	—	(0.01)	—	—	—	—	—

Notes:

(1) The sum of quarterly income (loss) per common share for any given period may not equal the year-to-date amount due to rounding

Revenue and other income fluctuates from quarter to quarter depending on the interest earned on outstanding cash balances, and in 2024, an increase was recognized due to flow through share premium being recognized into income as corresponding expenditures were incurred. The net loss increase in 2025 is a result of a change in fair value of the Company's convertible security and amortization as the deferred day one loss of the convertible security is recognized. Net loss from quarter to quarter fluctuates based on the level of work done in each quarter.

Fortune has undertaken the following activities during the year ended December 31, 2025 in support of corporate financing initiatives and the advancement of engineering and permitting for its wholly-owned, vertically integrated

NICO cobalt-gold-bismuth-copper Critical Minerals project in Canada ("NICO Project"). The NICO Project consists of a planned open pit and underground mine and concentrator ("NICO Mine") in the Northwest Territories ("NWT") and a related hydrometallurgical processing facility ("Hydromet Facility") that the Company plans to construct in Lamont County, Alberta to process concentrates from the NICO Mine, and other feed sources, to value added products:

- Fortune continued its hydrometallurgical and pyrometallurgical process optimization test work validation which started in the prior year at SGS Canada Ltd. ("SGS") and XPS Industry Relevant Solutions ("XPS"), respectively;
- The hydrometallurgical work for the bismuth circuits was completed and the results exceeded the Company's expectations, with a 95-97% bismuth cement filter cake produced in a smaller and more efficient process for an indicative material reduction expected capital and operating costs for these at the planned Hydromet Facility;
- The feasibility of blending Rio Tinto bismuth oxychloride with NICO Project bismuth concentrate prior to leaching was also validated;
- Production of 99.99% pure bismuth ingots from smelting and refining the bismuth cement was also proven;
- Hydrometallurgical test work on NICO Project cobalt concentrate after blending with the bismuth leach residue confirmed the operating conditions for the autoclave from the earlier 2008 pilot plant and resulted in improved cobalt recoveries at the concentrate design feed grade;
- Improvements were also made to the downstream circuits following pressure oxidation, including elimination of liquid/solid separation for the autoclave discharge solids and proving that neutralization could be carried out without the need for oxygen or heating, supporting a material reduction in the residence time, collectively indicating a material reduction for capital and operating costs for these circuits;
- Improvements were also made to the copper cementation circuit;
- Gold recoveries from the process residue were improved and the Company was also able to prove that gold deporting to the cleaner scavenger tails can be recovered using the same process conditions when gold-rich ores are processed at the mine site;
- Toxicity Characteristic Leach Procedure ("TCLP") tests verified that the leach residues from both gold streams can be disposed in a Class II government approved landfill;
- Cobalt hydrometallurgical test work is nearing completion at SGS with recent work verifying the removal of manganese from the cobalt solution, followed by solvent extraction purification, evaporation and crystallization of a high purity cobalt sulphate heptahydrate product for the rechargeable battery industry;
- Worley Canada Services Ltd. ("Worley") advanced the preparation of an updated Feasibility Study for the NICO Project and work is nearing completion for the facilities in the NWT;
- A new more energy efficient comminution circuit has been designed for the NICO concentrator that incorporates HPGR and vertical stir mills instead of a ball mill to reduce capital and operating costs;
- Worley is also advancing the work for the Hydromet Facility with the mass and water balance model in SysCad nearing completion and equipment sizing and engineering in progress;
- P&E Mining Engineering Consultants Inc. ("P&E") was retained to update the Geological Block Model, Mineral Resource and Mineral Reserve estimates for the NICO Deposit and prepare a new mine plan and production schedule all completed and vendor quotes currently in progress;
- Fortune has also retained Worley to assist the Company with permitting for the Hydromet Facility and the baseline environmental work has been completed and the reports received and reviewed by the Company;
- An air quality dispersion model is currently in preparation as well as the permitting applications;
- WSP Canada Inc. is supporting Fortune with the NWT permit renewals, management plans and securing the remaining authorizations for the NICO Mine;
- WSP is also supporting the NICO Project Access Road water license and land use permit applications;
- The Company is continuing to work with Rio Tinto on its process collaboration whereby Fortune would treat intermediates produced from Kennecott smelter wastes in Utah for processing to saleable metal products at the Alberta Hydromet Facility and augment NICO Project bismuth and cobalt production;
- Fortune is also engaged with various municipal, territorial, provincial and federal governments to attract political and financial support for the vertically integrated NICO Project and strengthen domestic supply chains for Critical Minerals needed in new technologies and defense;
- On July 29, 2025, the Company entered into a new convertible security funding agreement with Lind Global Fund III, LP ("Lind LP") to draw down \$3,155,000 in exchange for the issuance of a convertible security (the "Convertible Security") with a face value of \$3,774,000. The Convertible Security is due two years

from the date of issuance and is secured by a lien against the Company's mining assets. The proceeds from the Convertible Security will be used for general working capital purposes and to prepay and partially match the government supported work programs for the NICO Project;

- On July 31, 2025, the Company also entered into agreements with the debt holders of the Company's term loans in order to extend the maturity dates from December 31, 2025 to April 7, 2026, which were subsequently extended to April 30, 2026; and
- On December 12, 2025, the Company completed the purchase of the Hydromet Facility site in Lamont County, Alberta. The purchase was completed by obtaining a loan with a principal amount of \$3,800,000 from Prosper NWT, a public agency of the Government of the Northwest Territories and the application of \$3,037,500 of option payments previously made to the owners of the property.

Fortune continues to review the NICO Mineral Resource model, engineering, mining, and execution plans for the NICO Project to assess various opportunities to mitigate capital and operating cost escalation and accelerate processing of higher margin ores to improve project economics.

## **OVERVIEW**

Fortune's vision is to become a leading developer, miner, processor and refiner of Critical Minerals needed for the energy transition, new technologies and defense, together with gold and other co-products contained in the Company's mineral deposits. Supporting this vision is Fortune's mission to profitably produce Critical Minerals and precious metals to meet the needs of our customers and partners, and to attract and develop an exceptional team of people motivated to acquire, explore, develop, mine, process minerals and reclaim resource properties in a safe and responsible manner. The Company's most significant asset is the NICO Project and the Company has spent approximately \$150 million advancing this in-house mineral discovery to a near construction-ready development asset.

The Canadian and U.S. governments have signed a Joint Action Plan on Critical Mineral Collaboration to enable more North American production of Critical Minerals. Minerals considered critical have important industrial and defense applications, cannot be easily substituted by other minerals, and their supply chains are vulnerable to disruption from geopolitical risks such as geographic concentration of production, sourcing in jurisdictions that are politically unstable or unfriendly to western democracies or, have Environmental-Social-Governance ("ESG") issues that are not aligned with western standards or values. Cobalt, bismuth and copper are identified as Critical Minerals by the U.S., European Union ("E.U.") and Canadian governments.

The Government of Canada is continuing to provide financial support for domestic production of Critical Minerals and at the G7 Summit in Kananaskis, Alberta in 2025, world leaders agreed on strategies to strengthen Critical Minerals supply. Following the summit, Canada's Prime Minister Mark Carney commented, "We will create a Critical Minerals production alliance, a G7-led strategic initiative to stockpile and develop Critical Minerals needed for defence and technology". The G7 agreed to work together to anticipate Critical Minerals shortages, coordinate responses to deliberate market disruption, and diversify mining, processing, manufacturing, and recycling. Further to this commitment to shore up Critical Mineral supplies, Prime Minister Carney said Canada can in part meet its potential annual \$150 billion NATO spending obligation with investment in extracting, processing and exporting Canada's Critical Minerals to allies that will count towards the 5% of GDP target.

### *NICO Project*

Fortune continues to advance its wholly-owned NICO Project and the Company's business activities have been focused on certain priority critical path activities required to advance test work, engineering and permitting for the planned development and identify future sources of development capital. The NICO Project comprises a proposed open pit and underground mine and concentrator in the NWT, with a dedicated Hydromet Facility that would be constructed in Lamont County, Alberta where concentrates from the mine, and other feed sources, would be processed to value-added products. The Alberta site is brownfield and has the requisite planning approvals in place for industrial operations as well as 42,000 square feet of serviced shops and buildings adjacent to the Canadian National railway to materially reduce capital costs for the planned development. The Company completed the \$6M purchase of this site during the year.

In 2014, a Feasibility Study (the "2014 Feasibility Study") assessing the economics for the NICO Project prepared by Micon International Limited ("Micon") and is summarized in a Technical Report, dated May 5, 2014 and entitled "Technical Report on the Feasibility Study for the NICO Gold-Cobalt-Bismuth-Copper Project, Northwest Territories, Canada" (the "Technical Report") and a summary is filed on the SEDAR+ website. Fortune has identified a number of opportunities to optimize the NICO Project to produce a more financially robust project and these are being included in the new Feasibility Study led by Worley, and including P&E, Micon and WSP. They include:

- A new Mineral Resource model has been developed by P&E with a more constrained mineralization wireframe boundaries to reduce internal and external modeling dilution and better differentiation of higher grade resource blocks for earlier processing;
- The new model also identified additional high-grade drill intercepts that were not included in the previous Mineral Resource estimates and the ore zones were extended to surface where the deposit is known to outcrop, reducing near-surface waste rock stripping;
- A new Mine Plan and Production Schedule has been prepared by P&E, based on the new Mineral Resource model with a focus on earlier processing of high margin ores, additional high-grade underground ore mining, and a stockpiling strategy to defer processing lower margin ores;
- The Company has reviewed its equipment selection and has prepared tradeoff studies with Worley to replace equipment in some production circuits to save energy and construction costs and replace previously specified equipment with more efficient equipment;
- The completion of the new Tlicho Highway in the NWT, will enable the Company to eliminate redundant facilities associated with winter road construction and accelerate the construction schedule;
- A new rail terminal in Enterprise, NWT has been purchased by Cango Rail Terminals and will reduce trucking costs by by-passing Hay River; The new brownfield Hydromet Facility site in Lamont County, Alberta has buildings and equipment to reduce capital costs and its proximity to the human resources, reagents and services already in place for the petrochemicals industry will help reduce capital and operating costs; and
- Test work has validated several process optimizations to help mitigate capital and operating cost escalation.

Fortune has experienced personnel focused on advancing the NICO Project towards commercial production, while also minimizing the risks associated with its planned development. Fortune is committed to developing the NICO Project in a socially and environmentally responsible manner. Fortune continues to work with a number of private sector companies and potential strategic partners interested in the Critical Minerals and/or the gold contained in the NICO Project and potential investment. The Company is also engaged with the Canadian and U.S. governments to access pools of capital available for Critical Minerals development related to enabling infrastructure, process innovation, Indigenous participation and construction as well as supply chain resilience and security.

The increasing demand for lithium-ion batteries needed to store energy in EV's, portable electronics and stationary storage cells, together with government concerns over the reliability of the current supply chains for Critical Minerals are expected to support strong prices needed to enable the successful development of the NICO Project. Bismuth consumption is also increasing in the automotive glass and steel coatings, alloys, pharmaceutical products and as a non-toxic and environmentally safe replacement for lead in metal alloys. New applications for bismuth also include alloys for plugging decommissioned oil and gas wells to prevent greenhouse gas leakage, blowouts and subsurface water contamination, manganese-bismuth magnets, radiation shielding, semiconductors, highspeed-low thermal conductivity electrical connects and solders, rocket and missile propellants and other weapons systems.

The NICO Project will also produce a highly liquid and countercyclical gold co-product to help mitigate Critical Mineral price volatility, and copper as a minor by-product. Fortune will be able to demonstrate supply chain transparency and custody control of its metals from ores through to the production of value-added products and help mitigate the risks from geographic concentration of supply in the Democratic Republic of the Congo and China.

## **RESULTS OF OPERATIONS**

### **Summary**

The Company's net loss for the three and twelve months ended December 31, 2025 was \$750,863 and \$4,524,646, respectively, or \$Nil and \$0.01 per common share, respectively, compared to a net loss of \$1,619,313 and \$3,608,045 or \$Nil per common share, for both periods, for the three and twelve months ended December 31, 2024. The change year over year is primarily due an increase in stock-based compensation, change in fair value and amortization of deferred day one loss related to the convertible security, offset by a decrease in exploration and evaluation expenditures and general and administrative expenses.

### **Revenue and Other Income**

Revenue and other income for the three and twelve months ended December 31, 2025 was \$49,879 and \$112,249 compared to \$48,624 and \$171,001 for the same period in the prior year. The decrease is primarily the result of a recognition of flow-through share premium income in the prior year offset by the fluctuation of foreign exchange on cash and cash equivalents in the current year.

### **Expenses**

Expenses, excluding gain on modification of debt, change in fair value of convertible security and amortization of deferred day one loss of convertible security, decreased to \$947,483 and \$3,454,829 for the three and twelve months ended December 31, 2025, compared to \$1,657,364 and \$3,693,581 for the same periods in the prior year.

The decrease year over year is primarily attributable to a decrease in exploration and evaluation expenditures and general and administrative expenses, offset by an increase in stock-based compensation and interest expenses related to interest accrued on the Company's debts and modification of debts.

The change in fair value of convertible security and amortization of deferred day one loss of convertible security relates to the change in value from the valuation prepared at December 31, 2025, and recognition of the deferred loss for the period. The gain on modification of debt relates to the extension of current debt during the period.

### **Deferred Taxes**

The Company has not recognized a net deferred income tax recovery or provision for the three and twelve months ended December 31, 2025. During the twelve months ended December 31, 2025, recognition of \$1,200,000 from the estimated tax loss was offset by a tax provision of (i) \$228,000 for non-deductible stock-based compensation and other expenses; and, (ii) \$972,000 for a loss carryforward not recognized.

During the same period in 2024, recognition of (i) \$956,000 from the estimated tax loss resulted in a tax recovery which was offset by a tax provision of (i) \$530,000 for a loss carryforward not recognized; (ii) \$393,000 for flow-through renunciation; and (iii) \$33,000 for non-deductible stock-based compensation and other expenses.

During the three months ended December 31, 2025, recognition of \$200,000 from the estimated tax loss resulted in a tax recovery which was offset by a tax provision of (i) \$5,000 for non-deductible stock-based compensation and other expenses; and (ii) \$195,000 for a loss carryforward not recognized. During the same period in 2024, recognition of (i) \$429,000 from the estimated tax loss; and (ii) \$96,000 for a loss carryforward not recognized resulted in a tax recovery which was offset by a tax provision of (i) \$393,000 for flow-through renunciation; and (ii) \$132,000 for non-deductible stock-based compensation and other expenses.

A valuation allowance of \$142,770,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

## Cash Flow

Cash used in operating activities during the three and twelve months ended December 31, 2025 was \$1,341,481 and \$2,965,828, respectively, compared to cash used of \$462,692 and \$187,175, respectively, for the same period in 2024. The increase in use of cash in operating activities year over year is mainly attributed to exploration and evaluation expenditures as discussed above in "Expenses" offset by proceeds received and receivable from government grants.

Cash used in investing activities was \$3,179,250, and \$4,082,900, respectively, for the three and twelve months ended December 31, 2025 compared to \$304,991 and \$1,603,131, respectively, for the same period in 2024. This increase is related primarily to a increase in option payments, and purchase of the Hydromet Facility.

Cash provided by financing activities for the three and twelve months ended December 31, 2025 was \$3,903,100 and \$7,713,850, respectively, compared to cash provided of \$1,498,500 and \$2,709,000, respectively, for the three and twelve months ended December 31, 2024. The difference year over year is primarily a result of the issuance of convertible securities, the exercise of warrants and options, and proceeds from a loan to purchase the Hydromet Facility in Alberta in 2025 compared to the issuance of convertible securities in 2024.

Below is a summary of Common Shares issued and net cash proceeds from financing activities for the years ended December 31, 2025 and 2024:

	2025		2024	
	Shares/Warrants Issued	Shares/Warrants Issued	Shares/Warrants Issued	Shares/Warrants Issued
	#	\$	#	\$
<b>Common shares issued during the year</b>				
Private offerings	—	—	—	—
Exercise of Convertible Securities <sup>(1)</sup>	66,635,001	—	11,875,408	—
Exercise of Warrants	14,860,000	933,600		
Exercise of Options	250,000	11,250	—	—
Share issuance costs	—	—	—	—
<b>Total</b>	<b>81,745,001</b>	<b>944,850</b>	<b>11,875,408</b>	<b>—</b>
<b>Average proceeds per share issued</b>		—		—
<b>Warrants issued during the year</b>				
Private offerings	—	—	—	—
On Issuance of Convertible Securities	15,641,293	—	28,838,174	—
Share issuance costs	—	—	—	—
<b>Total</b>	<b>15,641,293</b>	<b>—</b>	<b>28,838,174</b>	<b>—</b>
<b>Average proceeds per warrant</b>		—		—
<b>Cash Proceeds from Financing Activities Net</b>		<b>944,850</b>		<b>—</b>

<sup>(1)</sup> The Convertible Securities can be converted to common shares of the Company at a rate of no more than 1/24<sup>th</sup> of the face value of the Convertible Security in any given month and at a price per share equal to 85% of the volume weighted average price ["VWAP"] per share for the five consecutive trading days immediately prior to the conversion date. Lind shall have the right at any time to increase the conversion limit to up to \$250,000 or \$300,000 per month, for the Second and Third Tranche, respectively, providing that increased amount does not exceed 20% of the aggregate trading volume of the shares for the immediately preceding 20 days.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2025, Fortune had cash and cash equivalents of \$2,257,451 and negative working capital of \$16,194,672 compared to \$1,592,329 and negative working capital of \$13,471,564, respectively, for the prior year. The change in negative working capital is a result of the debt maturity date being extended from December 31, 2025 to April 7, 2026, the issuance of convertible securities and deferred government grants.

The Company regularly reviews its planned activities relative to available funding and prioritizes activities based on what is required to complete critical path activities and budgets accordingly. The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty. With its existing working capital, the Company will require additional financing to conduct certain critical path activities for 2026 and to repay its outstanding debt. The NICO Project will also require further funding to maintain its operations and advance the project through to production. The Company has historically been successful in financing its activities, however, there are no assurances that it will be successful in raising future funds required, especially considering the impacts inflation, increasing interest rates, and the Russia/Ukraine conflict could have on the global financial markets as a whole. Management is continuously pursuing and considering various financing opportunities.

On July 29, 2025, the Company drew down an additional \$3,155,000 (the "Third Tranche") from its Convertible Security with Lind. The Third Tranche has a face value of \$3,774,000. The Third Tranche is due two years from the date of issuance and matures on July 29, 2027. The Third Tranche is secured by a lien against the Company's assets and bears interest at 10% per annum. The Third Tranche includes covenants typical and customary for secured convertible securities of this nature. In relation to the Third Tranche, the Company issued 15,641,293 common share purchase warrants at an exercise price of \$0.1141 for a term of 60 months from the date of issuance. The Third Tranche can be converted to common shares of the Company at a rate of no more than 1/24th of the face value of the Convertible Security in any given month and at a price per share equal to 85% of the volume weighted average price ["VWAP"] per share for the five consecutive trading days immediately prior to the conversion date. Lind shall have the right at any time to increase the conversion limit to up to \$300,000 per month, providing that increased amount does not exceed 20% of the aggregate trading volume of the shares for the immediately preceding 20 days. The Company has the right to buy-back the outstanding face value of the Convertible Security at any time after 180 days following the closing date of the Third Tranche for an amount equal to 105% of the amount outstanding. If the Company elects to exercise its buy-back rights, Lind would have the option to convert up to 33% of such face value to common shares of the Company at a price per share that is equal to 85% of the VWAP for the five consecutive days immediately prior

The following is a summary of contractual obligations for the next five years and thereafter:

<i>Contractual Obligations</i>	<i>Payments Due by Year</i>				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1-3 years</i>	<i>4-5 years</i>	<i>After 5 years</i>
<i>Accounts payable and accrued liabilities</i>	\$ 698,637	\$ 698,637	\$ —	\$ —	\$ —
<i>Lease liability</i>	111,980	66,660	45,320	—	—
<i>Current debts</i>	12,058,651	12,058,651	—	—	—
<i>Interest on debt</i>	3,834,215	3,834,215	—	—	—
<i>Provision for environmental rehabilitation</i>	167,569	—	—	—	167,569
<i>Convertible security</i>	2,826,750	2,531,200	295,550	—	—
<b><i>Total Contractual Obligations</i></b>	<b>\$19,697,802</b>	<b>\$19,189,363</b>	<b>\$340,870</b>	<b>\$ —</b>	<b>\$167,569</b>

The current debts represent a debenture in the principal amount of \$5,298,651 held by a previous secured creditor of the Company, a \$2,750,000 secured loan, and a \$250,000 secured loan, the latter of which only \$210,000 has been drawn. The debenture has an aggregate principal amount of \$5,298,651, matures on April 7, 2026, bears interest at a

rate of 10% per annum, compounded monthly in arrears, and is secured by all of the assets of the Company, including the NICO Project. The Loan and Security Agreement ("Loan") for \$2,750,000, matures on April 7, 2026, bears interest at 9% per annum, compounding annually, and both principal and interest are payable at maturity. The Loan is secured by the mining leases for NICO. The second secured loan ("Loan 2") for \$210,000, matures on April 7, 2026, bears interest at 9% per annum, compounding annually, and both principal and interest are payable at maturity. Loan 2 is also secured by the mining leases. The long-term debt represents a mortgage in the principle amount of \$3,800,000, bears interest at 8.45% per annum, compounding monthly. Interest only payments will be made for the first 24 months and blended principal and interest payments thereafter. The mortgage has a term of 5 years, and is due on demand. Proceeds for the mortgage were used to acquire the Hydromet Facility under the 2024 Option agreement. The Mortgage is secured by the property purchased. The convertible securities represents three tranches with a total face value of \$7,264,000. The first tranche has a face value of \$1,600,000, and has been fully converted with \$1,600,000 having been converted into common shares of the Company as of December 31, 2025. The second tranche has a face value of \$1,890,000, of which \$1,531,300 has been converted into common shares of the Company as of December 31, 2025. The third tranche has a face value of \$3,774,000, of which \$1,305,950 has been converted into common shares of the Company as of December 31, 2025. The outstanding convertible securities are secured by a lien against the Company's assets and bear interest at 10% for the second and third tranches. The second and third tranches mature on December 23, 2026 and July 29, 2027, respectively.

The Loans, debentures and mortgage balances have been recorded in the consolidated financial statements at their net present value using an effective interest rate of 12%, 14.5%, 14.5%, and 12.4%, respectively.

In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO in good standing consist of annual payments of \$25,690 plus an additional \$2,350 for water licenses.

The Company's current environmental reclamation obligations as defined by government regulators are fully secured by cash held in accounts with a large Canadian financial institution for NICO and Arctos. Additional financing is required to construct mine infrastructure and processing facilities and to acquire additional equipment for the NICO Project. Potential sources for future funding include but are not limited to equity financing, project financing, off-take and royalty agreements, additional strategic partnerships, mergers and acquisitions. The Company continues to evaluate its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer and minimize potential dilution to shareholders.

## **OUTLOOK**

The Company's principal objective is to achieve successful financing and development of the NICO Project. The Company's activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" section below. The most significant risk to meeting its objectives for the NICO Project continues to be the ability to finance the construction costs for the project. Additional risks include securing the requisite permits for construction and operations of the recently purchased Hydromet Facility. A significant risk to the NICO Project was removed with the completion of the Tlicho Highway to Whati, which opened to the public on November 30, 2021. In addition, the Company has completed an Access Agreement with the Tlicho Government that sets out the terms and conditions for the construction of a spur road to the mine. Other risks are primarily from external parties such as government regulators, First Nations and investors who have significant influence over the outcome of the Company's efforts and external factors such as commodity prices, economic conditions and the financial markets. Accordingly, management has sought and continues to seek ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

Major milestones to achieve on the path forward for the development of the NICO Project include:

- completion of various strategies to mitigate capital and operating cost escalation for the vertically integrated NICO Project and make it more financially robust;
- engaging with local governments and communities around the Hydromet Facility site and securing the permits required for its construction and operation;

- updating the engineering and incorporate identified optimizations to the 2014 Feasibility Study based on current estimates of costs and commodity prices to support a more financially robust project;
- completing the updated Feasibility Study by Worley and other companies to support project financing and construction;
- continuing engagement with governments in Canada and the U.S for financial support for the NICO Project development;
- continuing with the programs required to meet water license pre-construction requirements for the NICO Mine site;
- completing the process to renew the water licence and land use permit for the NICO Mine and access road, and amendments for the water license;
- advancing the negotiations and completing a Participation Agreement with the Tlicho Government;
- identifying and engaging strategic partners to support the financing and development for the NICO Project;
- arranging the project financing and potential transactions to finance the NICO Project; and,
- continuing engineering and procurement activities.

In the year ended December 31, 2025, Fortune continued its dialogue with potential strategic partners and advanced the metallurgical test work programs, engineering and permitting activities planned pursuant to its contribution funding from various government entities.

The Company has made significant progress towards achieving its milestones through the federal and Tlicho Government approvals for the NICO mine and concentrator environmental assessment, and the renewals for the land use permit and Type A water license for the NICO Mine site. The Company currently holds a land use permit for exploration and renews its other permits as required.

Activities undertaken during 2025 towards achieving the next major milestones for the NICO Project will remain the Company's focus through 2026. As it pursues this objective, the Company will strive to prudently manage capital resources and mitigate risks.

## TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2025, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of \$673,346 for salaries and benefits and consulting and/or management services when compared to \$532,681 for the prior year. In addition, stock options with a fair value of \$757,510, using the Black-Scholes option pricing model, were granted in the year ended December 31, 2025 when compared to \$nil for the same period in 2024. At December 31, 2025, \$48,096 was owing to these related parties for services received during the year when compared to \$99,265 at December 31, 2024.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at December 31, 2025:

Party <sup>1</sup>	Relationship	Business Purpose of Transaction						Total	
		Salaries and Benefits <sup>5</sup>		Consulting Services		Stock Options		Paid/Awarded	Payable
		Paid	Payable	Paid	Payable	Granted <sup>6</sup>	Payable		
Goad, Robin <sup>2</sup>	President & CEO, Director	\$ 4,182	\$ -	\$ 257,692	\$ 15,000	\$ 168,700	\$ -	\$ 430,574	\$ 15,000
Koropchuk, Glen	Director	-	-	-	-	48,200	-	48,200	-
Massola, David <sup>3</sup>	VP Business Development	2,302	-	37,000	14,000	118,860	-	158,162	14,000
McVey, John	Director	-	-	-	-	60,250	-	60,250	-
Naik, Mahendra	Director	8,532	-	-	-	120,500	-	129,032	-
Penney, Patricia	Interim CFO	155,729	9,346	-	-	72,300	-	228,029	9,346
Ramsay, David	Director	-	-	-	-	48,200	-	48,200	-
Schryer, Richard <sup>4</sup>	VP Environmental & Regulatory Affairs	8,529	-	199,380	9,750	60,250	-	268,159	9,750
Yurkowski, Edward	Director	-	-	-	-	60,250	-	60,250	-
Total		\$ 179,274	\$ 9,346	\$ 494,072	\$ 38,750	\$ 757,510	\$ -	\$ 1,430,856	\$ 48,096

*Fortune Minerals Limited*  
*Management's Discussion and Analysis of Financial Conditions and Results of Operations*  
*Year Ended December 31, 2025*

<sup>1</sup> No amounts were paid or payable for the year ended December 31, 2025 for David Knight.

<sup>2</sup> Robin Goad is engaged to provide services of President and Chief Executive Officer of the Company pursuant to an independent consultant agreement and does not receive additional compensation for his services as a director.

<sup>3</sup> David Massola is engaged to provide services of VP Business Development of the Company pursuant to an independent consultant agreement.

<sup>4</sup> Richard Schryer is engaged to provide services of VP Environmental & Regulatory Affairs of the Company pursuant to an independent consultant agreement.

<sup>5</sup> Salaries and benefits include a base salary plus benefits that are basic in nature, require participants to contribute to the premium costs and includes certain co-pay requirements.

<sup>6</sup> The value of options granted are calculated using the Black-Scholes option pricing model.

## **CRITICAL ACCOUNTING ESTIMATES**

### ***Interests in Mining Properties and Exploration and Development Expenditures***

Mineral Reserve and Mineral Resource estimates are not precise and also depend on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ from mineral resource estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar tests;
- the grade of mineral resources may vary from time to time and there can be no assurance that any particular level of recovery can be achieved from the mineral resources; and
- declines in the market prices of contained minerals may render the mining of some or all of the Company's mineral resources uneconomic.

### ***Going Concern Assumption***

The recoverability of amounts shown for mineral properties and related exploration and development expenditures is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary permits and financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Currently, the Company does not have a source of revenue other than investment income and it has relied, primarily, on equity financings and strategic partners to fund its activities as well as contribution funding from the U.S. DoD, NRCan and Alberta Innovates for up to C\$17.5 million at current exchange rates. The Company may have limited access to capital at an acceptable cost to existing shareholders depending on economic conditions from time to time. The Company had a negative working capital balance of \$16,194,672 as a result of debt coming due in April 2026 and the issuance of convertible securities. The Company endeavours to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The Company will require additional financing to extinguish the debt, conduct certain critical path activities in 2026 and to advance the NICO Project to production.

### ***Deferred Income Taxes***

The Company follows the deferred tax liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income and substantively enacted tax rates. Prior to 2025, the Company completed feasibility studies and updates thereto for its principal project and is undertaking an updated feasibility study and related permitting and financing activities. The benefit of certain non-capital losses, investment tax credits, undeducted share issuance costs and tax value of exploration and evaluation expenditures and capital assets in excess of book value of \$142,770,000, has been offset by a valuation allowance of the same amount due to the uncertainty of realizing the benefit of deferred income tax assets in future years.

### ***Stock Based Compensation, Warrants and Compensation Options***

The Company recognizes an expense for option awards using the fair value method of accounting. The Company also records the fair value of warrants granted through private offerings or in lieu of fees and compensation options granted using a fair-value estimate. Management estimates the fair value of stock options, warrants granted through private

offerings or in lieu of fees, and compensation options using the Black-Scholes model. The Black-Scholes model, used by the Company to calculate fair values, as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options and warrants, which may significantly differ from the Company's stock option awards or warrant grants. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards. The valuation models are used to provide a reasonable estimate of fair value given the variables used.

#### ***Asset Retirement Obligations***

Legal or constructive obligations associated with site restoration on the retirement of assets are recognized when they are incurred and when a reasonable estimate of the value of the obligation can be made. While the Company has not commenced commercial operations on its mining properties, certain site development and exploration activities have occurred that have given rise to a constructive obligation related to the reclamation of the site at the NICO Project. As a result, the Company has recognized an environmental rehabilitation provision for the project. Due to the uncertainty around the settlement date and measurement of potential asset retirement obligations for the Company's project, management considers the assumptions used to calculate the present value of such liabilities at each reporting period and updates the value recognized as required.

#### **ENVIRONMENT**

Fortune is committed to a program of environmental protection at its exploration and development sites. Fortune was in compliance with government regulations in 2025. Secured letters of credit have been provided to be held against future environmental obligations with respect to Arctos and NICO sites in the amounts of \$25,000, representing 100% of the remaining Arctos JV letter of credit, and \$167,569, respectively.

#### **RISK AND UNCERTAINTIES**

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

#### **Nature of Mineral Exploration and Mining**

At the present time, the Company does not hold any interest in a mining property in commercial production. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involves significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. In order to continue developing the projects towards commercial production, the Company will be required to make substantial additional capital investments. It is impossible to ensure that the past or proposed exploration and development programs on the properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally inherent to mining, exploration and development of mineral properties and metallurgical processing, any of which could result in damage to life and property, the environment and possible legal liability. The activities of the Company may be subject to prolonged disruptions due to weather conditions as a result of the Company's properties in northern Canada. At the proposed NICO Mine, the Company is subject to increased risks relating to the dependence on ice roads to supply and equip its work programs. While the Company has obtained insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. For example, the Company has not obtained environmental insurance at its project sites to date and has limited its insured values of its assets to stated amounts approximating the estimated cash invested in its capital assets to date. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance

coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The Company has undertaken activities to reduce certain risks related to its major projects by completion of: extensive exploration and drilling programs, environmental baseline studies and environmental assessments, metallurgical test work and piloting engineering and economic studies, assisting with the development of local public infrastructure.

### **Limited Financial Resources**

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources and/or find suitable joint venture partners in order to fund the development of the NICO Mine and Hydromet Facility. There is no assurance that the Company will be able to obtain such financing or joint venture partners on favourable terms or at all. Failure to obtain financing or joint venture partners could result in delay or indefinite postponement of further exploration and development of the Company's properties.

The Company's ability to raise additional funds is affected by numerous factors outside the Company's control including the global economy. The global economy is currently characterized by increased volatility and uncertainty. Particularly, the invasion of Ukraine by the Russian Federation, and the accompanying international response including economic sanctions, has been disruptive to the world economy, with increased volatility in commodity markets, international trade and financial markets, all of which have a trickle-down effect on supply chains, equipment and construction. There is substantial uncertainty about the extent to which this conflict will continue to impact global economic and financial affairs, and resulting turmoil could have a material adverse effect on the Company's ability to obtain financing and advance development of the NICO Project.

### **Dependence on Key Personnel and Limited Management Team**

Fortune is dependent on the services of its senior executives including the President and Chief Executive Officer, Chief Financial Officer, Chief Metallurgist, Vice President of Business Development, Vice President of Environmental and Regulatory Affairs and other skilled and experienced consultants and employees. The loss of such individuals could have a material adverse effect on Fortune's operations. Fortune will need to supplement its existing management team in order to bring any of its projects into production.

### **Fluctuating Prices**

Factors beyond the control of the Company may affect the marketability of cobalt, bismuth, gold, copper or any other minerals recovered or discovered. The prices of such commodities have fluctuated widely and are affected by numerous factors beyond the Company's control such as economic downturns, commodity supply shortages, weather events, political instability, and changes in exchange and interest rates. The effect of these factors cannot accurately be predicted. Further, there is opportunity for the product mix of cobalt and bismuth from the NICO Project to be adjusted to produce products with varying prices depending on the market.

### **Permits and Licenses**

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to expiration, change in regulations and other circumstances. There can be no assurance that the Company will be able to obtain all licenses and permits required to carry out future exploration, development and mining operations at its projects.

### **Competition**

The mining and mineral exploration business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including other resource companies with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties, acquisition of

mining equipment and related supplies, and the attraction and retention of qualified personnel. The Company will be constrained in its ability to manage the cost of salaries at the NICO Mine and the Hydromet Facility during construction and operations as Fortune may be competing for labour with diamond mining companies operating in the NWT, oil sands projects in Alberta and potash companies operating in Saskatchewan. There is no assurance that the Company will continue to be able to compete successfully in the acquisition of building materials, sourcing equipment or hiring people.

### **Environmental and Climate Change Regulation**

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental contamination. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The Company has carried out and completed significant environmental baseline studies and environmental monitoring to position the Company to successfully complete required environmental assessments; however, despite this, the Company has not been able to obtain certain environmental certificates in a timely manner due to the complexities of the regulatory requirements and processes. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The impacts of international or domestic climate agreements, carbon taxes and other potential climate change legislation are difficult to predict and are not yet fully understood, including impacts on capital and operating costs. In addition, the physical risks of climate change may have an adverse effect on the Company's operations, including extreme weather events, changes in precipitation patterns, and water availability that may require the Company to make additional expenditures to mitigate their impact or that may disrupt the delivery of essential consumables, equipment, or access to the Company's sites.

### **Indigenous Title and Rights Claims**

Indigenous title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The lands that surround the NICO leases are owned by the Tlicho Government pursuant to the terms of an agreement (the "Tlicho Agreement") completed with the federal government, and the GNWT. The Company is not aware of any Indigenous land claims having been formally asserted or any legal actions relating to Indigenous issues having been instituted with respect to the NICO Mine other than certain treaty rights established by the Tlicho Agreement. The Company is aware of certain First Nations that claim certain title and rights with respect to Crown properties related to the Company's projects that may or may not be formally asserted with the Crown in order to seek comprehensive land claim settlements.

The Company has a right of access to the NICO mine site under the Tlicho Agreement with the Crown and Tlicho Government, and an Access Agreement was also entered into in 2019 between the Tlicho Government and the Company for the purposes of constructing an access road through Tlicho territory to the NICO Mine site. The Company has a Socio-Economic agreement with the GNWT. The Company is aware of the mutual benefits afforded by co-operative relationships with Indigenous communities in conducting exploration and development activities and is supportive of measures established to achieve such cooperation including preferential hiring practices, local business development activities, involvement in environmental stewardship and other forms of accommodation. The Company previously entered into a Cooperative Relationship Agreement and Environmental Assessment Funding Agreement with the Tlicho Government. The Company is committed to open and constructive dialogue with Indigenous communities and stakeholders and will continue to make every effort to increase Indigenous employment and business through its human resources and supply chain policies. However, certain challenges with respect to timely decision making may be encountered when working with Indigenous governments as a result of the limited number of key individuals in leadership positions, turnover of leadership personnel and delays while elections are held. It will also be necessary for the Company to negotiate and enter into appropriate participation agreements with relevant Indigenous Governments in order to bring its projects into production and there is no assurance that the Company will be able to negotiate such agreements on favourable terms or at all. In addition, other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers

or land claims by Indigenous peoples, and title may be affected by undetected encumbrances or defects or government actions.

#### **Estimates of Mineral Reserves and Resources May Not be Realized**

The Mineral Reserve and Mineral Resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. However, through extensive investment in exploration drilling, test mining, bulk sampling, engineering planning and pilot plant testing, the Company has substantially mitigated and reduced these risks. There is a risk that minerals recovered in small-scale laboratory and large-scale pilot plant tests will be materially different under on-site conditions or in production scale operations. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations.

The Company has engaged expert independent technical consultants to advise it with respect to the Mineral Reserve and Mineral Resource estimates and project engineering, mineral processing engineering among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

#### **Health and Safety Matters**

The Company's exploration projects are affected by various laws and regulations, including those which cover health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures. The Company has successfully implemented policies and procedures relating to health and safety matters at its project sites and has a good safety record to date.

#### **Information Technology and Cybersecurity Risks**

The Company depends upon information technology systems in the conduct of its business operations. The Company's information technology systems are subject to disruption, damage or failure from a variety of sources, including computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. Cybersecurity incidents are evolving and include malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or protected information, or corruption of data. While the Company has implemented measures to manage risks related to information technology systems and network disruptions, the Company could potentially be subject to operational delays, the compromising of confidential information, destruction or corruption of data, security breaches, or financial losses from remedial actions, any of which could have a material adverse effect on its business, operating results and financial condition.

#### **Geopolitical Risks and Global Conflicts**

The Company's business operations and financial performance may be materially and adversely affected by ongoing and emerging geopolitical conflicts and instability. In addition to the Russia/Ukraine conflict referenced elsewhere in this MD&A, other global conflicts, including military and diplomatic tensions involving Israel, Iran, the United States, and the broader Middle East region, have contributed to significant volatility in global commodity markets, disruptions in international supply chains, and elevated uncertainty in global financial markets. Sanctions imposed by various governments, and the potential for further escalation of conflicts, have increased uncertainty across global energy and commodity markets, which may affect the cost and availability of fuel, equipment and other inputs essential to the Company's operations. Any escalation of existing conflicts, or the emergence of new geopolitical tensions, could contribute to a broader global economic downturn, with potential adverse consequences for commodity prices, capital markets access, input costs, and overall business conditions.

### **Tariffs and Trade Risks**

Changes in international trade policies, including the imposition of tariffs and other protective measures, could adversely affect the Company's business. The United States and Canada have been subject to ongoing trade disputes and tariff implementations that may affect the cost and availability of equipment, materials and supplies necessary for the Company's operations. Additional tariffs or trade restrictions, or retaliatory measures between trading partners, could increase costs for the Company's operations, disrupt supply chains, and create uncertainty in the global economic environment. Any escalation of trade conflicts could have a material adverse effect on the Company's ability to advance the NICO Project and obtain financing on favourable terms.

### **FINANCIAL INSTRUMENTS**

As at the date hereof, the Company's financial instruments consist of: cash and cash equivalents, reclamation security deposits, and accounts receivable which are financial assets designated as financial assets at amortized cost, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method; accounts payable and accrued liabilities, lease liability and current and long-term debts, which are financial liabilities designated as financial liabilities at amortized cost, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method and convertible security designated as financial liabilities at fair value through profit or loss, measured at fair value and revalued at each reporting period. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

During the years ended December 31, 2025 and 2024, profit and losses associated with each financial instrument are as follows:

	<b>Impact on Profit (Loss)</b>	
	<b>2025</b>	<b>2024</b>
Current debt	(1,192,829)	(1,102,062)
Convertible security	(1,201,543)	(243,198)

### **ADDITIONAL INFORMATION**

Additional information relating to the Company, including its annual information form, is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

### **SHARE DATA**

As at the date hereof, the Company has:

1. 607,823,073 common shares issued and outstanding;
2. 44,479,467 warrants outstanding which entitle the holders to purchase one common share at various prices between \$0.0609 and \$0.1141 and expiring at various dates between May 21, 2029 and July 31, 2030; and
3. stock options outstanding to purchase an aggregate of 29,250,000 common shares expiring between August 23, 2026 and June 30, 2028 and exercisable between \$0.045 and \$0.075 per common share.

All stock options have vested as at the date hereof.

### **INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING**

#### **Disclosure Controls and Procedures**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2025. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2025 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim

filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

### **Internal Controls over Financial Reporting**

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2025. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2025 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

The control framework used to design and assess the effectiveness of the Company's internal controls over financial reporting is the *Internal Control - Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company assesses internal controls over financial reporting on an ongoing basis and, where determined appropriate, proactively implements enhancements to the design of controls required to support anticipated changes to and growth of the business. Due to operational, financial and administrative changes planned to occur as the Company transforms from an exploration company to a producer, changes will be required to the Company's internal controls over financial reporting in order to maintain reasonable assurance regarding the reliability of the Company's financial reporting and preparation of financial statements.

No material weaknesses in the Company's internal controls over financial reporting were identified during the year ended December 31, 2025 and there have been no changes made to such internal controls that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

*The disclosure of scientific and technical information contained in this MD&A has been approved by Robin Goad, M.Sc., P.Geo., President and Chief Executive Officer of Fortune, who is a "Qualified Person" under National Instrument 43-101.*

*This document contains certain forward-looking information. This forward-looking information includes, among other things, statements regarding the anticipated development of the NICO Project, including the building or acquisition of a Hydromet Facility in western Canada, purchase of a brownfield site in Lamont County in Alberta's Industrial Heartland Association pursuant to the Option to Purchase Agreement and the expected results of the technical report updating the 2014 Feasibility Study. With respect to forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to obtain the necessary financing to develop and operate the NICO Project and the related Hydromet Facility, the ability of the Company to obtain all necessary regulatory approvals for the construction and operation of the NICO Project and the related Hydromet Facility, and the timing of the updated Worley Feasibility Study and the results thereof. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward-looking information include: the risk that the Company may not be able to carry on operating or to develop, construct and operate the NICO Project, including the related hydrometallurgical refinery; uncertainties with respect to the receipt or timing of required permits and agreements for the development of the NICO Project, including the related Hydromet Facility; the risk that updated Worley Feasibility Study may not be completed within the time frame anticipated and may not generate improved economics for the NICO Project to the extent anticipated; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; the inherent risks involved in the exploration and development of mineral properties and in the mining industry in general; uncertainties associated with estimating mineral resources and even if such resources prove accurate the risk that such resources may not be converted into mineral reserves, once economic conditions are applied; labour shortages; workplace accidents; the cost and timing of expansion activities; changes in applicable laws or regulations; competition for, among other things, capital and*

*skilled personnel; unforeseen geological, technical, drilling and processing problems; compliance with and liabilities under environmental laws and regulations; changes to the Company's current business strategies and objectives; and other factors, many of which are beyond the Company's control. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.*

Consolidated Financial Statements

**Fortune Minerals Limited**

December 31, 2025 and 2024

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Fortune Minerals Limited

### **Opinion**

We have audited the consolidated financial statements of Fortune Minerals Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 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 (IASB).

### **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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 in the consolidated financial statements, which indicates that the Company's current liabilities exceeded its current assets as at December 31, 2025. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that 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 judgement, 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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><i>Convertible Security</i></p> <p>We draw attention to Note 12 of the consolidated financial statements. Management concluded that the convertible securities included a conversion option and buy-back option that were embedded derivatives.</p> <p>Management designated each entire hybrid contract as a financial liability instrument measured at fair value through profit or loss. Management estimates the fair value of the convertible securities by using complex valuation models and an external valuation expert.</p> <p>We identified the estimation of the fair value of the convertible securities as a key audit matter, as it requires a high degree of management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>– Reviewing the underlying agreements and assessing management’s accounting analysis associated with the convertible securities.</li> <li>– Evaluating the competency and independence of the expert retained by the Company to assist with the valuation of the warrants and the convertible securities.</li> <li>– Using the work of a valuation expert to assist us in evaluating the methodologies, assumptions and data used and assessing the reasonableness of the fair values of the warrants and the convertible securities.</li> <li>– Reviewing the appropriateness of the disclosures in the consolidated financial statements with regards to the convertible securities.</li> </ul>

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

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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 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 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 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 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 judgement 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 risks 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 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 Company 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 audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company 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 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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
March 31, 2026

## RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"]. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise as they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis given currently available information to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and its members are outside directors. The Committee meets with management as well as the external auditors to discuss auditing matters and financial reporting issues and to review the consolidated financial statements, the Management's Discussion and Analysis and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements for the years ended December 31, 2025 and 2024 have been audited by McGovern Hurley LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Company's shareholders. The external auditors have free access to the Audit Committee.

*[Signed]*  
Robin Goad  
*President and  
Chief Executive Officer*

*[Signed]*  
Patricia Penney  
*Interim Chief  
Financial Officer*

**Fortune Minerals Limited**

**CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION**

(expressed in Canadian dollars)

As at	December 31, 2025	December 31, 2024
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>[note 9]</i>	2,257,451	1,592,329
Accounts receivable <i>[note 3]</i>	1,534,337	730,276
Prepaid expenses	142,380	154,060
<b>Total current assets</b>	<b>3,934,168</b>	<b>2,476,665</b>
Reclamation security deposits <i>[note 6]</i>	204,643	199,982
Deposits on land and building <i>[notes 3i and 7]</i>	—	1,937,500
Property and equipment <i>[note 7]</i>	6,154,575	200,878
<b>Total assets</b>	<b>10,293,386</b>	<b>4,815,025</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>[note 17]</i>	698,637	588,203
Lease liability <i>[note 11]</i>	63,923	58,484
Current debt <i>[note 10]</i>	15,255,153	10,278,992
Convertible security <i>[note 12]</i>	2,432,280	2,286,658
Deferred government grants <i>[note 3]</i>	1,678,847	2,735,892
<b>Total current liabilities</b>	<b>20,128,840</b>	<b>15,948,229</b>
Provision for environmental rehabilitation <i>[note 6]</i>	148,369	156,551
Lease liability <i>[note 11]</i>	46,797	110,720
<b>Total liabilities</b>	<b>20,324,006</b>	<b>16,215,500</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital and warrants <i>[note 4]</i>	187,421,910	182,527,005
Other reserves <i>[note 5]</i>	18,431,124	17,431,528
Deficit	(215,883,654)	(211,359,008)
<b>Total shareholders' deficiency</b>	<b>(10,030,620)</b>	<b>(11,400,475)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>10,293,386</b>	<b>4,815,025</b>

*See accompanying notes to the consolidated financial statements*

*See note 2 going concern uncertainty*

*Commitments and contingencies [notes 10, 11, 12 and 20]*

*[Signed]*

Robin Goad  
Director

*[Signed]*

Mahendra Naik  
Director

**Fortune Minerals Limited**

**CONSOLIDATED STATEMENTS OF LOSS AND  
COMPREHENSIVE LOSS**

(expressed in Canadian dollars)

For the years ended December 31,

	<b>2025</b>	2024
<b>EXPENSES</b>		
Exploration and evaluation expenditures <i>[note 3]</i>	<b>457,666</b>	1,391,503
General and administrative	<b>681,906</b>	971,011
Stock-based compensation <i>[note 5]</i>	<b>858,730</b>	—
Interest <i>[note 10 and 11]</i>	<b>1,200,345</b>	1,114,663
Corporate development	<b>189,529</b>	149,870
Depreciation <i>[note 7]</i>	<b>66,654</b>	66,534
Gain on modification of debt <i>[note 10]</i>	<b>(16,668)</b>	(157,733)
Change in fair value of convertible security <i>[note 12]</i>	<b>669,232</b>	82,090
Amortization of deferred day 1 loss of convertible security <i>[note 12]</i>	<b>529,501</b>	161,108
<b>Total expenses</b>	<b>4,636,895</b>	3,779,046
<b>INCOME</b>		
Interest and other income <i>[note 14]</i>	<b>112,249</b>	171,001
<b>Total income</b>	<b>112,249</b>	171,001
<b>Net loss and comprehensive loss for the year</b>	<b>(4,524,646)</b>	(3,608,045)
<b>Basic and diluted loss per share <i>[note 18]</i></b>	<b>(0.01)</b>	(0.01)

*See accompanying notes to the consolidated financial statements*

**Fortune Minerals Limited**

**CONSOLIDATED STATEMENTS OF  
CASH FLOWS**

(expressed in Canadian dollars)

For the years ended December 31,

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Net loss for the year from continuing operations	(4,524,646)	(3,608,045)
Add (deduct) items not involving cash		
Unrealized foreign exchange	(84,606)	79,700
Amortization <i>[note 7]</i>	66,654	66,534
Flow-through share premium	—	(201,427)
Stock-based compensation <i>[note 5]</i>	858,730	—
Interest expense on debentures and loans payable <i>[note 10]</i>	1,200,345	1,114,663
Posting of security for reclamation security deposits <i>[note 6]</i>	(4,661)	(653)
Loss on disposal of capital assets	49	—
Change in fair value related to provision for environmental rehabilitation <i>[note 6]</i>	(8,182)	17,880
Gain on modification of debt <i>[note 10]</i>	(16,668)	(157,733)
Change in fair value of convertible security <i>[note 12]</i>	672,042	82,090
Amortization of deferred day 1 loss of convertible security <i>[note 12]</i>	529,501	161,108
Changes in non-cash working capital balances		
related to operations		
Accounts receivable	(804,061)	(703,948)
Prepaid expenses	11,680	(94,288)
Accounts payable and accrued liabilities	110,434	400,752
Change in government receivable, net <i>[note 3]</i>	(972,439)	2,656,192
<b>Cash used in operating activities</b>	<b>(2,965,828)</b>	<b>(187,175)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets <i>[note 7]</i>	(2,982,900)	(20,631)
Deposits on land and building <i>[note 3[i)]</i>	(1,100,000)	(1,582,500)
<b>Cash used in investing activities</b>	<b>(4,082,900)</b>	<b>(1,603,131)</b>
<b>FINANCING ACTIVITIES</b>		
Lease payments <i>[note 11]</i>	(66,000)	(66,000)
Proceeds on exercise of warrants	933,600	—
Proceeds on exercise of options	11,250	—
Proceeds on issuance of mortgage <i>[note 10]</i>	3,800,000	100,000
Convertible security proceeds <i>[note 12]</i>	3,155,000	2,825,000
Convertible security fees <i>[note 12]</i>	(120,000)	(110,000)
Repayment of corporate facility	—	(40,000)
<b>Cash provided in financing activities</b>	<b>7,713,850</b>	<b>2,709,000</b>
<b>Decrease in cash and cash equivalents</b>		
<b>during the year, net</b>	<b>665,122</b>	<b>918,694</b>
Cash and cash equivalents, beginning of the year	1,592,329	673,635
<b>Cash and cash equivalents, end of year <i>[note 9]</i></b>	<b>2,257,451</b>	<b>1,592,329</b>
<b>Cash and cash equivalents is comprised of the following;</b>		
Cash on hand and balances with banks	2,253,187	1,588,148
Short-term investments	4,264	4,181
<b>Supplemental Cash Flow Disclosure</b>		
Conversion of convertible security	4,090,921	671,540

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

(expressed in Canadian dollars)

	Common shares		Warrants		Subtotal	Other reserves	Deficit (Note 3)	Total shareholders' deficiency
	#	\$	#	\$				
<b>December 31, 2023</b>	<b>499,643,862</b>	<b>181,558,107</b>	<b>33,541,106</b>	<b>470,167</b>	<b>182,028,274</b>	<b>17,258,719</b>	<b>(207,750,963)</b>	<b>(8,463,970)</b>
Issued as a result of:								
Conversion of convertible security [note 12]	11,875,408	671,540	—	—	671,540	—	—	671,540
Warrants issued as part of convertible security [note 12]	—	—	28,838,174	—	—	—	—	—
Expiration of warrants [note 4ii[c]]	—	—	(5,525,750)	(172,809)	(172,809)	172,809	—	—
Net loss for the year	—	—	—	—	—	—	(3,608,045)	(3,608,045)
<b>December 31, 2024</b>	<b>511,519,270</b>	<b>182,229,647</b>	<b>56,853,530</b>	<b>297,358</b>	<b>182,527,005</b>	<b>17,431,528</b>	<b>(211,359,008)</b>	<b>(11,400,475)</b>
Issued as a result of:								
Conversion of convertible security [note 12]	66,635,001	4,090,921	—	—	4,090,921	—	—	4,090,921
Warrants issued as part of convertible security [note 12]	—	—	15,641,293	—	—	—	—	—
Exercise of warrants [note 4ii[a]]	14,860,000	1,083,842	(14,860,000)	(150,242)	933,600	—	—	933,600
Exercise of stock options [note 5]	250,000	17,500	—	—	17,500	(6,250)	—	11,250
Stock options granted [note 5]	—	—	—	—	—	858,730	—	858,730
Expiration of warrants [note 4ii[b]]	—	—	(13,155,356)	(147,116)	(147,116)	147,116	—	—
Net loss for the year	—	—	—	—	—	—	(4,524,646)	(4,524,646)
<b>December 31, 2025</b>	<b>593,264,271</b>	<b>187,421,910</b>	<b>44,479,467</b>	<b>—</b>	<b>187,421,910</b>	<b>18,431,124</b>	<b>(215,883,654)</b>	<b>(10,030,620)</b>

See accompanying notes to the consolidated financial statements

## Fortune Minerals Limited

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

## 1. CORPORATE INFORMATION

Fortune Minerals Limited's business activity is the exploration and development of mineral properties in Canada. Fortune Minerals Limited is incorporated under the laws of Ontario, domiciled in London, Ontario, Canada, and its shares are publicly traded on the Toronto Stock Exchange ["TSX"] and the OTCQB in the United States.

The consolidated financial statements of Fortune Minerals Limited ["the Company"] for the year ended December 31, 2025, were authorized for issuance by the Board of Directors on March 31, 2026.

## 2. BASIS OF PRESENTATION

### *i. Statement of Compliance*

These consolidated financial statements of the Company have been prepared by management in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ["IASB"].

### *ii. Going Concern of Operations*

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of the Company's assets and discharge of its liabilities and commitments in the normal course of business. With the Company's negative working capital of \$16,194,672, on December 31, 2025 [2024 - \$13,471,564], which includes \$15,255,153 related to debt maturing on April 30, 2026 or due on demand [2024 - \$10,278,992], the Company will require additional further funding to repay these debts when due or on demand. The NICO Project also requires further funding to advance the project through to production. This results in the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. The Company has historically been successful in financing its activities, however, there can be no assurances that the Company will be able to obtain continued support from existing lenders or obtain sufficient financing on terms acceptable to management to be able to meet its current liabilities as they come due. These consolidated financial statements do not include adjustments, which may be material, to the amounts and classification of assets and liabilities that would be necessary should the going concern principle not be appropriate.

### *iii. Title Risk*

The Company is in the process of exploring its mineral property and the recoverability of the amounts expended on its mineral property is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to exploration properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to other licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

#### *iv. Basis of Consolidation*

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Fortune Minerals Limited is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. These financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ["JO"] and joint ventures ["JV"]. A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. As at December 31, 2025, the Company assessed its investment in Arctos Anthracite as a JV, and has accounted for it under the equity method. During the year ended December 31, 2025, the Arctos JV did not have any assets or liabilities other than the reclamation security deposit, for which the Company is solely responsible for [Notes 3ii and 6].

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### *v. Basis of Measurement*

These consolidated financial statements are presented in Canadian dollars ["CDN"], which is also the Company's and its subsidiaries' functional currency.

These consolidated financial statements reflect the financial position and results of operations of the Company and its wholly owned subsidiaries Fortune Minerals NWT Inc. ["FMNWT"], Fortune Minerals Alberta Inc. ["FMAI"] [formerly Fortune Minerals Saskatchewan Inc.], Fortune Coal

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

Limited [“FCL”], and Fortune Minerals Mining Limited [“FMML”]. The Arctos Anthracite Joint Venture [“Arctos JV”] is accounted for as a joint operation and FCL recognizes its 50% interest in the assets, liabilities, income, loss, and expenses. All intercompany transactions and balances have been eliminated upon consolidation.

The accounting policies have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

#### *vi. Judgments and Estimates*

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The reported amounts and note disclosures are determined using management’s best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results, however, may differ from the estimates used in the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

#### *[a] Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### *[b] Share-based payments and warrants*

Management estimates the values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based share awards is 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,

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

[c] *Discount rates and lease terms used in application of IFRS 16, Leases*

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Management determines the incremental borrowing rate for each leased asset by taking into account the Company's credit standing, the guarantee, the term and the value of the underlying leased asset, as well as the economic environment in which the leased asset is operated. Incremental borrowing rates can be changed due to macroeconomic changes in the environment. To determine the appropriate lease term, management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease. Changes in the assumptions used may have a significant effect on the consolidated financial statements.

[d] *Estimation of decommissioning and reclamation costs and timing of expenditure*

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

[e] *Valuation of financial instruments*

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its long-term debts. The fair values are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

[f] *Estimated useful lives and depreciation of property and equipment and right-of-use assets*

Depreciation and amortization of property and equipment and right-of-use assets are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

## Fortune Minerals Limited

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

[g] *Impairment of property and equipment and right-of-use assets*

The assessment of any impairment on property and equipment and right-of-use assets is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal ["FVLCD"] and value in use ["VIU"], management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset-specific risks.

[h] *Going concern*

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 2ii.

[i] *Convertible Securities*

The initial value of the convertible security was determined by valuing the components of the hybrid financial instrument, including the host debt, the conversion option and the buy-back option, which required a number of assumptions. The significant assumptions used in determining the value of the convertible security include the discount rate used in the discounted cash flow of the host debt. In determining the appropriate discount rate, the Company considered rates of benchmark yields based on management's assessment of the Company's credit rating. The fair value of the conversion option as well as the buy-back option were determined using complex valuation models, such as the Geometric Brownian motion. Management used significant judgement in determining that the fair value on the convertible security on issuance did not equal the transaction price. The resulting difference between the transaction price and the fair value on initial recognition (the "Day 1 loss") was deferred as the fair value of the convertible security is based on a valuation technique where not all the inputs are observable. The unrecognized Day 1 loss was recorded in net loss only to the extent that it arises from a change in factor that market participants would take into account when pricing the convertible security. The Company believes that time is such a factor specific to the convertible security and the Day 1 loss is recognized on a straight-line basis in the statement of loss over the contractual life of the convertible security.

### 3. EXPLORATION AND EVALUATION EXPENDITURES

Payments of cash and common shares pursuant to option agreements, costs of staking and all expenditures on exploration and evaluation activities are recorded as exploration and evaluation expenses until it has been established that a mineral property is commercially viable and technically feasible.

Exploration and evaluation expenditures incurred by the Company on its properties during the years ended December 31, 2025 and 2024 were spent on the projects as follows:

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

	December 31, 2025	December 31, 2024
<b>NICO</b>	\$4,585,197	\$2,609,824
<b>Other</b>	2,830	2,830
<b>Government awards</b>	(4,130,361)	(1,221,151)
<b>Total exploration and evaluation expenditures</b>	<b>\$ 457,666</b>	<b>\$ 1,391,503</b>

The Company recognizes government awards given on eligible expenditures when it is reasonably assured that the Company will comply with the conditions attached to them and the grants will be received. Grants are recognized as either income over the period(s) necessary to match them with the related costs or if related to a specific expense, as a reduction to the expenses for which they are intended to reimburse. Grants receivable for costs already incurred or for immediate financial support, with no future related costs, are recognized as income in the period in which the grant is receivable. If a grant becomes repayable, it is treated as a change in estimate. Where the original grant related to income, the repayment would be applied first against any related unamortized deferred credit, and any excess would be expensed. Where the original grant related to an asset, the repayment would be treated as increasing the carrying amount of the asset or reducing the deferred income balance. The cumulative depreciation which would have been charged had the grant not been received would be charged as an expense. Grants received in advance of incurring the eligible expenditures are recorded to deferred government grants in the statement of financial position

During the year ended December 31, 2025, the Company received a total of \$3,236,641 [2024 - \$3,281,180] of government funding from Natural Resources Canada, Alberta Innovates and the United States Department of Defense for the advancement of the NICO Project.

During the year ended December 31, 2025, the Company has netted \$4,130,361 [2024 - \$1,221,151] and \$293,330 [2024 - \$69,515] of government funding received and receivable against exploration and evaluation expenditures and general and administrative expenses, respectively, in the period in which the eligible expenditures were incurred. There was no government funding received during the year related to an asset.

During the year ended December 31, 2025, the Company repaid \$807,602 of funding it was ineligible to receive in the prior year, of which \$547,213 was added to the funding allocation for 2025.

At December 31, 2025, \$1,356,362 [2024 - \$628,442] of government funding was receivable.

#### *i.* NICO Project

The NICO Project and the related leases in the Marian River Area, Northwest Territories are wholly owned by the Company.

In January 2022, the Company entered into an option to purchase a brownfield site in Alberta [the "2022 Option"]. The site was formerly a steel fabrication plant, and the Company had until July 2022 to carry out additional due diligence and complete the purchase for \$5.5 million. A non-refundable deposit of \$100,000 was paid as part of the 2022 Option. In July 2022, the Company entered into an extension to the 2022 Option extending the option to September 30, 2022, in consideration for the payment of \$15,000 per month, deductible from the purchase price, provided

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

the option has not been exercised on or before the date the consideration is due. The 2022 Option was also subject to the Vendor's right to list the property, subject to Fortune's right of first refusal or to complete the option purchase for any month an extension payment has been made at the agreed purchase price. The option had been extended on several occasions on the same terms as the original extension and expired on June 28, 2024.

Effective August 1, 2024, the Company entered into a new option agreement to purchase the brownfield site. Pursuant to the new option agreement [the "2024 Option"], the Company had the option to acquire the site for \$6,000,000 until November 30, 2025. The monthly option payments during the term were \$100,000. All of the amounts previously paid by the Company on account of the 2022 Option and 2024 Option are deductible from the purchase price. During the year ended December 31, 2025, the Company made total option payments of \$1,100,000 [2024 - \$1,582,500]. During the year, the Company paid an additional \$1,100,000 in deposits, bringing the total deposits paid to \$3,037,500 [December 31, 2024 - \$1,937,500]. On November 14, 2025, the Company exercised the 2024 Option and finalized the purchase on December 12, 2025. The balance of \$3,037,500 in deposits paid was applied to the purchase price of \$6,000,000. At December 31, 2025, there are no deposits outstanding. On December 12, 2025, the Company also entered into a license agreement with the seller of the brownfield site whereby the licensee will have license to use the property, at no charge, for a period of 18 months to conduct business as it is presently conducted on the property. Either party can terminate the agreement after twelve months on 60 days written notice. See Note 7 Property and Equipment for more details.

On October 28, 2025, the Company entered into an Agreement for a loan with a principal amount of \$3,800,000 from Prosper NWT, a public agency of the Government of the Northwest Territories. The proceeds of the loan were used to purchase the brownfield site in Alberta. See Note 10 Debts for more details.

#### *ii.* Arctos Anthracite Project, British Columbia ["Arctos"]

On May 1, 2015, the Company, FCL, Posco Canada Ltd. ["POSCAN"] and POSCO Klappan Coal Ltd. ["POSCO Klappan"] entered into an agreement [the "Arctos Sale Agreement"] with Her Majesty the Queen in Right of the Province of British Columbia [the "Province"] and British Columbia Railway Company ["BC Rail"] pursuant to which the Arctos JV sold its interests of the coal licenses comprising the Arctos project to BC Rail.

The Company, FCL, POSCAN and POSCO Klappan also entered into an Amendment to Exploration, Development and Mine Operating Joint Venture Agreement ["Amended Agreement"] to restructure the Arctos JV and share the proceeds from the sale of the Arctos coal licenses on an equal basis after purchasing the royalty held by the previous owner of the property. Pursuant to the Amended Agreement, FCL transferred 30% of its interest in the Arctos JV to POSCO Klappan, thereby reducing its interest from 80% to 50%, in exchange for the elimination of the future capital contribution to be made by FCL. The Company was made solely responsible for reclamation of the Arctos property except for the access road for which the Province will be responsible. The Company completed the vast majority of the reclamation and most of the reclamation security was released by the B.C. Government. A \$25,000 amount is still being held pending the removal of a pallet of sand and cement from the airstrip at the site after which the BC Government indicates the remainder will be released.

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

Under the Arctos Sale Agreement, the Arctos JV partners maintained the exclusive right to purchase back the coal licenses at the same price for a 10-year option period, expiring May 1, 2025. No value was attributed to the option at the time of the agreement and the option has expired unexercised.

#### 4. SHARE CAPITAL AND RESERVES

The Company's common shares, share warrants, stock options and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxes, from the proceeds.

Any premium between the amount recognized in common shares and the amount that investors pay for flow-through shares is recognized as a liability, which is recognized as income on flow-through share premium when the eligible expenditures have been renounced.

##### *i.* Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of December 31, 2025, the weighted average number of common shares outstanding was 548,948,128 [December 31, 2024 - 504,324,343].

##### *ii.* Share Purchase Warrants

The following is a summary of changes in warrants for the years ended December 31;

	2025		2024	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of year	56,853,530	\$ 0.07	33,541,106	\$ 0.08
Issue of warrants [note 12]	15,641,293	\$ 0.11	28,838,174	0.06
Exercise of warrants [note 4ii[a]]	(14,860,000)	\$ 0.06	—	—
Expiry of Warrants [note 4ii[b]]	(13,155,356)	\$ 0.10	(5,525,750)	0.09
Warrants outstanding, end of year	44,479,467	\$ 0.08	56,853,530	\$ 0.07

The following is a summary of the outstanding warrants for years ended December 31, 2025 and December 31, 2024;

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Outstanding Warrants December 31, 2025	Outstanding Warrants December 31, 2024	Expiry Date	Exercise Price \$
—	2,846,643	February 3, 2025	0.10
—	35,000	February 3, 2025	0.07
—	714,285	March 6, 2025	0.10
—	4,331,428	March 15, 2025	0.10
—	228,000	March 15, 2025	0.07
—	5,000,000	June 15, 2025	0.10
—	2,100,000	October 27, 2025	0.04
—	11,000,000	December 14, 2025	0.07
—	1,760,000	December 14, 2025	0.05
12,500,000	12,500,000	May 21, 2029	0.07
16,338,174	16,338,174	December 23, 2029	0.06
15,641,293	—	July 31, 2030	0.11
44,479,467	56,853,530		

[a] During the year ended December 31, 2025, 14,860,000 warrants with a book value of \$150,242 were exercised raising gross proceeds of \$933,600.

[b] During the year ended December 31, 2025, 13,155,356 warrants with an average exercise price of \$0.10 expired unexercised. These warrants had a book value of \$147,116.

[c] During the year ended December 31, 2024, 5,525,750 warrants with an average exercise price of \$0.09 expired unexercised. These warrants had a value of \$172,809.

#### iii. Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's Consolidated Statements of Financial Position include Other Reserves and Deficit.

Other Reserves is used to recognize the value of stock option grants and amendments and expiration of share purchase warrants.

Deficit is used to record the Company's change in deficit from earnings from year to year.

## 5. STOCK-BASED COMPENSATION

The Company has a fixed stock-based compensation plan, approved by the shareholders at the Company's annual meeting held on June 22, 2005. The plan was most recently confirmed and approved at the Company's annual meeting held on June 28, 2023. Under the plan, the Company may grant options to eligible individuals for up to 10% of the issued and outstanding common shares, subject to certain conditions. As at December 31, 2025, the Company has 29,526,427 [2024 – 28,351,927] options available for grant in addition to any options issued and outstanding. The exercise price of each option is equal to or higher than the market price of the Company's stock on the date of grant. The plan does not provide for a maximum term. Options are granted and their terms determined at the discretion of the Board of Directors.

The estimated fair value of the options granted during the year ended December 31, 2025 was \$858,730. The options granted have a maximum term of between two and three years and vested immediately. The value of the options were estimated using the Black-Scholes option pricing model

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility between 127.60% and 142.92%, based on historical share data, risk free interest rate between 2.5% and 2.65% and expected life of 2 and 3 years.

A summary of the status of the Company's stock option plan as at December 31, 2025 and December 31, 2024, and changes during the years ended on those dates are presented below:

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<b>Number of shares #</b>	<b>Weighted-average exercise price \$</b>	<b>Number of shares #</b>	<b>Weighted-average exercise price \$</b>
<b>Options outstanding, beginning of year</b>	22,800,000	0.07	28,200,000	0.08
Granted	17,650,000	0.07	—	—
Expired	(10,650,000)	0.105	(5,400,000)	0.10
Exercised	(250,000)	0.045	—	—
<b>Options outstanding, end of year</b>	<b>29,550,000</b>	<b>0.06</b>	22,800,000	0.07
<b>Options vested and outstanding, end of year</b>	<b>29,550,000</b>	<b>0.06</b>	22,800,000	0.07

The following tables summarizes information about the options outstanding as at December 31, 2025 and 2024:

<u>December 31, 2025</u>				
<b>Range of exercise prices</b>	<b>Number outstanding</b>	<b>Number vested and outstanding</b>	<b>Weighted average exercise price – all [i]</b>	<b>Weighted average remaining contract life – all [i]</b>
\$	#	#	\$	years
Nil – 0.075	29,550,000	29,550,000	0.06	1.57

[i] The weighted average exercise price and weighted average remaining contract life are the same for options outstanding and options vested and outstanding.

<u>December 31, 2024</u>				
<b>Range of exercise prices</b>	<b>Number outstanding</b>	<b>Number vested and outstanding</b>	<b>Weighted average exercise price – all [i]</b>	<b>Weighted average remaining contract life – all [i]</b>
\$	#	#	\$	years
Nil – 0.11	22,800,000	22,800,000	0.07	1.05

[i] The weighted average exercise price and weighted average remaining contract life are the same for options outstanding and options vested and outstanding.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

During the year ended December 31, 2025, 250,000 options with a book value of \$6,250 were exercised for gross proceeds of \$11,250.

Subsequent to December 31, 2025, 1,100,000 options were exercised raising gross proceeds of \$71,500.

#### 6. PROVISION FOR ENVIRONMENTAL REHABILITATION AND SECURITY DEPOSITS

Provision is made for asset retirement, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, resulting in a legal or constructive obligation to the Company. Although the ultimate amount of the environmental rehabilitation provision is uncertain, the estimate of these obligations is based on information currently available including the most recently estimated mine life, estimated future expenditures, discount rate, inflation rate and applicable regulatory requirements. Significant closure activities include primarily land rehabilitation for impacts to date.

The provision for environmental rehabilitation and key assumptions are as follows:

	December 31, 2025	December 31, 2024
<b>NICO Project</b>		
Estimated remaining life	22 years	22 years
Discount rate	3.85%	3.33%
Average inflation rate	3.00%	3.00%
<b>Total provision for environmental rehabilitation</b>	<b>\$ 148,369</b>	<b>\$ 156,551</b>

The Company has provided reclamation security deposits in the form of a letter of credit in favour of the Government of the Northwest Territories and the Province for NICO and Arctos, respectively, in the amounts of \$167,569 and \$25,000, respectively.

The following is an analysis of the provision for environmental rehabilitation:

Balance, December 31, 2023	\$	138,671
Effect of changes in the inflation and discount rate		17,880
Balance, December 31, 2024	\$	156,551
Effect of changes in the inflation and discount rate		(8,182)
Balance, December 31, 2025	\$	148,369

Reclamation security deposits consist of the following:

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<b>Deposit amount \$</b>	Deposit amount \$
NICO Project	<b>176,143</b>	<b>172,150</b>
Arctos Anthracite Project	<b>28,500</b>	<b>27,832</b>
<b>Total Net Book Value</b>	<b>204,643</b>	<b>199,982</b>

The security for the reclamation of the Arctos Anthracite Project is held in the Arctos JV. The security held for the NICO and Arctos reclamation security deposits consists of cash balances and highly liquid money market funds in investment accounts with a large Canadian financial institution.

#### 7. PROPERTY AND EQUIPMENT

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately are capitalized. Depreciation of corporate property and equipment and property and equipment used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of property and equipment at each consolidated statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset. Depreciation of right-to-use assets are recorded using the straight line method over the useful life of the asset. Depreciation of building will begin when the building is in the condition necessary for it to operate in the manner intended by management and will be amortized over the useful life of the building on a straight line basis.

The carrying values of property 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. Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ["CGUs"] for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the statement of loss.

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

The assets are depreciated at the following rates:

Asset class	Rate of depreciation %
Surface facilities	20
Furniture and fixtures	20 to 30
Camp structures	30
Mobile equipment	30
Computer equipment	30
Site furniture and equipment	30
Software	35
Right-to-use asset	straight line over the lease term
Buildings	straight line over useful life (20 years)
Land	N/A

Property and equipment consist of the following for the years ending December 31, 2025 and December 31, 2024:

	December 31, 2025	December 31, 2024
Corporate property and equipment [a]	108,406	167,198
Property and equipment at NICO [b]	6,046,169	33,680
Total property and equipment	\$ 6,154,575	\$ 200,878

[a] Corporate property and equipment

	Computer equipment \$	Furniture and fixtures \$	Software \$	Right-to- use Assets \$	Total \$
<b>Cost</b>					
As at December 31, 2024	197,673	107,363	328,690	353,367	987,093
Disposals	—	(1,920)	—	—	(1,920)
<b>As at December 31, 2025</b>	<b>197,673</b>	<b>105,443</b>	<b>328,690</b>	<b>353,367</b>	<b>985,173</b>
<b>Accumulated depreciation</b>					
As at December 31, 2024	175,640	103,585	326,126	214,544	819,895
Depreciation for the year	6,610	755	897	50,481	58,743
Disposals	—	(1,871)	—	—	(1,871)
<b>As at December 31, 2025</b>	<b>182,250</b>	<b>102,469</b>	<b>327,023</b>	<b>265,025</b>	<b>876,767</b>
<b>Net book value</b>					
As at December 31, 2024	22,033	3,778	2,564	138,823	167,198
<b>As at December 31, 2025</b>	<b>15,423</b>	<b>2,974</b>	<b>1,667</b>	<b>88,342</b>	<b>108,406</b>

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

	Computer equipment \$	Furniture and fixtures \$	Software \$	Right-to- use Assets \$	Total \$
<b>Cost</b>					
As at December 31, 2023	177,042	107,363	328,690	353,367	966,462
Additions	20,631	—	—	—	20,631
<b>As at December 31, 2024</b>	<b>197,673</b>	<b>107,363</b>	<b>328,690</b>	<b>353,367</b>	<b>987,093</b>
<b>Accumulated depreciation</b>					
As at December 31, 2023	172,430	102,640	324,746	164,063	763,879
Depreciation for the year	3,210	945	1,380	50,481	56,016
<b>As at December 31, 2024</b>	<b>175,640</b>	<b>103,585</b>	<b>326,126</b>	<b>214,544</b>	<b>819,895</b>
<b>Net book value</b>					
As at December 31, 2023	4,612	4,723	3,944	189,304	202,583
<b>As at December 31, 2024</b>	<b>22,033</b>	<b>3,778</b>	<b>2,564</b>	<b>138,823</b>	<b>167,198</b>

[b] Property and equipment at NICO

	Buildings \$	Land \$	Surface facilities \$	Camp structures \$	Mobile equipment \$	Site furniture and equipment \$	Asset retirement obligation ["ARO"] \$	Total \$
<b>Cost</b>								
<b>As at December 31, 2024</b>	—	—	1,179,717	593,724	609,813	53,369	6	2,436,629
Additions	4,267,625	1,752,775	—	—	—	—	—	6,020,400
<b>As at December 31, 2025</b>	<b>4,267,625</b>	<b>1,752,775</b>	<b>1,179,717</b>	<b>593,724</b>	<b>609,813</b>	<b>53,369</b>	<b>6</b>	<b>8,457,029</b>
<b>Accumulated depreciation</b>								
<b>As at December 31, 2024</b>	—	—	1,157,794	593,051	603,648	48,456	—	2,402,949
Depreciation for the year	—	—	4,386	201	1,850	1,474	—	7,911
<b>As at December 31, 2025</b>	<b>—</b>	<b>—</b>	<b>1,162,180</b>	<b>593,252</b>	<b>605,498</b>	<b>49,930</b>	<b>—</b>	<b>2,410,860</b>
<b>Net book value</b>								
As at December 31, 2024	—	—	21,923	673	6,165	4,913	6	33,680
<b>As at December 31, 2025</b>	<b>4,267,625</b>	<b>1,752,775</b>	<b>17,537</b>	<b>472</b>	<b>4,315</b>	<b>3,439</b>	<b>6</b>	<b>6,046,169</b>

On December 12, 2025, the Company completed the purchase of property consisting of land and buildings at a cost of \$6,020,400. The costs of \$4,267,625 and \$1,752,775 were allocated to buildings and land, respectively, based on relative fair value at acquisition date.

	Surface facilities \$	Camp structures \$	Mobile equipment \$	Site furniture and equipment \$	Asset retirement obligation ["ARO"] \$	Total \$
<b>Cost</b>						
<b>As at December 31, 2023</b>	1,179,717	593,724	609,813	53,369	6	2,436,629
<b>As at December 31, 2024</b>	<b>1,179,717</b>	<b>593,724</b>	<b>609,813</b>	<b>53,369</b>	<b>6</b>	<b>2,436,629</b>
<b>Accumulated depreciation</b>						
<b>As at December 31, 2023</b>	1,152,312	592,763	601,006	46,350	—	2,392,431
Depreciation for the year	5,482	288	2,642	2,106	—	10,518
<b>As at December 31, 2024</b>	<b>1,157,794</b>	<b>593,051</b>	<b>603,648</b>	<b>48,456</b>	<b>—</b>	<b>2,402,949</b>
<b>Net book value</b>						
As at December 31, 2023	27,405	961	8,807	7,019	6	44,198
<b>As at December 31, 2024</b>	<b>21,923</b>	<b>673</b>	<b>6,165</b>	<b>4,913</b>	<b>6</b>	<b>33,680</b>

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#### 8. EXPENSES BY NATURE

	December 31, 2025	December 31, 2024
Employee and contractor compensation and benefits (i)	\$ 1,149,220	\$ 865,721
Stock-based compensation	858,730	—
Interest expense on lease liability	7,516	12,601
Depreciation	66,654	66,534
Foreign exchange (gain) loss	(65,632)	50,570

(i) \$465,745 [2024 - \$442,032], \$631,213 [2024 - \$380,949] and \$52,262 [2024 - \$42,740] of employee and contractor compensation benefits are included in general and administrative, exploration and evaluation and corporate development expenses, respectively, on the consolidated statements of loss and comprehensive loss.

#### 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid money market funds and cashable guaranteed investment certificates.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments in order to have funds available on a short-term basis. Where cash is not expected to be required in the short-term, the policy is to invest in investments with an intermediate to long-term horizon that still allows for conversion to cash, if required.

#### 10. CURRENT DEBT

##### Current Debt

	December 31, 2025	December 31, 2024
Debenture [a]	7,424,470	6,718,929
Loan [b]	3,765,049	3,341,514
Loan [c]	247,180	218,549
Mortgage [d]	3,818,454	—
Total current debts	\$ 15,255,153	\$ 10,278,992

[a] The Company has a secured debenture outstanding with an original principal of \$5,298,651 as of December 31, 2025. The debenture is secured by all of the assets of the Company, including the NICO Project. The debenture bears interest at 10% per annum, compounding monthly, and both principal and interest are payable at maturity. The loan matures on April 7, 2026.

On July 31, 2025 the holder of the debenture agreed to extend the maturity date from December 31, 2025 to April 7, 2026. The extension is not considered a substantial modification. As a result, the debenture was restated to the net present value of the revised cash flows using the original effective interest rate of 10%. As the effective interest rate equates the coupon rate, there was no gain or loss on the modification.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended December 31, 2025, \$705,541 [December 31, 2024 - \$639,111] was recognized as accretion expense using the effective interest rate method and capitalized to the carrying value of the debt.

The debenture is summarized as follows for the years ended December 31, 2025 and December 31, 2024:

	<b>December 31, 2025</b>	December 31, 2024
Debtenture	<b>\$ 6,718,929</b>	\$ 6,079,818
Interest	<b>705,541</b>	639,111
	<b>\$ 7,424,470</b>	\$ 6,718,929

- [b] The Company has a secured loan agreement outstanding with an original principal of \$2,750,000 as of December 31, 2025. The loan is secured by the NICO leases. The loan bears interest at 9% per annum, compounding annually and both principal and interest are payable at maturity. The loan matures on April 7, 2026.

On July 31, 2025 the holder of the loan agreed to extend the maturity date from December 31, 2025 to April 7, 2026. The extension is not considered a substantial modification. As a result, the debenture was restated to the net present value of the revised cash flows using the original effective interest rate of 14.5%. A gain on modification of debt of \$19,140 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the periods ended December 31, 2025 and December 31, 2024:

	<b>December 31, 2025</b>	December 31, 2024
Loan	<b>\$ 3,341,514</b>	\$ 3,047,619
Interest	<b>442,675</b>	440,575
Gain on modification	<b>(19,140)</b>	(146,680)
	<b>\$ 3,765,049</b>	\$ 3,341,514

For the years ended December 31, 2025, \$442,675 [December 31, 2024 - \$440,575] was amortized to interest expense using the effective interest rate method.

- [c] The Company has a secured loan agreement for a maximum amount of \$250,000, of which \$210,000 has been drawn down as at December 31, 2025. The loan is secured by the NICO leases. The loan bears interest at 9% per annum, compounding annually and both principal and interest are payable at maturity. The loan matures on April 7, 2026.

On July 31, 2025 the holder of the loan agreed to extend the maturity date from December 31, 2025 to April 7, 2026. The extension is not considered a substantial modification. As a result, the debenture was restated to the net present value of the revised cash flows using the original effective interest rate of 14.5%. A loss on modification of debt of \$2,472 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

The loan is summarized as follows for the years ended December 31, 2025 and December 31, 2024:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Loan	\$ 218,549	\$ 107,226
Advance	—	100,000
Interest	26,159	22,376
Loss (gain) on modification	2,472	(11,053)
	<b>\$ 247,180</b>	<b>\$ 218,549</b>

For the year ended December 31, 2025, \$26,159 [December 31, 2024 - \$22,376] was amortized to interest expense using the effective interest rate method.

- [d] On December 12, 2025, the Company secured a mortgage of \$3,800,000 to purchase the property under option in Alberta. The mortgage is secured by the property purchased. The mortgage bears interest at 8.45% per annum, compounding monthly. Interest only payments will be made for the first 24 months and a blended principal and interest payments thereafter. The mortgage has a term of 5 years and is due on demand.

The mortgage is summarized as follows for the year ended December 31, 2025:

	<b>December 31, 2025</b>
Mortgage	\$ 3,800,000
Accrued Interest	18,454
	<b>\$ 3,818,454</b>

The following is a summary of the changes in the current debt for the year ended December 31, 2025 and 2024:

	2025	2024
Balance, beginning of year	\$ 10,278,992	\$ 9,274,663
Additions	3,800,000	100,000
Modifications	(16,668)	(157,733)
Repayment of debt	—	(40,000)
Interest and accretion	1,192,829	1,102,062
Balance, end of year	<b>\$ 15,255,153</b>	<b>\$ 10,278,992</b>

Subsequent to December 31, 2025, the maturity dates for the Loans in [a], [b], and [c] above were extended from April 7, 2026 to April 30, 2026.

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

#### 11. LEASES

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less.

Lease liabilities are initially measured at present value of the contractual payments due to the lessor over the lease term and also include, if applicable, amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised. Subsequent measurement of the lease liability is increased as a result of interest charged based on an effective interest rate and reduced by lease payments made.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognized where the Company is contractually required to dismantle, remove, or restore the leased asset. Right-of-use assets are amortized on a straight-line basis over the term of the lease.

The Company entered into a lease agreement effective September 25, 2020, to lease office space for a term of two years with 5 subsequent renewal periods of one year each and monthly lease payments of \$5,000 increasing at an annual rate of 3%. The Company recorded a Right-to-use Asset [ROU Asset] in property and equipment [Note 7] and corresponding lease liability. The ROU Asset is being amortized over the term of the lease, including the estimated extension of the lease terms. Effective September 2022, the Company renewed its lease for a 2-year term. The Company is currently paying month to month.

The lease liability is summarized as follows for the years ended December 31, 2025 and December 31, 2024;

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 169,204	\$ 222,603
Interest Expense	7,516	12,601
Lease Payments	<b>(66,000)</b>	<b>(66,000)</b>
	<u>\$ 110,720</u>	<u>\$ 169,204</u>
Current portion of lease liability	<u>\$ 63,923</u>	<u>\$ 58,484</u>
Long-term portion of lease liability	<u>\$ 46,797</u>	<u>\$ 110,720</u>

#### 12. CONVERTIBLE SECURITY

The initial fair value of the convertible security was determined by valuing the components of the hybrid financial instrument, including the principal liability component, conversion option component and buy-back feature. The liability component does not meet the fixed for fixed criterion as the security is convertible at a variable share price. The entire hybrid instrument has been recorded at its estimated fair value with the fair value being estimated using the Geometric Brownian motion model. Subsequent to initial recognition, changes in fair value are recorded through the consolidated

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

statement of loss. As part of the instrument, the Company issued warrants to the lender. The warrants meet the criteria to be recorded as equity and were assigned a value of \$nil, being the residual value remaining after deducting the fair value from the proceeds received.

On May 21, 2024, the Company entered into a convertible security funding agreement with Lind Global Fund II, LP (“LGF II”) for initial proceeds [the “First Tranche”] of \$1,250,000 and a potential additional amount of up to \$10,000,000 of convertible securities. On December 23, 2024, the Company issued an additional convertible security for an amount [the “Second Tranche”] of \$1,575,000. On July 29, 2025, the Company entered into a new convertible security funding agreement with Lind Global Fund III, LP (“LGF III”) to draw down \$3,155,000 [the “Third Tranche”] in exchange for the issuance of a convertible security. LGF II and LGF III will be collectively referred to as Lind.

The convertible securities may be converted to common shares of the Company at a rate of no more than \$66,668, \$100,000 and \$157,250 of the face value of principal amount of the First, Second and Third Tranche, respectively, in any given month and at a price per share equal to 80%, 85% and 85% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date for the First, Second and Third Tranche, respectively. Lind reserves the right at any time to increase the conversion limit to \$900,000, \$250,000 and \$300,000 in relation to the First, Second and Third Tranche, providing that increased amounts do not exceed 20% of the aggregate trading volume of the shares for the immediately preceding twenty days.

The Company has the right to buy-back the outstanding face value of the loan face value at any time for an amount equal to 105% of the amount outstanding. If the Company elects to exercise its buy-back rights, Lind will have the option to convert up to 33% of such face value to common shares of the Company at the price that is equal to 80%, 85% and 85%, of the volume weighted average price per share for the five consecutive trading days immediately prior, for the First, Second and Third tranche, respectively.

The convertible security agreement contains a clause that allows Lind to convert an unlimited amount of the outstanding balance to shares under certain market capitalization or cash balance events. During the year ended December 31, 2025, the Company’s market capitalization fell below the \$27,000,000 level qualifying as a market capitalization event with respect to the First and Second Tranche. Management considered the holder’s ability to convert up to \$300,000 of face value of principal per month in the classification of the Third Tranche as a current liability. As a result, the Company has classified the First, Second and Third Tranche of the convertible security as a current liability in the consolidated financial statements at December 31, 2025.

On May 21, 2024, the Company executed the First Tranche for an initial principal amount of \$1,600,000, due two years from the date of issuance, maturing on May 21, 2026. The First Tranche is secured by all of the assets of the Company. The First Tranche includes covenants that the Company must comply with on a regular basis. The First Tranche was fully converted during the year ended December 31, 2025.

In relation to the First Tranche, the Company issued to Lind, 12,500,000 common share purchase warrants at an exercise price of \$0.065 for a term of 60 months from the date of issuance, expiring May 21, 2029. On the issuance date, the fair value of the First Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%,

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expected volatility of 127.7% based on historical volatility of the Company's common shares, risk-free rate of 4.24%, share price on issuance date of \$0.09 and expected life of 2 years. The fair value of the First Tranche of the convertible security is \$1,595,038, which resulted in a loss of \$395,038 compared to proceeds received of \$1,200,000, net of the first closing fee of \$50,000. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss but rather should be deferred against the convertible security and realized over the term of the convertible security, as factors that a market participant would include in pricing the instrument including time, become observable.

On December 23, 2024, the Company drew down an additional principal amount of \$1,890,000, the Second Tranche, due two years from the date of issuance, maturing on December 23, 2026. The Second Tranche is secured by all of the assets of the Company. The Second Tranche includes covenants that the Company must comply with on a regular basis, and as at December 31, 2025, the Company has met the covenants.

In relation to the Second Tranche, the Company issued to Lind, 16,338,174 common share purchase warrants at an exercise price of \$0.061 for a term of 60 months from the date of issuance, expiring December 23, 2029. On the issuance date, the fair value of the Second Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 133.17% based on historical volatility of the Company's common shares, risk-free rate of 3.01%, share price on issuance date of \$0.05 and expected life of 2 years. The fair value of the Second Tranche of the convertible security is \$1,753,226, which resulted in a loss of \$238,226 compared to proceeds received of \$1,515,000, net of the second closing fee of \$60,000. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss but rather should be deferred against the convertible security and realized over the term of the convertible security, as factors that a market participant would include in pricing the instrument including time, become observable.

On July 29, 2025, the Company executed the Third Tranche for an initial principal amount of \$3,774,000, due two years from the date of issuance, maturing on July 29, 2027. The Third Tranche is secured by a lien against the Company's mining assets. The Third Tranche includes covenants that the Company must comply with on a regular basis, and as at December 31, 2025, the Company has met the covenants.

In relation to the Third Tranche, the Company issued to Lind LP, 15,641,293 common share purchase warrants at an exercise price of \$0.1141, for a term of 60 months from the date of issuance, expiring July 31, 2030. On the issuance date, the fair value of the Third Tranche was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 145.18% based on historical volatility of the Company's common shares, risk-free rate of 2.77%, share price on issuance date of \$0.09 and expected life of 2 years. The fair value of the Third Tranche of the convertible security is \$3,459,821, which resulted in a loss of \$424,821 compared to proceeds received of \$3,035,000, net of the third closing fee of \$120,000. The Company determined that this loss cannot be recognized immediately in the consolidated statement of loss but rather should be deferred against the convertible security and realized over the term of the convertible security, as factors that a market participant would include in pricing the instrument including time, become observable.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

Subsequent to December 31, 2025, the Company issued 14,258,802 shares on conversion of a portion of the outstanding convertible securities.

The Company has recorded the convertible security at fair value through profit and loss. The convertible security has been recorded at Level 3 in the fair value hierarchy.

During the year ended December 31, 2025, 66,635,001 [2024 – 11,875,408] shares with a book value of \$4,090,921 [2024 – \$671,540], have been issued pursuant to conversions to shares under the convertible security agreement.

The fair value of the Convertible Security for the years ended December 31, 2025 and December 31, 2024 is as follows;

<b>December 31, 2025</b>				
<b>Convertible Security</b>	<b>Tranche #1</b>	<b>Tranche #2</b>	<b>Tranche #3</b>	<b>Total</b>
Beginning fair value	\$ 1,016,234	\$ 1,749,717	\$ 3,459,821	\$ 6,225,772
Early conversions	(1,163,127)	(1,713,104)	(1,214,690)	(4,090,921)
Loss (gain) on fair value adjustment	146,893	380,981	141,358	669,232
Balance at end of year	—	417,594	\$ 2,386,489	2,804,083
Unrecognized Day 1 Loss	(239,347)	(237,136)	(424,821)	(901,304)
Recognized loss during the year	239,347	155,395	134,759	529,501
Balance at end of year	—	(81,741)	(290,062)	(371,803)
Total balance at end of year	—	\$ 335,853	\$2,096,427	\$ 2,432,280
<b>December 31, 2024</b>				
<b>Convertible Security</b>	<b>Tranche #1</b>	<b>Tranche #2</b>	<b>Total</b>	
Issued at fair value	\$ 1,595,038	\$1,753,226	\$ 3,348,264	
Early conversions	(671,540)	—	(671,540)	
Loss (gain) on fair value adjustment	87,391	(5,301)	82,090	
Balance at end of year	1,010,889	1,747,925	2,758,814	
Unrecognized Day 1 Loss	(395,038)	(238,226)	(633,264)	
Recognized loss during the year	158,561	2,547	161,108	
Balance at end of year	(236,477)	(235,679)	(472,156)	
Total balance at end of year	\$ 774,412	\$1,512,246	\$ 2,286,658	

## Fortune Minerals Limited

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

## 13. FINANCIAL INSTRUMENTS

### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ["FVTPL"], at fair value through other comprehensive income (loss) ["FVTOCI"] or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading and the convertible security are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company classified cash, cash equivalents, reclamation security deposits, amounts receivable, accounts payable and accrued liabilities, lease liability, current debt and deferred government grants at amortized cost.

### (ii) Measurement

Financial assets and liabilities at amortized cost

- Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost, using the Effective Interest Rate method, less any impairment.

Financial assets and liabilities at FVTPL

- Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

### (iv) Derecognition

Financial assets

- The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets

## Fortune Minerals Limited

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

and substantially all of the associated risks and rewards of ownership to another entity.

### Financial liabilities

- The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and /or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

### (v) Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the statement 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 asset or liability that are not based on observable market data (unobservable inputs).

The Company is exposed to risks through its operations that arise from its use of financial instruments, which include credit risk, commodity price risk, liquidity risk and foreign exchange risk. Under the normal course of operations, the Company's management believes that these risks are minimal due to the nature of the financial instruments. The principal financial instruments used by the Company, from which financial instrument risk arises, are cash and cash equivalents, reclamation security deposits, amounts receivable, accounts payable and accrued liabilities, lease liability, current debts and convertible security.

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 for managing risk during the year ended December 31, 2025 and 2024.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and cash equivalents, reclamation security deposits and amounts receivable. Cash and cash equivalents and reclamation security deposits are held with major banks in Canada. Amounts receivable are due from the governments of Canada and the United States. Management believes that the credit risk with respect to its financial instruments is remote.

### 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's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2025, the Company's current assets of \$3,934,168 [2024 - \$2,476,665] were not sufficient to settle current liabilities. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

## Fortune Minerals Limited

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December 31, 2025 and 2024

#### Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk.

#### *i.* Financial instruments by category

##### Financial assets

	Financial assets at amortized cost	
	December 31, 2025	December 31, 2024
Cash and cash equivalents	\$ 2,257,451	\$ 1,592,329
Reclamation security deposits	204,643	199,982
Amounts receivable	1,534,337	730,276
Total financial assets	<u>\$ 3,996,431</u>	<u>\$ 2,522,587</u>

##### Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Accounts payable and accrued liabilities	\$ —	\$ —	\$ 698,637	\$ 588,203
Lease liability	—	—	110,720	169,204
Current debts	—	—	15,255,153	10,278,992
Convertible security	2,432,280	2,286,658	—	—
Total financial liabilities	<u>\$ 2,432,280</u>	<u>\$ 2,286,658</u>	<u>\$ 16,064,510</u>	<u>\$ 11,036,399</u>

#### *ii.* Financial instruments at amortized cost

The fair value of the Company's cash and cash equivalents, reclamation security deposits, amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair value of the lease liability measured at amortized cost has a fair value of approximately \$105,000 [December 31, 2024 - \$164,000] estimated using an 8% discount rate. The fair value of the current debt measured at amortized cost has a fair value of approximately \$14,715,000 [December 31, 2024 - \$9,116,000] estimated using a 14.5% discount rate.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

*iii.* Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	<b>Level 3</b>	
	December 31, 2025	December 31, 2024
Convertible security	\$ 2,432,280	\$ 2,286,658

There were no transfers between levels during the year.

The Company determined the estimated fair value of the convertible security using the Geometric Brownian motion model. Note 12 outlines the key assumptions used by the Company in determining the estimated fair values of its convertible security.

*iv.* Contractual maturities of financial liabilities

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2025. Payments due by year are as follows:

	Total	2026	2027	2028	Greater than 3 years
Accounts payable and accrued liabilities	\$ 698,637	\$ 698,637	\$ —	\$ —	\$ —
Lease liability	111,980	66,660	45,320	—	—
Provision for environmental rehabilitation	167,569	—	—	—	167,569
Current debt	12,058,651	12,058,651	—	—	—
Accrued interest on current debt	3,834,215	3,834,215	—	—	—
Convertible security	2,826,750	2,531,200	295,550	—	—
	<u>\$19,697,802</u>	<u>\$19,189,363</u>	<u>\$ 340,870</u>	<u>\$ —</u>	<u>\$ 167,569</u>

#### 14. INTEREST AND OTHER INCOME

Interest and other income consist of the following for the years ended December 31,

	<b>2025</b>	<b>2024</b>
Interest income	\$ 46,666	\$ 20,144
Foreign exchange gain (loss)	65,632	(50,570)
Flow-through share premium income	—	201,427
Loss on disposal of capital assets	(49)	—
Total Interest and Other Income	<u>\$ 112,249</u>	<u>\$ 171,001</u>

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 15. INCOME TAXES

The Company has non-capital loss carryforwards totaling \$64,261,000, net capital loss carryforwards of \$20,200,000, un-deducted debt and share issuance costs of \$95,000 and unused investment tax credits on pre-production mining costs of \$1,974,000. The non-capital losses will begin to expire in 2026. The benefit of certain non-capital losses and undeducted share issuance costs have been recorded in the consolidated financial statements only to the extent of existing taxable temporary differences. The potential benefits of these carry-forward non-capital losses, capital losses, and other deductible temporary differences have not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2025	December 31, 2024
	\$	\$
<b>Unrecognized deferred tax assets</b>		
Non-capital loss carry-forwards	61,372,000	60,885,000
Share issue costs	338,000	360,000
Mineral property costs	66,750,000	65,069,000
Other temporary differences	14,310,000	13,801,000
<b>Total temporary differences</b>	<b>142,770,000</b>	<b>140,115,000</b>

The reconciliation of income taxes computed at the statutory income tax rates to the provision for (recovery of) income taxes is as follows:

	December 31, 2025	December 31, 2024
	\$	\$
<b>Combined federal and provincial/state income tax rate</b>	<b>26.50%</b>	<b>26.50%</b>
(Loss) before income taxes	(4,524,646)	(3,608,045)
Corporate income tax recovery at statutory rate	(1,200,000)	(956,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	228,000	33,000
Flow-through renunciation	—	393,000
Tax value of loss carryforwards not recognized	972,000	530,000
	—	—

#### 16. MANAGEMENT OF CAPITAL

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and associated forecasts or budgets are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use of its capital, except in relation to the Second and Third Tranche of the convertible security, whereby the Company will be in default if the cash falls below \$250,000. In order to maximize ongoing development efforts, the Company does not pay out dividends currently.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

There have been no changes to the Company's approach to capital management during the years ended December 31, 2025 and 2024.

#### 17. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2025 and 2024, the Company paid key management personnel including officers, directors or their related entities for salaries and benefits and consulting services and/or management services.

The following compensation was earned by key management personnel for services provided during the year ended:

	<b>December 31, 2025</b>	December 31, 2024
Salaries and benefits	<b>\$ 188,620</b>	\$ 172,963
Consulting services	<b>532,822</b>	458,983
Stock based compensation	<b>757,510</b>	—
	<b>\$ 1,478,952</b>	\$ 631,946

As at December 31, 2025, \$48,096 [2024 - \$99,265] was owing to key management personnel for services provided during the year. The outstanding amounts are unsecured, not-interest bearing with no fixed terms of repayment.

## Fortune Minerals Limited

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025 and 2024

#### 18. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the period by the weighted average number of common shares outstanding in each respective year. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants, is the same as basic loss per share. For the 2025 and 2024 years presented, the conversion of stock options and warrants was not included in the diluted loss per share calculation because the calculation would be anti-dilutive.

	December 31, 2025	December 31, 2024
Net loss	\$ (4,524,646)	\$ (3,608,045)
Weighted average number of common shares	548,948,128	504,324,343
Basic loss per share	\$ (0.01)	\$ (0.01)

#### 19. STANDARDS, AMENDMENTS, AND INTERPRETATIONS

*i.* Future accounting standards

The Company has not yet determined the full extent of the impact of the following new standards, amendments, and interpretations, which have not been applied in these consolidated financial statements:

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statement to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also 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 2027, including interim financial statements. Retrospective application is required, and early adoption is permitted.

#### 20. COMMITMENT AND CONTINGENCIES

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

The Company has indemnified current and previous flow-through subscribers for any tax and related costs payable by them in the event the Company does not incur the required exploration expenditures. No amounts have been recorded in these financial statements for potential liabilities relating to these indemnities as a triggering event has not taken place.