# AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the Period Ended December 31, 2024
(in Canadian dollars)

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# Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements for Culico Metals Inc. (the "**Company**") are the responsibility of its management. The audited consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board ("**IASB**") and Interpretations (collectively "**IFRS Accounting Standards**"). The material accounting policies are disclosed in the notes to the audited consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions that were complete at the audited consolidated statement of financial position date. In the opinion of management, the audited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with IFRS Accounting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of and for the period presented by the consolidated financial statements, and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as at the date of and for the period presented by the audited consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the audited consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the audited consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

| | |
|---|---|
| /s/ Paul Huet | /s/ Carl Heinz-Gernandt |
| Paul Huet | Carl Heinz-Gernandt |
| President and Chief Executive Officer | Chief Financial Officer |

Toronto, Canada

April 30, 2025

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# Independent Auditor's Report

To the Shareholders of Culico Metals Inc.

## Opinion

We have audited the consolidated financial statements of Culico Metals Inc. (the Company), which comprise the statements of financial position as at December 31, 2024 and April 5, 2024, and the statements of loss and comprehensive loss, changes in equity and cash flows for the period from incorporation on April 5, 2024 to December 31, 2024, and notes to the financial statements, including *material accounting policy information.*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and April 5, 2024, and its financial performance and its cash flows for the period from incorporation on April 5, 2024 to December 31, 2024 in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 incurred a net loss of 2,643,301 during the period ended December 31, 2024. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Share-based compensation

*Description of the key audit matter*

There is a risk that the Company has not correctly applied the provisions of IFRS 2 in accounting for share-based payments, specifically in connection with the following issues.

- Due to the short history of the Company, we identified a risk with respect to estimation of the volatility. Volatility is a critical input in option-pricing models as it approximates the amount by which the price of the underlying asset is expected to fluctuate. For companies with a limited operating history, estimating future volatility can be particularly challenging, as there is less historical data to rely on. This uncertainty can significantly impact the valuation of share-based payments, leading to potential inaccuracies in financial reporting.

- The Company's stock options include a performance condition related to the likelihood of the Company's exit from the TSX Sandpoint program. This condition required management to make an estimate of the likelihood of this event occurring.

*How the key audit matter was addressed in the audit*

We performed the following procedures with respect to the risks identified within the share-based compensation:

- Obtained and reviewed management's accounting and valuation model for share-based payment arrangements entered into during the period;
- Evaluated the appropriateness of management's choice of fair value model at the period end date;
- Evaluated the fair value calculation and agreed assumptions and data to corroborative evidence;
- Reviewed management's disclosure in accordance with accounting standards; and
- Engaged our internal valuation specialists in support of certain procedures listed above.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Bryndon Kydd.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, Canada
April 30, 2025

# Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| As at | Note | December 31, 2024 | April 5, 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $5,958,214 | $1 |
| Accounts receivable | | 118,345 | - |
| Prepaid expenses | | 32,538 | - |
| | | 6,109,097 | 1 |
| **Non-current assets** | | | |
| Investment in associate | 5 | 3,973,643 | - |
| Right of use asset | 6 | 708,307 | - |
| Deferred tax | 11 | 97,244 | - |
| Deposit | | 67,094 | - |
| Total assets | | $10,955,385 | $1 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 7 | $851,695 | $- |
| Income tax liability | 11 | 88,674 | - |
| Lease obligations | 6 | 60,963 | - |
| | | 1,001,332 | - |
| **Non-current liabilities** | | | |
| Lease obligations | 6 | 661,363 | - |
| Total liabilities | | 1,662,695 | - |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 8 | 10,889,872 | 1 |
| Contributed surplus | | 1,045,577 | - |
| Accumulated other comprehensive income | | 542 | - |
| Deficit | | (2,643,301) | - |
| Total shareholders' equity | | 9,292,690 | 1 |
| Total liabilities and shareholders' equity | | $10,955,385 | $1 |

***Reference is made to note 16 for a subsequent event.***

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

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

| For the period ended December 31, 2024 | Note | |
|---|---|---|
| **Income** | | |
| Interest income | | $118,861 |
| | | |
| **Expenses** | | |
| Share of loss in associate | 5 | 26,357 |
| General and administrative | 10, 15 | 2,729,838 |
| Depreciation | | 8,398 |
| Accretion | | 5,225 |
| Foreign exchange gain | | 914 |
| Loss before income taxes | | 2,651,871 |
| Income tax expense - current | 11 | 88,674 |
| Income tax recovery - deferred | 11 | (97,244) |
| Net income tax recovery | | (8,570) |
| Net loss | | 2,643,301 |
| Currency translation adjustments | | (542) |
| Comprehensive loss | | $2,642,759 |
| | | |
| **Net loss per share attributable to common shareholders** | | |
| Basic and diluted | | $0.07 |
| | | |
| **Weighted average number of common shares outstanding** | | |
| Basic and diluted | | 39,952,873 |

**Period to date refers to the period from April 5, 2024 to December 31, 2024**

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

Culico

# Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

| **For the period ended December 31, 2024** | |
|---|---|
| **OPERATING CASH FLOWS** | |
| Net loss | ($2,643,301) |
| Items not affecting cash: | |
| Deferred tax recovery | (97,244) |
| Depreciation | 8,398 |
| Accretion | 5,225 |
| Share incentive plan expense | 1,045,577 |
| Share of loss in associate | 26,357 |
| Foreign exchange | 13,376 |
| | (1,641,612) |
| Changes in non-cash working capital: | |
| Accounts receivable | (118,345) |
| Prepaid expenses and deposit | (98,623) |
| Accounts payable and accrued liabilities | 784,165 |
| Net change in non-cash working capital | 567,197 |
| Net cash used by operating activities | (1,074,415) |
| | |
| **INVESTING CASH FLOWS** | |
| Investment in associate | (4,000,000) |
| Net cash used in investing activities | (4,000,000) |
| | |
| **FINANCING CASH FLOWS** | |
| Gross proceeds from the issuance of shares | 11,426,000 |
| Share issue costs | (395,191) |
| Net cash provided by financing activities | 11,030,809 |
| Effect of exchange rate changes on cash and cash equivalents | 1,820 |
| Net increase in cash | 5,958,214 |
| Opening cash | - |
| Closing cash | $5,958,214 |
| | |
| Components of cash and cash equivalents: | |
| Cash | $5,958,214 |
| Cash equivalents | - |
| | $5,958,214 |

**Period to date refers to the period from April 5, 2024 to December 31, 2024.**

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

## Consolidated Statement of Changes in Equity

(Expressed in Canadian dollars, except share numbers)

| | | Share capital | | Contributed Surplus | Accumulated Other Comprehensive Income | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|
| | Note | Number | $ | $ | $ | $ | $ |
| **Balance as at April 5, 2024** | | 1 | 1 | - | - | - | 1 |
| Share cancelled | 8 | (1) | (1) | - | - | - | (1) |
| Equity issue | 8 | 55,733,522 | 9,826,000 | - | - | - | 9,826,000 |
| Private placement | 8 | 24,999,997 | 1,600,000 | - | - | - | 1,600,000 |
| Equity issue costs | 8 | - | (536,128) | - | - | - | (536,128) |
| Share incentive plan | 9 | - | - | 1,045,577 | - | - | 1,045,577 |
| Comprehensive income (loss) | | - | - | - | 542 | (2,643,301) | (2,642,759) |
| **Balance as at December 31, 2024** | | 80,733,519 | 10,889,872 | 1,045,577 | 542 | (2,643,301) | 9,292,690 |

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

# Notes to the Financial Statements

## 1. NATURE OF OPERATIONS

Culico Metals Inc. (formerly 1000853883 Ontario Inc.) (“**Culico**” or **“Company”**) is a company domiciled in Canada and was incorporated on April 5, 2024 (**“Inception Date”**), under the Canada Business Corporations Act. The Company's registered office is located at 100 King Street West, Suite 3400, 1 First Canadian Place, Toronto, Ontario, M5X 1A4, Canada.

Culico was established as a spinout investment business to hold certain assets and rights which were held by Karora Resources Inc. (“**Karora**”). On April 8, 2024, Karora and Australian Stock Exchange (“**ASX**”) listed issuer Westgold Resources Limited (“**Westgold**”) entered into an arrangement agreement pursuant to which Westgold indirectly acquired 100% of the issued and outstanding common shares of Karora by way of a statutory plan of arrangement (the “**Plan of Arrangement**”) under the Canada Business Corporations Act (the “Arrangement”). The Arrangement was approved by Karora shareholders at a meeting held July 19, 2024. Karora obtained the final court order from the Ontario Superior Court of Justice (Commercial List) approving the arrangement on July 24, 2024. In addition to shareholder and court approvals, the Arrangement was subject to applicable regulatory approvals, including those of the Foreign Investment Review Board, the Toronto Stock Exchange and the ASX, and the satisfaction of certain other closing conditions customary for a transaction of this nature. The Company subsequently became a reporting issuer of the TSX Venture Exchange (“**TSXV**”) on August 16, 2024. The following Karora assets and rights (the "**Transferred Assets**") which form the “**Spinout Investment Business”,** were transferred to Culico in accordance with the contribution agreement entered into between Karora and Culico and the Plan of Arrangement effective on the effective date of July 31, 2024:

- $5 million in cash;
- right to receive the trailing asset sale proceeds for the Dumont asset being an amount up to US$30 million (“**Dumont Asset**”);
- $4.826 million in cash representing the economic equivalent value of the 31,863,345 shares of Kali Metals Limited ("**Kali**"), whose ordinary shares are listed on the ASX; and
- 1% lithium royalty for any lithium mined by Kali from the relevant Higginsville tenement package (collectively, the “**Royalty Rights**”);

(collectively the Spinout Investment Business).

Under the Arrangement, Karora shareholders received 0.3 of a Company share for every Karora share held on the effective date of the Arrangement and the Company was 100% owned by the existing shareholders of Karora.

These consolidated financial statements of the Company are as at December 31, 2024 and for the period from April 5, 2024 (Inception Date) to December 31, 2024.

The Company is a reporting issuer under applicable securities legislation in each of the provinces of Canada and its outstanding common shares are listed on the TSXV under the symbol “**CLCO**”. The Company has been listed on TSXV as a TSXV Sandbox Listing because the Company did not meet all TSXV’s listing requirements at the time of listing. The Company’s news release dated August 14, 2024 summarizes the waivers granted in connection with the Company's listing, provides details on the listing conditions imposed on the Company, the exit conditions the Company must meet in order to exit TSXV Sandbox and any consequences if the Company does not meet these exit conditions. There can be no assurance that the Company will meet all the exit conditions.

On November 12, 2024, the Company subscribed for 10 million shares of Americas Gold and Silver Corporation ("**AGS**"). The shares were issued pursuant to a private placement which AGS announced on October 30, 2024. AGS is listed on the Toronto Stock Exchange under the stock symbol '**USA**'. The issue price was $0.40 per share for a purchase price of $4 million. On December 31, 2024, the AGS share price was $0.56 for a fair value of $5.6 million. The Company owns 1.68% of the common shares of AGS. The address of AGS's registered office is 145 King Street West, Suite 2870, Toronto, Ontario, Canada, M5H 1J8.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

**Statement of Compliance**

These consolidated financial statements were authorized for issue by the Board of Directors of Culico on April 30, 2025.

**Basis of preparation and going concern**

These financial statements have been prepared on a historical cost basis in accordance with IFRS Accounting Standards applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company reported a net loss of $2,643,301 for the period ended December 31, 2024 which could cast significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS Accounting Standards applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company's presentation currency is Canadian dollars.

**Basis of measurement**

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## 3. MATERIAL ACCOUNTING POLICIES

The Company's consolidated financial statements consolidate the accounts of Culico and its wholly owned subsidiary, Mountain West Metals Inc. ("**MWM**"). MWM is a corporate office which is incorporated in the United States and whose functional currency is the US dollar.

A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control is transferred to the Company and are de-consolidated from the date control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by the Company. All intercompany transactions, balances and unrealized gains or losses from intercompany transactions are eliminated on consolidation.

### Investment in Associate

The Company accounts for its investments in AGS as an investment in associate using the equity method. An associate is an entity over which the investor has significant influence but not control and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights but can also arise where the Company has less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity.

Under the equity method, the investment is initially recognized at cost, including transaction costs, and the carrying amount is increased or decreased to recognize the Company's share of profits or losses of associates after the date of acquisition. The Company's share of profits or losses of associates is recognized in the consolidated statement of comprehensive income. Adjustments are made to align inconsistencies between the Company's accounting policies and its associate's policies, if any, before applying the equity method. The Company assesses at each period-end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Company's investment in associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the consolidated statement of comprehensive income.

### Functional and Presentation Currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The financial statements are presented in Canadian dollars. The functional currency of Culico is the Canadian dollar and the functional currency of MWM is the United States dollar. The consolidated financial statements of the Company are translated into the presentation currency. Assets and liabilities have been translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (the average rate for the period).

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who has been identified as the Chief Executive Officer, is responsible for allocating resources and assessing performance of the operating segments. As at December 31, 2024, only one operating segment was identified for reporting purposes.

**Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments remaining to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of twelve months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period that the transaction occurs.

**Share-based compensation**

The fair value of share options, restricted share units and director share units is measured at the grant date, including an estimate of the forfeiture rate, and recognized over the period during which the units vest. The fair value of the units granted is measured at the fair value on the grant date, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of share options granted to employees, directors and consultants is recognized as an expense over the vesting period with a corresponding increase in contributed surplus.

**Earnings per share**

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options, director share units and restricted share units outstanding that may add to the total number of common shares.

**Fair value**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models. The Company applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and;

Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

**Income taxes**

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are not recognized where the temporary difference arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that does not affect either accounting or taxable profit or loss, other than where the initial recognition of such an asset or liability arises in a business combination. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities or deferred tax assets against deferred tax liabilities and the respective assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### New accounting standards, amendments and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. The IASB issued IFRS 18 – *Presentation and Disclosure in Financial Statements* with mandatory application of the standard in annual reporting periods beginning on or after January 1, 2027. This standard is being assessed for its impact on the Company in the current or future reporting periods.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Certain amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

### Measurement of share incentive plan expense

Areas of significant accounting policy judgment affecting the amounts recognized in the consolidated financial statements include the portion of director and executive compensation expense to be issued in the form of share incentive plan awards. The ability to issue the share incentive plan awards is subject to the restrictions described in note 9.

### Income taxes

Preparation of the consolidated financial statements requires an estimate of income taxes in each of the jurisdictions in which the Company operates. The process involves an estimate of the Company's current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depreciation expense, for tax and accounting purposes, and when they might reverse. These differences may result in deferred tax assets and liabilities that are included in the Company's consolidated statement of financial position. An assessment is also made to determine the likelihood that the Company's future tax assets will be recovered from future taxable income. To the extent that recovery is not considered likely, the related tax benefits are not recognized. Judgment is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets, net of valuation allowances, are realizable. The impact of different interpretations and applications could be material.

## 5. INVESTMENT IN ASSOCIATE

Due to significant representation on both the Culico and AGS boards as well as some commonality of senior management, the Company is considered to have significant influence of AGS and consequently accounts for its investment using the equity method despite having less than a 20% ownership interest.

The following table reflects the movements in the Company's investment in associate:

(Expressed in Canadian dollars, unless otherwise indicated)

| **For the period ended December 31, 2024** | |
|---|---|
| Opening balance | $- |
| Acquisition of 10,000,000 shares of AGS | 4,000,000 |
| Share of loss in associate | (26,357) |
| Closing balance | $3,973,643 |

The following tables are summarized financial information for the Company's investment in AGS from December 19, 2024 to December 31, 2024 representing the period since the Company held its portion of the AGS:

| **Summarized statement of income**<br>**For the period December 19, 2024 to December 31, 2024** | |
|---|---|
| Revenue | $5,702,919 |
| Cost of sales | 4,905,669 |
| Depletion and amortization | 1,112,532 |
| Other | 2,196,605 |
| Loss before income taxes | 2,511,887 |
| Income tax expense | 42,688 |
| Net loss | 2,554,575 |
| Comprehensive income | (985,687) |
| Total comprehensive loss | $1,568,888 |

| **Summarized statement of financial position**<br>**As at December 31, 2024** | |
|---|---|
| Cash and cash equivalents | $28,780,878 |
| Other current assets | 29,802,497 |
| Total current assets | 58,583,375 |
| Non current assets | 379,793,793 |
| Total assets | $438,377,168 |

| | |
|---|---|
| Current liabilities | $99,874,049 |
| Non current liabilities | 100,407,881 |
| Total liabilities | 200,281,930 |
| Net assets | $238,095,238 |

(Expressed in Canadian dollars, unless otherwise indicated)

| **Reconciliation of summarized financial information to carrying value As ast December 31, 2024** | |
|---|---|
| Net assets | $238,095,238 |
| Culico's ownership percentage | 1.68% |
| Share of net assets | 4,000,000 |
| Share of loss of associate | (26,357) |
| Carrying value | $3,973,643 |

## 6. RIGHT OF USE ASSET

The right of use asset relates to the adoption of an office property lease in Reno, Nevada. The lease term is for 63 months and can be extended at the Company's option for one five year term. The Company measured the right of use asset and lease obligation assuming the initial 63 month term discounted at 9% and did not include the option to extend for an additional five years.

The following table reflects the movements in the Company's right of use asset:

| **For the period ended December 31, 2024** | |
|---|---|
| Opening balance | $- |
| Additions | 698,064 |
| Depreciation | (8,398) |
| Foreign exchange | 18,641 |
| Closing balance | $708,307 |

| **As at December 31, 2024** | |
|---|---|
| Cost | $716,949 |
| Accumulated Depreciation | (8,642) |
| Net book value | $708,307 |

The following table reflects the movements of lease obligations as it relates to the right of use asset described above:

| **For the period ended December 31, 2024** | |
|---|---|
| Opening balance | $- |
| Additions | 698,064 |
| Accretion | 5,225 |
| Foreign exchange | 19,037 |
| Closing balance | 722,326 |
| Less current portion | 60,963 |
| Non-current portion | $661,363 |

(Expressed in Canadian dollars, unless otherwise indicated)

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| As at | December 31, 2024 |
|---|---|
| Accounts payable | $416,186 |
| Accrued liabilities | 435,509 |
| | $851,695 |

## 8. SHARE CAPITAL

The Company is authorized to issue an unlimited amount of common shares.

On April 5, 2024, the Company issued one common share to Karora upon incorporation for $1.

On August 1, 2024, the Company cancelled the one common share issued on the Inception Date and issued the common shares in respect of the Arrangement described in Note 1 to Karora shareholders. A total of 55,733,522 common shares were issued with a gross value of $9,826,000 or $0.176 per share. Issue costs with respect to the shares issued pursuant to the Arrangement totaled $515,625 of which $140,937 was included in accounts payable and accrued liabilities as at December 31, 2024.

On October 1, 2024, the Company closed a private placement financing of 24,999,997 common shares at a price of $0.064 per common share for gross proceeds of $1,600,000. Issue costs with respect to the private placement totaled $20,503.

## 9. SHARE INCENTIVE PLAN

**Options**

On October 5, 2024, the Company granted 8,025,000 options to management and employees. The exercise price of the options was $0.105 per share being the closing price on the day preceding the grant date. The options vest over three years and have an expiration date of five years from the grant date.

The following table reflects the continuity of share purchase options for the period ended December 31, 2024:

| For the period ended December 31, 2024 | Number of options | Weighted average exercise price |
|---|---|---|
| Opening balance | - | $- |
| Grants | 8,025,000 | 0.105 |
| Closing balance | 8,025,000 | $0.105 |

The options have a weighted average remaining contractual life of 4.8 years and no options were exercisable on December 31, 2024.

(Expressed in Canadian dollars, unless otherwise indicated)

During the period ended December 31, 2024, the Company recorded share incentive payment expense in respect of options of $114,690.

The fair value of the options was measured using the black-scholes method with the following assumptions:

| | October 5, 2024 |
|---|---|
| Number of options granted | 8,025,000 |
| Fair value per unit | $ 0.094 |
| Share price | $ 0.105 |
| Risk free interest rate | 3.0% |
| Expected life | 5 years |
| Expected volatility | 100% |
| Expected dividends | -% |

**Restricted share units** (“**RSUs**”) **and director share units** (“**DSUs”**)

A portion of executive and director compensation is settleable with the grant of RSUs to executive staff and DSUs to directors (together “the units”) which would be exercisable for common shares of the Company.

On December 31, 2024, the units could not be issued because the Company did not have sufficient room to grant more convertible securities beyond the options described above. In accordance with regulatory guidelines, the Company needs to exit the TSXV Sandbox described in note 1 as well as meet certain restrictions on the number of convertible securities that are issuable relative to the Company’s total outstanding common shares. If the conditions to grant the RSUs and DSUs is not met in the future then this portion of compensation will be forfeited. Management’s believes that the conditions restricting the grant of the RSUs and DSUs are probable to be removed. Based on the share price of $0.105 on the trading date immediately preceding the grant date, a combined total of 8,865,581 RSUs and DSUs is expected to be issued once the above noted conditions restricting release are removed. Management recognized an expense of $930,887 in general and administrative expenses as at December 31, 2024 representing the value of the RSUs and DSUs that would have been issued if all conditions were met with an offset to contributed surplus. The fair value of the RSUs and DSUs is measured based on the fair value on the trading day immediately preceding the grant date. The RSUs have an expiration date of three years. The DSUs have an indefinite expiration date and are settleable upon the termination of a director.

(Expressed in Canadian dollars, unless otherwise indicated)

## 10. GENERAL AND ADMINISTRATIVE EXPENSES

| For the period ended December 31, 2024 | |
|---|---|
| Employee related | $1,045,565 |
| Director fees | 105,979 |
| Share incentive plan | 1,045,577 |
| Professional fees | 96,096 |
| Consulting fees | 200,306 |
| Public company fees | 55,624 |
| Investor relations | 5,942 |
| Office and general | 136,733 |
| Travel | 37,366 |
| Other | 650 |
| | $2,729,838 |

## 11. INCOME TAX

The following tables reconcile the expected income tax expense at the Canadian statutory income tax rates to the amounts recognized in the statement of consolidated loss and comprehensive loss for the period ended December 31, 2024:

| For the period ended December 31, 2024 | |
|---|---|
| Loss before income taxes | ($2,651,871) |
| Statutory tax rate | 26.5% |
| Expected income tax recovery | (702,746) |
| Non-deductible items and other | 20,383 |
| Stock based compensation | 251,937 |
| Non-deductible portion of capital loss | 3,493 |
| Change in deferred tax assets not recognized | 415,976 |
| Foreign tax rate differences | 2,387 |
| Net income tax recovery | ($8,570) |

| For the period ended December 31, 2024 | |
|---|---|
| Current tax expense | $88,674 |
| Deferred tax recovery | (97,244) |
| Net income tax recovery | ($8,570) |

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Details of deferred tax liabilities are as follows:

(Expressed in Canadian dollars, unless otherwise indicated)

| As at December 31, 2024 | |
|---|---|
| Right of use assets | ($148,744) |
| Accrued bonus | 74,378 |
| Stock based compensation | 19,923 |
| Lease liability | 151,687 |
| Net deferred tax asset | $97,244 |

The unrecognized deductible temporary differences as at December 31, 2024 are comprised of the following:

| As at December 31, 2024 | |
|---|---|
| Investments | $26,359 |
| Non-capital losses | 1,556,540 |
| Total unrecognized deductible temporary differences | $1,582,899 |

The Company has not recognized a deferred tax asset in respect of non-capital loss carry forward of approximately $1,556,540 which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in 2044.

## 12. RELATED PARTY TRANSACTIONS

The following table reflects remuneration of key management, which primarily consists of the Company's directors and executive officers:

| For the period ended December 31, 2024 | |
|---|---|
| Employee related and directors fees expense | $815,219 |
| Share incentive plan expense | 1,042,004 |
| | $1,857,223 |

On December 31, 2024, in respect of the above noted remuneration, the Company owed $458,814 which was included in accounts payable and accrued liabilities on the statement of financial position.

## 13. CAPITAL MANAGEMENT

Capital is defined as shareholder equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments or acquire or dispose of assets.

(Expressed in Canadian dollars, unless otherwise indicated)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are subject to approval by the Board of Directors.

## 14. EARNINGS PER SHARE

Basic net earnings per share has been calculated using the weighted average number of shares and common share equivalents issued and outstanding during the period. Equity based awards are reflected in diluted earnings per share by application of the treasury stock method. Due to being in a loss position for the period ended December 31, 2024, no equity based awards were dilutive. Therefore, both basic and diluted weighted average common shares are the same being 39,952,873.

## 15. MANAGEMENT OF FINANCIAL RISKS

The Company is exposed to the following risks:

### (i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Company intends to reduce its credit risk on its cash by deposits and investments with major Canadian and United States banks rated "A" or higher.

### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. Under the Arrangement, the Company was injected with cash along with certain assets and rights to establish independent liquidity.

The following table summarizes the expected maturity of the Company's financial liabilities based on the remaining period from the balance sheet date to the contracted maturity date on an undiscounted basis:

| As at December 31, 2024 | Payments by period | | | | | |
|---|---|---|---|---|---|---|
| | Less than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years | Total | Carrying Value |
| Accounts payable and accrued liabilities | $851,695 | $- | $- | $- | $851,695 | $851,695 |
| Income tax liability | 88,674 | - | - | - | 88,674 | 88,674 |
| Lease obligations | 124,538 | 370,895 | 393,482 | 34,188 | 923,103 | 722,326 |
| | $1,064,907 | $370,895 | $393,482 | $34,188 | $1,863,472 | $1,662,695 |

### (iii) Currency risk

The Company holds the majority of its cash in Canadian dollars. The majority of its expenses, however, relate to employee related costs which are predominantly denominated in US dollars. The Company is not currently at risk if the Canadian dollar changed significantly but it will explore options in the future to mitigate the risk.

## 16. SUBSEQUENT EVENT

The Company entered into a subscription agreement dated April 22, 2025 with Karrouba Copper Company Inc. ("**KCC**") under which it will acquire 30 million common shares of KCC for a total subscription amount of US$3 million.