



**HERITAGE
MINING LTD**

FINANCIAL STATEMENTS

Years ended December 31, 2024 and 2023

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Heritage Mining Ltd.

Opinion

We have audited the financial statements of Heritage Mining Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2024 and December 31, 2023 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty 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. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

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

- Management's Discussion and Analysis

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 Diana Huang.

Crowe Mackay LLP

**Chartered Professional Accountants
Vancouver, Canada
April 29, 2025**

HERITAGE MINING LTD.

Statements of Financial Position

As at December 31, 2024 and 2023

(Expressed in Canadian dollars)

| | 2024 | 2023 |
|---|---------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 558,277 | \$ 172,213 |
| GST/HST receivable | 144,164 | 221,395 |
| Prepays (Note 12) | 183,818 | 60,452 |
| | 886,259 | 454,060 |
| ROU assets (Note 7) | 218,338 | 81,581 |
| Total assets | \$ 1,104,597 | \$ 535,641 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Notes 5 and 12) | \$ 311,108 | \$ 268,642 |
| Lease liabilities (Note 7) | 170,677 | 71,902 |
| | 481,785 | 340,544 |
| Lease liabilities (Note 7) | - | 13,818 |
| Total liabilities | 481,785 | 354,362 |
| EQUITY | | |
| Share capital (Note 8) | 9,120,498 | 6,114,428 |
| Reserves (Notes 8 and 9) | 742,983 | 306,092 |
| Commitment to issue shares (Note 4) | 100,000 | - |
| Share subscription advances | - | 87,000 |
| Deficit | (9,340,669) | (6,326,241) |
| Total equity | 622,812 | 181,279 |
| Total liabilities and equity | \$ 1,104,597 | \$ 535,641 |
| Nature of operations and going concern (Note 1) | | |
| Subsequent events (Note 15) | | |

Approved and authorized for issue by the Board of Directors on April 29, 2025:

"Peter Schloo"

Peter Schloo, Director

"Patrick Mohan"

Patrick Mohan, Director

Accompanying notes are an integral part of the financial statements.

HERITAGE MINING LTD.

Statements of Comprehensive Loss

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

| | 2024 | 2023 |
|--|----------------|----------------|
| <hr/> | | |
| Expenses | | |
| Advertising, promotion, and investor relations | \$ 308,000 | \$ 448,939 |
| Capital market advisory | 68,333 | 275,000 |
| Consulting (Note 12) | 315,775 | 117,620 |
| Depreciation (Note 7) | 95,453 | 57,112 |
| Exploration expenditures (Note 4) | 1,253,887 | 1,149,851 |
| General and administrative (Note 12) | 128,729 | 192,682 |
| Management fees (Note 12) | 304,374 | 299,125 |
| Professional fees (Note 12) | 164,081 | 136,032 |
| Regulatory, filing and transfer agent fees | 33,489 | 32,777 |
| Share-based payments (Notes 8 and 12) | 356,591 | 66,078 |
| Expenses before other items | (3,028,712) | (2,775,216) |
| Loss on settlement of debt (Note 5) | (24,217) | - |
| Flow-through premium recovery (Note 6) | 38,501 | 80,502 |
| Net and comprehensive loss | \$ (3,014,428) | \$ (2,694,714) |
| Loss per share - basic and diluted | \$ (0.04) | \$ (0.07) |
| <hr/> | | |
| Weighted average number of shares outstanding – basic and diluted | 72,782,204 | 40,667,822 |

Accompanying notes are an integral part of the financial statements.

Heritage Mining Ltd.

Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Reserves | Share Subscription Advances | Commitment to Issue Shares | Deficit | Total Equity |
|--|---------------------|---------------|------------|--------------------------------|-------------------------------|----------------|--------------|
| Balance, December 31, 2022 | 32,998,619 | \$ 4,902,098 | \$ 177,414 | \$ - | \$ - | \$ (3,631,527) | \$ 1,447,985 |
| Private placement | 13,685,551 | 1,301,300 | - | - | - | - | 1,301,300 |
| Shares issued for properties | 1,783,333 | 99,000 | - | - | - | - | 99,000 |
| Share issue costs – cash | - | (55,770) | - | - | - | - | (55,770) |
| Share issue costs – warrants | - | (62,600) | 62,600 | - | - | - | - |
| Share subscription advances | - | - | - | 87,000 | - | - | 87,000 |
| Flow-through premium | - | (69,600) | - | - | - | - | (69,600) |
| Share-based payments | - | - | 66,078 | - | - | - | 66,078 |
| Net loss for the year | - | - | - | - | - | (2,694,714) | (2,694,714) |
| Balance, December 31, 2023 | 48,467,503 | 6,114,428 | 306,092 | 87,000 | - | (6,326,241) | 181,279 |
| Private placement | 44,803,440 | 2,287,006 | - | (87,000) | - | - | 2,200,006 |
| Shares issued for properties | 9,099,999 | 475,000 | - | - | - | - | 475,000 |
| Commitment to issue shares for properties | - | - | - | - | 100,000 | - | 100,000 |
| Share issue costs – cash | - | (137,306) | - | - | - | - | (137,306) |
| Share issue costs – warrants and compensation options | - | (80,300) | 80,300 | - | - | - | - |
| Flow-through premium | - | (38,501) | - | - | - | - | (38,501) |
| Share issued for debt settlement | 3,912,573 | 227,171 | - | - | - | - | 227,171 |
| Shares issued for services | 4,200,000 | 273,000 | - | - | - | - | 273,000 |
| Share-based payments | - | - | 356,591 | - | - | - | 356,591 |
| Net loss for the year | - | - | - | - | - | (3,014,428) | (3,014,428) |
| Balance, December 31, 2024 | 110,483,515 | \$ 9,120,498 | \$ 742,983 | \$ - | \$ 100,000 | \$ (9,340,669) | \$ 622,812 |

Accompanying notes are an integral part of the financial statements.

HERITAGE MINING LTD.

Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

| For the years ended | 2024 | 2023 |
|--|----------------|----------------|
| Operating Activities | | |
| Net loss for the year | \$ (3,014,428) | \$ (2,694,714) |
| Items not affecting cash: | | |
| Depreciation | 95,453 | 57,112 |
| Accrued interest expense | 13,282 | 12,190 |
| Share-based payments | 356,591 | 66,078 |
| Shares issued for properties | 475,000 | 99,000 |
| Shares to be issued for properties | 100,000 | - |
| Shares issued for services | 273,000 | - |
| Loss on settlement of debt | 24,217 | - |
| Flow-through premium recovery | (38,501) | (80,502) |
| Changes in non-cash working capital items related to operations: | | |
| GST/HST receivable | 77,231 | 6,395 |
| Prepays | (123,366) | 548,922 |
| Accounts payable and accrued liabilities | 245,420 | 81,532 |
| Cash used in operating activities | (1,516,101) | (1,903,987) |
| Financing Activities | | |
| Shares issued for cash | 2,200,006 | 1,301,300 |
| Share issuance costs | (137,306) | (55,770) |
| Share subscription advances | - | 87,000 |
| Lease payments | (160,535) | (65,163) |
| Cash provided by financing activities | 1,902,165 | 1,267,367 |
| Change in cash during the year | 386,064 | (636,620) |
| Cash, beginning of year | 172,213 | 808,833 |
| Cash, end of the year | \$ 558,277 | \$ 172,213 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the year: | | |
| Interest | \$ - | \$ - |
| Income taxes | \$ - | \$ - |
| Non-cash financing activities: | | |
| ROU assets | \$ 232,210 | \$ 138,693 |
| Fair value of finder's warrants | \$ 80,300 | \$ 62,600 |

Accompanying notes are an integral part of the financial statements.

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Heritage Mining Ltd. (the “Company”) was incorporated on October 18, 2019, under the Business Corporations Act (British Columbia). The Company is engaged in the business of exploration for gold and other metals across Canada. The Company’s principal objectives are to explore and develop the Drayton - Black Lake Property and to identify other properties worthy of investment and exploration.

The Company’s registered and head office is located at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, V6C 2E9.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has no source of revenue and incurred losses since its inception and had an accumulated deficit of \$9,340,669 at December 31, 2024 (2023 - \$6,326,241). This indicates the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The continuing operations of the Company are dependent upon obtaining necessary financing to meet the Company’s commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

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

2. BASIS OF PRESENTATION

Statement of compliance

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

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs except for certain financial instruments which are measured at fair value.

Significant accounting estimates and assumptions

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

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments

Information about critical judgments, apart from those involving estimates, in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

Going Concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding availability for its exploration projects and working capital requirements.

3. MATERIAL ACCOUNTING POLICIES

Exploration and evaluation expenditures

Exploration and evaluation expenditures, including acquisition costs, are expensed in the year in which they are incurred. Mining exploration tax credits are accrued and recorded against exploration and evaluation expenditures when the related expenditures are incurred, unless collectability cannot be reasonably assured.

When equity instruments are issued as part of mineral property acquisition costs, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the fair value of the equity instruments issued.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and development costs are capitalized to "mines under construction" on the statement of financial position.

Restoration and environmental obligations

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Restoration and environmental obligations are recorded as liabilities when those obligations are incurred and are measured at the present value, if a reasonable estimate of the expected costs to settle the liability can be determined, discounted at a current pre-tax rate specific to the liability. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing or the amount of the original estimate of the undiscounted cash flows are accounted for as part of the carrying amount of the related long-lived asset. The carrying amount of the restoration and environmental obligations is reviewed to reflect current estimates and changes in the discount rate.

Lease

The right-of-use assets ("ROU") is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end-of-the-useful-life or the lease term, whichever comes earlier, using the straight-line method. If it is reasonably certain that the Company will obtain ownership by the end of the lease term through a purchase option, the leased asset is depreciated over its useful life.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at the amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Lease (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants 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 tax, from the proceeds.

Proceeds from the exercise of stock options and warrants are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Capital stock issued for non-monetary consideration is valued at the closing market price at the date of issuance when the fair value of the non-monetary assets cannot be reasonably estimated.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value in warrants reserve is transferred to capital stock. For those warrants that expire the recorded value remains in reserves.

Flow-through shares

The Company has from time to time, issued flow-through common shares and units to finance its exploration program. Pursuant to the terms of the flow-through agreements, these shares and units transfer the tax deductibility of qualifying resource expenditures to investors. At the time of closing a financing involving flow-through units consisting of common shares and warrants, the Company allocates proceeds received as follows: i) share capital – the market trading price of the common shares, ii) flow-through share premium – equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and iii) warrant reserve – any excess.

Income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income (loss) attributable to common shareholders equals the reported income (loss) attributable to owners of the Company. Diluted income (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted income (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. As the Company has reported losses for the periods presented, the effect of stock options and warrants is anti-dilutive; therefore, basic loss per share equals diluted loss per share.

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination;
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
 - at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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 assets can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments

Cash, lease liabilities and accounts payable and accrued liabilities initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Foreign currency translation

The functional currency of the Company is Canadian Dollar, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at period end rates. Gains and losses are included in profit and loss.

Change of accounting policy

Effectively January 1, 2024 the Company has elected to revise its accounting policy on how the fair value of the expired warrants and options previously recorded in reserves are accounted for. Previously the fair value of the expired warrants and options were transferred to another equity account, whereas the revised policy states that the fair value of the expired warrants and options remains in reserves. The change of accounting policy did not have any impact on the financial statements.

Adoption of new accounting standards

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024. The adoption of the amendments did not have a material impact on the financial statements.

New accounting standards issued but not yet effective

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

1. Three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.
2. Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.
3. Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will be assessing the impact of adopting the above standard on the financial statements.

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES

The exploration and evaluation expenses for the Company for the years ended December 31, 2024 and 2023 are summarized as follows:

| Year ended December 31, 2024 | Drayton – Black Lake | Contact Bay | Zarn Lake | Scattergood | Other | Total |
|------------------------------------|-------------------------|-------------|------------|-------------|-----------|--------------|
| Acquisition cost | \$ 300,750 | \$ 10,000 | \$ 95,000 | \$ 200,000 | \$ - | \$ 605,750 |
| Assay | 99,337 | - | - | - | - | 99,337 |
| Drilling | 128,423 | - | 319 | - | - | 128,742 |
| Field work and supplies | 269,102 | 1,980 | 9,768 | - | - | 280,850 |
| Geological and geophysical | 341,069 | 42,318 | 1,164 | 10,707 | 48,444 | 443,702 |
| Travel | 32,473 | 3,033 | - | - | - | 35,506 |
| Cost recoveries – Government grant | (340,000) | - | - | - | - | (340,000) |
| Exploration expenditures | \$ 831,154 | \$ 57,331 | \$ 106,251 | \$ 210,707 | \$ 48,444 | \$ 1,253,887 |

| Year ended December 31, 2023 | Drayton – Black Lake | Contact Bay | Zarn Lake | Total |
|------------------------------------|-------------------------|-------------|------------|--------------|
| Acquisition cost | \$ 71,250 | \$ 6,500 | \$ 35,000 | \$ 112,750 |
| Assay | 158,306 | - | 2,755 | 161,061 |
| Field work and supplies | 235,699 | 25,233 | 34,068 | 295,000 |
| Geological and geophysical | 132,138 | 49,857 | 31,089 | 213,084 |
| Drilling | 283,845 | - | 344,111 | 627,956 |
| Cost recoveries – Government grant | (260,000) | - | - | (260,000) |
| Exploration expenditures | \$ 621,238 | \$ 81,590 | \$ 447,023 | \$ 1,149,851 |

Drayton - Black Lake Project

On November 25, 2021, the Company entered into an option agreement, amended on November 21, 2023, December 29, 2023 and October 23, 2024, to acquire a 90% interest in the Drayton - Black Lake Property. The Company paid \$20,000 upon signing the letter of intent and is required to make staged option payments, common share issuances and minimum spend requirements over a four year period. To earn a 51% interest in the property, the Company must:

- Issue 2,800,000 shares within 10 business days upon a go public transaction (issued);
- Pay \$150,000 cash (paid), issue 1,100,000 common shares (issued) and incur \$500,000 in project expenditures on or before November 25, 2022 (incurred);
- Issue 1,350,000 common shares (issued) and incur \$1,000,000 in project expenditures on or before November 25, 2023 (incurred);
- Issue 6,000,000 units on or before January 12, 2024, with each unit consisting of one common share and one warrant to purchase a common share in the capital of the Company at a price of \$0.075 for a period of 24 months from the date of issue (issued); and
- Issue 1,100,000 common shares (issued subsequently), issue 3,000,000 units (issued subsequently), with each unit consisting of one common share and one warrant to purchase a common share in the capital of the Company at a price of \$0.10 for a period of 36 months from the date of issue, and incur \$1,000,000 in project expenditures (incurred) on or before January 25, 2025.

To earn an additional 39% interest (for an aggregate 90% interest in the Property), the Company must:

- Issue 1,100,000 common shares and incur \$2,500,000 in project expenditures on or before November 25, 2026.

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Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

4. EXPLORATION EXPENDITURES (continued)

Drayton - Black Lake Project (continued)

The optionor is also entitled to a cash payment upon the establishment of any mineral resources in the Drayton - Black Lake Project equal to \$1.00 per ounce of gold equivalent capped at \$10M.

The optionor has the option to maintain a 10% interest in the project through a joint venture agreement or take back a royalty described below upon the presentation of a feasibility study:

- 2% NSR on unincumbered land – Buyback 1% for \$2M
- 1% NSR on Drayton - Black Lake Claims – Buyback 0.5% for \$1M

The Company must spend a minimum of \$500,000 per year through to the presentation of a feasibility study.

Split Lake Property

The Company entered into a definitive asset purchase agreement with Bounty Gold Corp. (“Bounty”) dated August 25, 2022 (the “Agreement”) whereby it will acquire fifty (50) mining claims in the Split Lake zone (the “Split Lake Property”) adjacent to Heritage’s flagship Drayton-Black Lake Project. Pursuant to the terms of the Agreement, Heritage will acquire a 100% interest in the Split Lake Property in exchange for issuing Bounty 100,000 Common Shares (issued September 1, 2022), paying Bounty \$5,000 in cash (paid) and granting Bounty a 1% net smelter return royalty (the “NSR”) on the Split Lake Property at closing, one-half (0.5%) of such NSR may be purchased for \$500,000 by Heritage.

Contact Bay Project

On October 15, 2021, the Company entered into an asset purchase agreement to acquire a 100% interest in the Contact Bay claims from Bounty Gold Corp. To earn its 100% interest in the property, the Company paid \$2,000 upon signing the purchase agreement and is required to issue \$8,000 worth of common shares upon the go public transaction (32,000 shares issued).

On October 22, 2021, the Company entered into an asset purchase agreement to acquire a 100% interest in the Contact Bay claims from Scott Woolhead. To earn a 100% interest in the property, the Company paid \$2,500 upon signing the purchase agreement.

On December 6, 2021, the Company entered into an asset purchase agreement (the “EMX Agreement”) to acquire a 100% interest in the Contact Bay claims from EMX Royalties. To earn a 100% interest in the property, the Company paid \$15,000 upon signing the asset purchase agreement. EMX Royalties retains a 3% NSR with a 1% buyback provision for \$1,500,000. Annual advance royalties are due to EMX Royalties beginning on the third anniversary of the EMX Agreement in the amount of \$10,000 per year (common shares of the Company or cash at the Company’s discretion) until a maiden resource is issued, after that time an annual advance royalty of \$25,000 (common shares of the Company or cash at the Company’s discretion) is payable by the Company until production occurs. EMX Royalties is entitled to milestone bonus payments in cash or shares at the Company’s discretion following the announcements listed below:

- \$100,000 on announcement of maiden resource
- \$250,000 on announcement of preliminary economic assessment
- \$350,000 on announcement pre-feasibility study
- \$500,000 announcement on feasibility study

During the year ended December 31, 2024, the Company accrued \$10,000 (2023 - \$Nil) of annual advance royalty payment to EMX.

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4. EXPLORATION EXPENDITURES (continued)

Zarn Lake Property

On January 6, 2022, the Company entered into an option agreement to acquire a 100% interest in the Zarn Lake property contiguous with the Drayton - Black Lake Project. To earn its 100% interest in the property, the Company paid \$20,000 upon signing the option agreement and is required to make staged option payments, common share issuances and minimum spend requirements over a three year period as follows:

- Issue \$50,000 worth of common shares upon completion of a go public transaction (200,000 shares issued);
- Pay \$10,000 cash (paid), issue \$25,000 worth of common shares (333,333 shares issued) and incur \$50,000 in project expenditures on or before January 6, 2023 (incurred);
- Pay \$20,000 cash (paid), issue \$25,000 worth of common shares (500,000 shares issued) and incur \$100,000 in project expenditures on or before January 6, 2024 (incurred); and
- Pay \$70,000 cash (paid subsequently), issue \$50,000 worth of common shares (833,333 shares issued) and incur \$250,000 in project expenditures on or before January 6, 2025 (incurred).

The optionor retains a 2% NSR on the property with a buy back of 1% for \$1,000,000 and an advance royalty payment of \$1,000 per year for each year following the commencement of commercial production after the Company earns 100% of the option agreement.

Scattergood Project

On May 31, 2024 (the “Signing Date”), the Company entered into an asset purchase agreement to acquire a 100% interest in certain unpatented claims from Shear Gold Exploration Corp. (“Vendor”). To earn its 100% interest in the property, the Company is required to issue \$100,000 worth of common shares together with the grant of the Royalty. The Common Shares shall be issuable to the Vendor as follows:

- \$15,000 Common Shares issuable on the Signing Date at a deemed price equal to the Market Price (300,000 shares issued);
- \$35,000 in Common Shares issuable on or within ten (10) Business Days of the six month anniversary of the Signing Date (the “Anniversary Date”) at a deemed price equal to the Market Price (583,333 shares issued); and
- \$50,000 in Common Shares issuable on or within ten (10) Business Days of the Closing Date, which is the 18 month anniversary of the Signing Date at a deemed price equal to the Market Price (recorded as commitment to issue shares).

The Company has an option to accelerate its payments by providing written notice to the Vendor no less than ten (10) Business Days prior to the proposed accelerated payment date without incurring any penalty or additional fee (“the Acceleration Option”).

The Vendor retains a 1.5% NSR on the property with a buy back of 0.5% for \$500,000.

On May 31, 2024 (the “Signing Date”), the Company entered into an asset purchase agreement to acquire a 100% interest in certain unpatented claims from South Timmins Mining Inc. (“Vendor”). To earn its 100% interest in the property, the Company is required to issue \$100,000 worth of common shares together with the grant of the Royalty. The Common Shares shall be issuable to the Vendor as follows:

- \$15,000 Common Shares issuable on the Signing Date at a deemed price equal to the Market Price (300,000 shares issued);
- \$35,000 in Common Shares issuable on or within ten (10) Business Days of the six month anniversary of the Signing Date (the “Anniversary Date”) at a deemed price equal to the Market Price (583,333 shares issued); and

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4. EXPLORATION EXPENDITURES (continued)**Scattergood Project (continued)**

- \$50,000 in Common Shares issuable on or within ten (10) Business Days of the Closing Date, which is the 18 month anniversary of the Signing Date at a deemed price equal to the Market Price (recorded as commitment to issue shares).

The Company has an option to accelerate its payments by providing written notice to the Vendor no less than ten (10) Business Days prior to the proposed accelerated payment date without incurring any penalty or additional fee (“the Acceleration Option”).

The Vendor retains a 1% NSR on the property with a buy back of 0.5% for \$500,000.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2024 | December 31, 2023 |
|---------------------|------------------------------|----------------------|
| Accounts payable | \$ 262,108 | \$ 248,642 |
| Accrued liabilities | 49,000 | 20,000 |
| | \$ 311,108 | \$ 268,642 |

During the year ended December 31, 2024, the Company issued 3,912,573 (2023 – Nil) common shares to settle accounts payable of \$202,954 and recorded \$24,217 loss on the settlement.

6. FLOW-THROUGH PREMIUM

The following is a continuity schedule of the flow-through premium:

| | December 31, 2024 | December 31, 2023 |
|--|------------------------------|----------------------|
| Balance, beginning of year | \$ - | \$ 10,902 |
| Incurred on flow-through shares issued during the year | 38,501 | 69,600 |
| Settlement of flow-through premium by incurring expenditures | (38,501) | (80,502) |
| | \$ - | \$ - |

Year ended December 31, 2024:

On June 20, 2024, the Company issued 3,850,066 flow-through units at a price of \$0.06 per unit. The premium paid by investors was determined to be \$0.01 per share. Accordingly, \$38,501 was recorded as flow-through premium.

On June 28, 2024, the Company issued 833,334 flow-through units at a price of \$0.06 per unit. The premium paid by investors was determined to be \$Nil per share. Accordingly, \$Nil was recorded as flow-through premium.

In October 2024, the Company issued 11,800,040 flow-through shares at a price of \$0.05 per flow-through share. The premium paid by investors was determined to be \$Nil per share. Accordingly, \$Nil was recorded as flow-through premium.

In November 2024, the Company issued 5,500,000 flow-through shares at a price of \$0.05 per flow-through share. The premium paid by investors was determined to be \$Nil per share. Accordingly, \$Nil was recorded as flow-through premium.

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6. FLOW-THROUGH PREMIUM (continued)**Year ended December 31, 2023:**

In April 2023, the Company issued 2,510,000 flow-through units at a price of \$0.10 per unit. The premium paid by investors was determined to be \$0.01 per share. Accordingly, \$25,100 was recorded as flow-through premium.

In June 2023, the Company issued 4,050,000 flow-through units at a price of \$0.10 per unit. The premium paid by investors was determined to be \$0.01 per share. Accordingly, \$40,500 was recorded as flow-through premium.

In August 2023, the Company issued 400,000 flow-through units at a price of \$0.10 per unit. The premium paid by investors was determined to be \$0.01 per share. Accordingly, \$4,000 was recorded as flow-through premium.

Expenditure Commitments:

As at December 31, 2024, the Company had \$687,458 (2023 - \$Nil) commitment remaining to incur exploration expenditures in relation to its flow-through financing.

7. LEASE

During the year ended December 31, 2023, the Company entered into three agreements that were leases as defined under IFRS 16. In analyzing the identified agreement, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all of the facts and circumstances surrounding the inception of the contract. Lease liabilities for the Sioux Lookout office and CanAm Outlander Max & Trailer were calculated with a discount rate of 20%. Lease liabilities for the vehicle is calculated with a discount rate of 8.90%. During the year ended December 31, 2024, the Company renewed its lease for the Sioux Lookout office and entered into a new lease agreement for drill equipment. Lease liability for the drill equipment is calculated with a discount rate of 10.05%.

| Lease Type | Date of Maturity |
|-------------------------------|------------------|
| Sioux Lookout office | July 31, 2025 |
| CanAm Outlander Max & Trailer | May 31, 2025 |
| Vehicle | May 9, 2025 |
| Drill equipment | December 1, 2025 |

The right of use assets are depreciated on a straight-line basis over the term of the lease.

| | | |
|---------------------------------------|----|----------|
| Right of use asset, December 31, 2022 | \$ | - |
| Addition | | 138,693 |
| Depreciation | | (57,112) |
| Right of use asset, December 31, 2023 | | 81,581 |
| Addition | | 232,210 |
| Depreciation | | (95,453) |
| Right of use asset, December 31, 2024 | \$ | 218,338 |

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

7. LEASE (continued)

| | | |
|--------------------------------------|----|-----------|
| Lease liabilities, December 31, 2022 | \$ | - |
| Addition | | 138,693 |
| Accretion of interest | | 12,190 |
| Payment of lease liabilities | | (65,163) |
| Lease liabilities, December 31, 2023 | | 85,720 |
| Addition | | 232,210 |
| Accretion of interest | | 13,282 |
| Payment of lease liabilities | | (160,535) |
| Lease liabilities, December 31, 2024 | | 170,677 |
| Lease liabilities – current | | (170,677) |
| Lease liabilities – long term | \$ | - |

Future minimum annual lease payments for the next year is \$175,120.

8. SHARE CAPITALAuthorized:

The authorized share capital of the Company consists of unlimited common shares without par value.

Issued:During the year ended December 31, 2024:

On January 12, 2024, the Company issued 500,000 common shares at a value of \$25,000 as part of the option payments for the Zarn Lake Property Agreement and 6,000,000 units at a value of \$300,000 as part of the option payment for the Drayton – Black Lake Project. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 until January 12, 2026. (Note 4)

On January 12, 2024, the Company completed a non-brokered private placement by issuing 2,780,000 units at a price of \$0.05 per unit for gross proceeds of \$139,000, of which \$87,000 was received during the year ended December 31, 2023. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 until January 12, 2026.

The Company paid \$3,882 in finders' and legal fees and issued 32,000 compensation options entitling the holder to purchase one additional unit at an exercise price of \$0.05 until January 12, 2026. The compensation options have an estimated fair value of \$1,600, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 2 years, volatility 100%, risk-free rate 3.98%, dividend yield 0%. Each compensation option unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 for a period of 24 months from its date of issuance.

On June 6, 2024, the Company issued 600,000 common shares at a value of \$30,000 as part of the acquisition payments for the Scattergood project (Note 4).

On June 6, 2024, the Company issued 1,100,000 common shares at a value of \$55,000 pursuant to debt settlement.

On June 20, 2024, the Company completed the first tranche of a non-brokered private placement by issuing 7,240,000 units at a price of \$0.05 per unit for gross proceeds of \$362,000. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 until June 20, 2027.

The Company also issued 3,850,066 flow-through units at a price of \$0.06 per flow-through unit for gross proceeds of \$231,004. Each flow-through unit consists of one flow-through common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 until June 20, 2027.

HERITAGE MINING LTD.

Notes to the financial statements

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8. SHARE CAPITAL (continued)

During the year ended December 31, 2024 (continued):

The Company paid \$40,507 in finders' and legal fees and issued 400,806 compensation options entitling the holder to purchase one additional unit at an exercise price of \$0.05 until June 20, 2026. The compensation options have an estimated fair value of \$15,600, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 2 years, volatility 150%, risk-free rate 3.77%, dividend yield 0%. Each compensation option unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.05 for a period of 24 months from its date of issuance.

On June 28, 2024, the Company issued 840,000 common shares at a value of \$50,400 to settle \$42,000 of debt and recorded \$8,400 loss on the settlement.

On June 28, 2024, the Company completed the second tranche of a non-brokered private placement by issuing 2,140,000 units at a price of \$0.05 per unit for gross proceeds of \$107,000. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 until June 28, 2027.

The Company also issued 833,334 flow-through units at a price of \$0.06 per flow-through unit for gross proceeds of \$50,000. Each flow-through unit consists of one flow-through common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.075 until June 28, 2027.

The Company paid \$2,500 in finders' fees and issued 41,666 compensation options entitling the holder to purchase one additional unit at an exercise price of \$0.05 until June 28, 2027. The compensation options have an estimated fair value of \$2,000, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 150%, risk-free rate 3.83%, dividend yield 0%. Each compensation option unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.05 for a period of 36 months from its date of issuance.

On October 18, 2024, the Company issued 1,100,000 common shares at a value of \$71,500 pursuant to settle \$55,000 debt and recorded loss of \$16,500 on the settlement.

On October 18, 2024, the Company issued 4,200,000 common shares for management and consulting services at a fair value of \$273,000.

On October 18, 2024, the Company completed the first tranche of a non-brokered private placement by issuing 9,720,000 units at a price of \$0.05 per unit for gross proceeds of \$486,000. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.10 until October 18, 2027.

The Company paid \$59,756 in finders' and legal fees and issued 817,202 compensation warrants entitling the holder to purchase one additional common share at an exercise price of \$0.05 until October 18, 2027. The compensation warrants have an estimated fair value of \$44,500, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 150%, risk-free rate 2.95%, dividend yield 0%.

The Company also issued 11,800,040 flow-through shares at a price of \$0.05 per flow-through share for gross proceeds of \$590,002.

On November 8, 2024, the Company completed the second tranche of a non-brokered private placement by issuing 940,000 units at a price of \$0.05 per unit for gross proceeds of \$47,000. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.10 until November 8, 2027.

HERITAGE MINING LTD.

Notes to the financial statements

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8. SHARE CAPITAL (continued)During the year ended December 31, 2024 (continued):

The Company paid \$30,661 in finders' and legal fees and issued 332,400 compensation warrants entitling the holder to purchase one additional common share at an exercise price of \$0.05 until November 8, 2027. The compensation warrants have an estimated fair value of \$16,600, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 150%, risk-free rate 3.05%, dividend yield 0%.

The Company also issued 5,500,000 flow-through shares at a price at a price of \$0.05 per flow-through share for gross proceeds of \$275,000.

On November 8, 2024, the Company issued 664,240 common shares at a value of \$39,854 pursuant to settle \$38,454 debt and recorded loss of \$1,400 on settlement.

On November 28, 2024, the Company issued 1,166,666 common shares at a value of \$70,000 as part of the acquisition payments for the Scattergood project (Note 4).

On December 31, 2024, the Company issued 833,333 common shares at a value of \$50,000 as part of the acquisition payments for the Zarn Lake Property Agreement (Note 4).

On December 31, 2024, the Company issued 208,333 common shares at a value of \$10,417 pursuant to settle \$12,500 debt and recorded gain of \$2,083 on the settlement.

Expected volatility for all of the above share-based payments was determined based on comparable peer companies' share price.

During the year ended December 31, 2023:

On January 6, 2023, the Company issued 333,333 common shares at a value of \$25,000 as part of the acquisition payments for the Zarn Lake Property Agreement (Note 4).

On April 12, 2023, the Company completed the first tranche of a non-brokered private placement by issuing 1,418,333 units at a price of \$0.09 per unit for gross proceeds of \$127,650. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.15 until April 12, 2026.

The Company also issued 2,510,000 flow-through units at a price at a price of \$0.10 per flow-through unit for gross proceeds of \$251,000. Each flow-through unit consists of one flow-through common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.15 until April 12, 2026.

The Company paid \$17,020 in finders' fees and issued 258,177 agent options entitling the holder to purchase one additional unit at an exercise price of \$0.09 until April 12, 2026. The compensation options have an estimated fair value of \$27,200, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 100%, risk-free rate 3.75%, dividend yield 0%.

On June 19, 2023, the Company completed the second tranche of a non-brokered private placement by issuing 502,777 units at a price of \$0.09 per unit for gross proceeds of \$45,250. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.15 until June 19, 2026.

The Company also issued 4,050,000 flow-through units at a price at a price of \$0.10 per flow-through unit for gross proceeds of \$405,000. Each flow-through unit consists of one flow-through common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.15 until June 19, 2026.

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8. SHARE CAPITAL (continued)

During the year ended December 31, 2023 (continued):

The Company paid \$17,620 in finders' fees and issued 258,000 agent options entitling the holder to purchase one additional unit at an exercise price of \$0.09 until June 19, 2026. The compensation options have an estimated fair value of \$27,300, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 100%, risk-free rate 4.57%, dividend yield 0%.

On August 18, 2023, the Company completed the third and final tranche of a non-brokered private placement by issuing 4,804,441 units at a price of \$0.09 per unit for gross proceeds of \$432,400. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.15 until August 18, 2026.

The Company paid \$6,940 in finders' fees and issued 76,000 agent options entitling the holder to purchase one additional unit at an exercise price of \$0.09 until August 18, 2026. The compensation options have an estimated fair value of \$8,100, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 100%, risk-free rate 4.78%, dividend yield 0%.

The Company also issued 400,000 flow-through units at a price of \$0.10 per flow-through unit for gross proceeds of \$40,000. Each flow-through unit consists of one flow-through common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.15 until August 18, 2026.

On October 31, 2023, the Company issued 100,000 common shares at a value of \$6,500 as part of the acquisition payments for the Contact Bay Project Agreement (Note 4).

On November 24, 2023, the Company issued 1,350,000 common shares at a value of \$67,500 as part of the acquisition payments for the Drayton - Black Lake Project Agreement (Note 4).

Stock options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, or consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company.

Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors. For share options granted to employees, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

During the year ended December 31, 2024:

On April 12, 2024, the Company granted 1,385,000 stock options to certain directors, officers and consultants at an exercise price of \$0.05 per option for a period of 3 years from the date of issuance. The options vested on grant and have an estimated fair value of \$44,100, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 150% based on comparable peer companies' share price volatilities, risk-free rate 4.03%, dividend yield 0%.

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8. SHARE CAPITAL (continued)**Stock options (continued)**

On July 30, 2024, the Company granted 1,920,000 stock options to certain directors, officers and consultants at an exercise price of \$0.05 per option for a period of 3 years from the date of issuance. The options vested on grant and have an estimated fair value of \$87,100, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 150% based on comparable peer companies' share price volatilities, risk-free rate 3.40%, dividend yield 0%.

On October 22, 2024, the Company granted 2,685,000 stock options to a consultant at an exercise price of \$0.075 per option for a period of 5 years from the date of issuance. The options vested on grant and have an estimated fair value of \$158,200, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 5 years, volatility 150% based on comparable peer companies' share price volatilities, risk-free rate 2.98%, dividend yield 0%.

During the year ended December 31, 2024, the Company recognized share-based payments expense of \$289,400 related to vesting of 5,990,000 options issued.

During the year ended December 31, 2023:

On September 1, 2023, the Company granted 2,490,000 stock options to directors, management and consultants at an exercise price of \$0.09 per option for a period of 3 years from the date of issuance. The options have an estimated fair value of \$112,900, which was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 3 years, volatility 100% based on comparable peer companies' share price volatilities, risk-free rate 4.59%, dividend yield 0%. 1,245,000 options vest in equal increments on the 1st and 2nd anniversary of the grant date. In addition, an aggregate of 425,000 options have forfeited after the termination of certain consultants.

During the year ended December 31, 2024, the Company recognized share-based payments expense of \$67,191 (2023 - \$27,775) related to vesting of 2,272,500 options issued.

A summary of changes of stock options during the years ended December 31, 2024 and 2023 is as follows:

| | Options Outstanding | Weighted Average Exercise Price | Weighted Average Years to Expiry |
|----------------------------|------------------------|------------------------------------|-------------------------------------|
| Balance, December 31, 2022 | 2,311,666 | \$ 0.120 | 2.85 |
| Issued | 2,490,000 | 0.090 | - |
| Forfeited | (100,000) | 0.150 | - |
| Balance, December 31, 2023 | 4,701,666 | 0.104 | 2.28 |
| Issued | 5,990,000 | 0.060 | - |
| Forfeited | (575,000) | 0.090 | - |
| Balance, December 31, 2024 | 10,116,666 | \$ 0.079 | 2.59 |

Details of stock options outstanding as at December 31, 2024, are as follows:

| Outstanding | Exercisable | Exercise Price | Expiry Date | Remaining Contractual Life (in years) |
|-------------|-------------|----------------|-------------------|--|
| 821,666 | 821,666 | \$ 0.075 | August 29, 2025 | 0.66 |
| 1,240,000 | 1,240,000 | \$ 0.15 | December 23, 2025 | 0.98 |
| 2,065,000 | 1,032,500 | \$ 0.09 | September 1, 2026 | 1.67 |
| 1,385,000 | 1,385,000 | \$ 0.05 | April 12, 2027 | 2.28 |
| 1,920,000 | 1,920,000 | \$ 0.05 | July 30, 2027 | 2.58 |
| 2,685,000 | 2,685,000 | \$ 0.075 | October 22, 2029 | 4.81 |
| 10,116,666 | 9,084,166 | | | |

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8. SHARE CAPITAL (continued)**Warrants**

A summary of changes of warrants during the years ended December 31, 2024 and 2023 is as follows:

| | Unit Warrants | | Agent Options/Warrants | |
|----------------------------|---------------|---------------------------------------|------------------------|---------------------------------------|
| | Outstanding | Weighted Average Exercise Price | Outstanding | Weighted Average Exercise Price |
| Balance, December 31, 2022 | 22,923,980 | \$ 0.32 | 836,120 | \$ 0.25 |
| Issued | 13,685,551 | 0.15 | 592,177 | 0.09 |
| Expired | (1,284,949) | 0.20 | - | - |
| Balance, December 31, 2023 | 35,324,582 | 0.26 | 1,428,297 | 0.19 |
| Issued | 33,503,400 | 0.083 | 1,624,074 | 0.05 |
| Expired | (5,917,248) | 0.27 | (116,984) | 0.22 |
| Balance, December 31, 2024 | 62,910,734 | \$ 0.16 | 2,935,387 | \$ 0.11 |

On January 12, 2024, the Company issued 32,000 compensation options entitling the holder to purchase one additional unit at an exercise price of \$0.05 until January 12, 2026.

On June 20, 2024, the Company issued 400,806 compensation options entitling the holder to purchase one additional unit at an exercise price of \$0.05 until June 20, 2026.

On June 28, 2024, the Company issued 41,666 compensation options entitling the holder to purchase one additional unit at an exercise price of \$0.05 until June 28, 2027.

On October 18, 2024, the Company issued 817,202 compensation warrants entitling the holder to purchase one additional common share at an exercise price of \$0.05 until October 18, 2027.

On November 8, 2024, the Company issued 332,400 compensation warrants entitling the holder to purchase one additional common share at an exercise price of \$0.05 until November 8, 2027.

Details of Unit Warrants outstanding as at December 31, 2024, are as follows:

| Outstanding and Exercisable | Exercise Price (\$) | Expiry Date | Remaining contractual life (in years) |
|-----------------------------|------------------------|------------------|--|
| 3,028,000* | 0.400 | January 26, 2025 | 0.07 |
| 2,399,993 | 0.075 | May 22, 2025 | 0.39 |
| 10,293,790 | 0.400 | August 25, 2025 | 0.65 |
| 8,780,000 | 0.075 | January 12, 2026 | 1.03 |
| 3,928,333 | 0.150 | April 12, 2026 | 1.28 |
| 4,552,777 | 0.150 | June 19, 2026 | 1.47 |
| 5,204,441 | 0.150 | August 18, 2026 | 1.63 |
| 11,090,066 | 0.075 | June 20, 2027 | 2.47 |
| 2,973,334 | 0.075 | June 28, 2027 | 2.49 |
| 9,720,000 | 0.100 | October 18, 2027 | 2.80 |
| 940,000 | 0.100 | November 8, 2027 | 2.85 |
| 62,910,734 | | | |

*Expired subsequently

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8. SHARE CAPITAL (continued)**Warrants (continued)**

Details of Compensation Options/Warrants outstanding as at December 31, 2024 are as follows:

| Outstanding | Exercisable | Exercise Price (\$) | Expiry Date | Remaining contractual life (in years) |
|-------------|-------------|------------------------|------------------|--|
| 42,000* | 42,000 | 0.40 | January 26, 2025 | 0.07 |
| 677,136 | 677,136 | 0.25 | August 25, 2025 | 0.65 |
| 32,000 | 32,000 | 0.05 | January 12, 2026 | 1.03 |
| 258,177 | 258,177 | 0.09 | April 12, 2026 | 1.28 |
| 258,000 | 258,000 | 0.09 | June 19, 2026 | 1.47 |
| 400,806 | 400,806 | 0.05 | June 20, 2026 | 1.47 |
| 76,000 | 76,000 | 0.09 | August 18, 2026 | 1.63 |
| 41,666 | 41,666 | 0.05 | June 28, 2027 | 2.49 |
| 817,202 | 817,202 | 0.05 | October 18, 2027 | 2.80 |
| 332,400 | 332,400 | 0.05 | November 8, 2027 | 2.85 |
| 2,935,387 | 2,935,387 | | | |

*Expired subsequently

9. RESERVES**Share-based payment reserve**

The share-based payment reserve records items recognized as share-based payments expense until such time that the share options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire or are forfeited, the corresponding amount previously recorded remains in reserve.

Warrant reserve

The warrant reserve records items recognized as warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount previously recorded remains in reserve.

10. CAPITAL DISCLOSURE

The Company considers its capital structure to include cash and shareholders' equity. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to finance its operations; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and receivables.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

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11. FINANCIAL INSTRUMENTS AND RISKS

Fair Values

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and price risk.

a) 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 is exposed to credit risk by holding cash. This risk is minimized by holding cash in large Canadian financial institutions. This risk is assessed as low.

b) Interest rate risk

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

c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by management of its working capital to ensure its expenditures will not exceed available resources. At December 31, 2024, the Company had cash of \$558,277 to settle accounts payable and accrued liabilities of \$311,108 and lease payment within 12 months of \$175,120. The Company intends to raise money through equity financing to meet its financial obligations.

d) Price risk

Price risk is the risk that the risk of a decline in the value of the Company's financial instruments. Although price risk can be mitigated by hedging, the Company currently doesn't apply any hedging techniques as the Company doesn't have securities that are subject to price fluctuation.

12. RELATED PARTY TRANSACTIONS

Related party balances

As at December 31, 2024, there were amounts owing to a company controlled by Peter Schloo, the CEO of the Company, in the amount of \$Nil (2023 – \$29,508). The amount due to related parties are unsecured, non-interest bearing and due on demand. As at December 31, 2024, there were prepaid amounts to a company controlled by Peter Schloo, the CEO of the Company, in the amount of \$26,148 (2023 – \$Nil) that will be used for future services.

Related party transactions and key management compensation

During the years ended December 31, 2024 and 2023, the Company incurred the following amounts through transactions with the directors and officers of the Company:

| | December 31, 2024 | December 31, 2023 |
|---|-------------------|-------------------|
| Management fees, consulting fees, professional fees, and general and administrative | \$ 450,620 | \$ 379,559 |
| Share-based payments | 137,905 | 46,224 |
| | \$ 588,525 | \$ 425,783 |

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

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12. RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2024, the Company incurred \$191,620 (2023 – \$172,559) with Great White Capital Ltd. (“GWC”), a company controlled by the CEO for executive and administrative services and rent. The Company entered into a service agreement with GWC for an annual compensation of \$126,000 effective February 1, 2021; effective August 1, 2023, the annual compensation was amended to \$157,500; effective October 1, 2024, the annual compensation was amended to \$175,500 and common shares with market value of \$50,000. The Company also issued 2,000,000 common shares, fair valued at \$130,000 (2023 - \$Nil) bonus to GWC.

During the year ended December 31, 2024, the Company incurred \$12,000 (2023 – \$12,000) with Rachel Chae, CFO, for professional services rendered.

During the year ended December 31, 2024, the Company issued 1,800,000 common shares, fair valued at \$117,000 (2023 – \$60,000) to directors of the Company, excluding the CEO.

During the year ended December 31, 2024, related parties participated in private placements acquiring 4,770,000 (2023 – 2,277,776) common shares in exchange for \$238,500 (2023 - \$205,000).

13. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment, the acquisition, exploration and development of mineral properties. All of the Company’s assets and expenditures are located in Canada.

14. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | Year Ended December 31, 2024 | Year Ended December 31, 2023 |
|-------------------------------------|------------------------------------|------------------------------------|
| Net loss before tax | \$ (3,014,428) | \$ (2,694,714) |
| Statutory tax rate | 27% | 27% |
| Expected income tax recovery | (814,000) | (728,000) |
| Permanent differences | 88,000 | (2,000) |
| True up | 32,000 | 12,000 |
| Change in unrecognized tax benefits | 694,000 | 718,000 |
| Income tax recovery | \$ - | \$ - |

The Company recognized deferred tax assets on losses or other deductible amounts where it is probable that sufficient future taxable profits will be available to realize such assets. The Company’s unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

| | December 31, 2024 | Expiry | December 31, 2023 | Expiry |
|--|----------------------|-----------|----------------------|-----------|
| Non-capital loss carry-forwards | \$ 4,902,000 | 2039-2044 | \$ 3,221,000 | 2039-2043 |
| Undeducted resource pool | 2,130,000 | None | 1,543,000 | None |
| Share issuance costs | 59,000 | 2025-2028 | 252,000 | 2024-2027 |
| Unrecognized deductible temporary differences and tax losses | \$ 7,091,000 | | \$ 5,016,000 | |

HERITAGE MINING LTD.

Notes to the financial statements

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

The following is the analysis of recognized deferred tax assets and liabilities:

| | Year Ended December 31, 2024 | Year Ended December 31, 2023 |
|--------------------------------------|------------------------------------|------------------------------------|
| ROU assets | \$ (59,000) | \$ - |
| Share issue cost | 59,000 | - |
| Net deferred tax asset (liabilities) | \$ - | \$ - |

15. SUBSEQUENT EVENTS

Subsequent to year ended December 31, 2024, the Company:

- i) issued 1,100,000 common shares at a value of \$66,000 and 3,000,000 units at a value of \$180,000 as part of the exercise of its option to acquire a 51% ownership interest in the Drayton - Black Lake Project. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.10 until January 17, 2028. (Note 4)
- ii) issued 2,579,375 common shares for debt settlements.
- iii) Issued 2,180,000 common shares to officers and directors pursuant to bonuses.
- iv) completed the first tranche of a non-brokered private placement by issuing 1,870,000 units at a price of \$0.05 per unit for gross proceeds of \$93,500. The Company also issued 14,050,000 flow-through units at a price of \$0.05 per flow-through unit for gross proceeds of \$702,500. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.10 until April 4, 2030. The Company paid \$46,975 in finders' fees and issued 729,500 compensation warrants entitling the holder to purchase one additional common share at an exercise price of \$0.05 until April 4, 2028.
- v) completed the second tranche of a non-brokered private placement by issuing 3,650,000 units at a price of \$0.05 per unit for gross proceeds of \$182,500. The Company also issued 1,000,000 flow-through units at a price of \$0.05 per flow-through unit for gross proceeds of \$50,000. Each unit consists of one common share and one warrant entitling the holder to purchase an additional common share at an exercise price of \$0.10 until April 17, 2030. The Company paid \$1,450 in finders' fees and issued 28,000 compensation warrants entitling the holder to purchase one additional common share at an exercise price of \$0.05 until April 17, 2028.