



FINANCIAL STATEMENTS

APRIL 30, 2023 and 2022

(Expressed in Canadian Dollars)

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- Statements of Changes in Shareholders' Deficiency
- Statements of Comprehensive Loss
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Independent Auditor's Report

To the Shareholders of:
FORT ST. JAMES NICKEL CORP.

Opinion

We have audited the financial statements of Fort St. James Nickel Corp. ("the Company"), which comprise the statements of financial position as at April 30, 2023 and 2022 and the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 in the financial statements, which indicates that the Company incurred a net loss of \$696,773 during the year ended April 30, 2023, and as of that date, had accumulated losses since inception of \$16,134,334. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's 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 will 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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, 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.

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

WDM

Chartered Professional Accountants

Vancouver, B.C.
August 25, 2023

WDM



FORT ST. JAMES NICKEL CORP.

Statements of Financial Position

As at April 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Note	2023 \$	2022 \$
ASSETS			
CURRENT			
Cash		322	743
GST Receivable		10,713	14,500
		<u>11,035</u>	<u>15,243</u>
Exploration and Evaluation Assets	5	<u>1</u>	<u>1</u>
		<u>11,036</u>	<u>15,244</u>
LIABILITIES			
CURRENT			
Accounts Payable and Accrued Liabilities		1,112,593	574,465
Loans Payable	6	<u>207,306</u>	<u>111,819</u>
		<u>1,319,899</u>	<u>686,284</u>
SHAREHOLDERS' DEFICIENCY			
Share Capital	7	14,039,632	13,980,682
Stock Option Reserve		-	266,145
Share Purchase Warrant Reserve		353,796	359,485
Contributed Surplus		432,043	432,043
Deficit		<u>(16,134,334)</u>	<u>(15,709,395)</u>
		<u>(1,308,863)</u>	<u>(671,040)</u>
		<u>11,036</u>	<u>15,244</u>

Nature of Operations and Ability to Continue as a Going Concern (Note 1)

Subsequent Events (Note 13)

Approved on behalf of the Board of Directors:

"Barry Brown"

Barry Brown, Director

"Scott Kent"

Scott Kent, Director

The accompanying notes are an integral part of these financial statements

FORT ST. JAMES NICKEL CORP.
Statements of Changes in Shareholders' Deficiency
For the Years Ended April 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital \$	Stock Option Reserve \$	Share Purchase Warrant Reserve \$	Contributed Surplus \$	Deficit \$	Total Shareholders' Deficiency \$
Balance, April 30, 2021	20,432,801	13,478,588	356,510	465,451	432,043	(15,132,152)	(399,560)
Shares Issued for Cash	1,902,221	370,400	-	-	-	-	370,400
Share Issuance Costs	-	(9,802)	-	-	-	-	(9,802)
Share Issued on Exercise of Warrants	413,240	147,185	-	(59,213)	-	-	87,972
Fair Value of Agents' Warrants Issued	-	(5,689)	-	5,689	-	-	-
Fair Value of Warrants Expired	-	-	-	(52,442)	-	52,442	-
Fair Value of Options Expired	-	-	(90,365)	-	-	90,365	-
Net Comprehensive Loss for the Year	-	-	-	-	-	(720,050)	(720,050)
Balance, April 30, 2022	22,748,262	13,980,682	266,145	359,485	432,043	(15,709,395)	(671,040)
Shares Issued for Cash	1,500,000	60,000	-	-	-	-	60,000
Share Issuance Costs	-	(1,050)	-	-	-	-	(1,050)
Fair Value of Options Expired	-	-	(266,145)	-	-	266,145	-
Fair Value of Warrants Expired	-	-	-	(5,689)	-	5,689	-
Net Comprehensive Loss for the Year	-	-	-	-	-	(696,773)	(696,773)
Balance, April 30, 2023	24,248,262	14,039,632	-	353,796	432,043	(16,134,334)	(1,308,863)

The accompanying notes are an integral part of these financial statements

FORT ST. JAMES NICKEL CORP.
Statements of Comprehensive Loss
For the Years Ended April 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	2023 \$	2022 \$
EXPENSES			
Advertising and Promotion		140,000	162,456
Consulting Fees		-	28,000
Exploration and Evaluation Assets Expenditures	5	242,169	304,047
Insurance		-	7,402
Interest on Loans		7,456	-
Management Fees		-	8,000
Office and Administration		240,706	163,163
Professional Fees		17,000	16,000
Rent		46,000	42,000
Transfer Agent and Filing Fees		13,174	18,982
		<u>(706,505)</u>	<u>(750,050)</u>
Government Exploration Grant		9,732	30,000
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		<u>(696,773)</u>	<u>(720,050)</u>
BASIC AND DILUTED LOSS PER SHARE		<u>(0.03)</u>	<u>(0.03)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		<u>23,607,166</u>	<u>22,284,290</u>

The accompanying notes are an integral part of these financial statements

FORT ST. JAMES NICKEL CORP.

Statements of Cash Flows

For the Years Ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Note	2023 \$	2022 \$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net Loss for the Year		(696,773)	(720,050)
Change in Non-Cash Working Capital Accounts:			
GST Receivable		3,787	(12,540)
Accounts Payable and Accrued Liabilities		538,128	419,461
Interest on Loans Payable		7,456	-
Cash Used in Operating Activities		<u>(147,402)</u>	<u>(313,129)</u>
FINANCING ACTIVITIES			
Shares Issued for Cash	7(c)	60,000	370,400
Share Issue Costs		(1,050)	(9,802)
Proceeds from the Exercise of Warrants		-	87,972
Loan Proceeds	6	139,850	-
Repayment of Loan and Loan Interest	6	<u>(51,819)</u>	<u>(136,181)</u>
Cash Provided by Financing Activities		<u>146,981</u>	<u>312,389</u>
DECREASE IN CASH		(421)	(740)
Cash, Beginning of Year		<u>743</u>	<u>1,483</u>
CASH, END OF YEAR		<u>322</u>	<u>743</u>
Additional Information:			
Fair Value of Expired Options Credited to Deficit		266,145	90,365
Fair Value of Expired Warrants Credited to Deficit		5,689	52,442
Shares Issued for Exploration and Evaluation Assets		<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

FORT ST. JAMES NICKEL CORP.

Notes to the Financial Statements

April 30, 2023 and 2022

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Fort St. James Nickel Corp. (the “Company”) was incorporated under the Canada Business Corporations Act on March 22, 1988. The Company is listed on the TSX Venture Exchange, having the symbol FTJ.V and its primary business is the acquisition, exploration and evaluation of mineral properties in North America.

The address of the Company’s registered office and its principal place of business is 888 Dunsmuir Street, Suite 888, Vancouver, BC, V6C 3K4.

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company has not generated revenues from operations. The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The underlying value of the Company’s mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to raise financing to complete future exploration.

While these financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are conditions and events that cast doubt on the validity of that assumption. As at April 30, 2023, the Company has net working capital deficit of \$1,308,864 and has an accumulated deficit of \$16,134,334. During the year ended April 30, 2023, the Company incurred a loss of \$696,773 and a net cash out-flows from operations of \$147,402. The Company’s ability to continue as a going concern is dependent on management’s ability to raise required funding through future equity issuances, asset sales or a combination thereof. There is no assurance that such financing will be sufficient to sustain operations in the foreseeable future.

The current cash resources are not adequate to pay the Company’s accounts payable and to meet its minimum commitments at the date of these financial statements, including planned corporate and administrative expenses, and other project implementation costs, accordingly, there is significant doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company for the year ended April 30, 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements of the Company as at April 30, 2023 were approved and authorized for issue by the Board of Directors on August 25, 2023.

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale that have been measured at fair value. Cost is the fair value of the consideration given in exchange for net assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Mineral Exploration and Evaluation Assets

Expenditures related to the acquisition, exploration, and development of exploration and evaluation assets are expensed and charged to earnings in the period in which they are incurred. Any option payments received by the Company from third parties or tax credits refunded to the Company are charged against exploration expenses in the statement of comprehensive loss.

FORT ST. JAMES NICKEL CORP.

Notes to the Financial Statements

April 30, 2023 and 2022

(Expressed in Canadian Dollars)

Although the Company has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

b) Impairment of Non-Financial Assets

Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash generating unit for which impairment testing is performed.

Impairment loss is charged to profit or loss; except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

c) Share Capital

Share capital includes cash consideration received for share issuances, net of commissions and issue costs. Proceeds received for shares that have not yet been issued as at the reporting date are recorded as share subscriptions.

Shares issued for other than cash consideration are valued at the quoted price on the TSX Venture Exchange based on the earlier of: (i) the date the shares are issued, and (ii) the date the agreement to issue the shares is reached.

Flow-through Shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration programs in Canada. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a 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 ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the lookback rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Warrants

Cash consideration received from the issuance of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants under the residual method. Share issue costs are netted against share capital. The fair value assigned to warrants is recorded as a reduction to share capital and an increase in warrant reserve. If the warrants are exercised the entry is reversed. If the warrants expire unexercised, the value is reallocated to deficit.

d) Stock-based Compensation

The Company has a stock option plan under which it grants stock options to directors, employees, consultants, and service providers. Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period.

FORT ST. JAMES NICKEL CORP.

Notes to the Financial Statements

April 30, 2023 and 2022

(Expressed in Canadian Dollars)

Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase or decrease in fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. If the fair value of the goods or services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the Company receives the goods, or the counterparty renders the services. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

Upon exercise of options the fair value of the option exercised is credited to share capital, along with the cash consideration, with an offsetting reduction in the share-based payment reserve. When options expire unexercised the fair value of the options expiring is credited to deficit with an offsetting reduction in the share-based payment reserve.

e) Share Issuance Costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred costs until the close of subscriptions and upon completion of the share issuance transferred to equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

f) Loss per Share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

g) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

FORT ST. JAMES NICKEL CORP.

Notes to the Financial Statements

April 30, 2023 and 2022

(Expressed in Canadian Dollars)

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

h) Provisions

Provision for Site Restoration

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and revegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or change in rehabilitation costs will be recognized as additional to the corresponding assets and rehabilitation liability in the period in which they occur.

As at April 30, 2023, the Company has no site restoration obligations.

i) Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on May 01, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

IFRS 9 covers classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments. The new standard contains three classifications for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit and loss (“FVTPL”).

Following is the accounting policy for financial instruments under IFRS 9:

i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

ii) Measurement

- **Financial Assets and Liabilities at amortized cost** – Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.
- **Financial Assets and Liabilities at FVTPL** – Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Statements of Comprehensive Income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Statements of Comprehensive Income in the period in which they arise.

FORT ST. JAMES NICKEL CORP.

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(Expressed in Canadian Dollars)

- **Debt Investments at FVTOCI** – These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- **Equity Investments at FVTOCI** – These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

iii) Impairment of Financial Assets

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company’s accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described as follows.

a) Stock-based Compensation

The fair value of stock-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

b) Exploration and Evaluation Assets and Impairment

The application of the Company’s accounting policy for exploration and evaluation asset and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off through profit or loss in the year the new information becomes available.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

FORT ST. JAMES NICKEL CORP.

Notes to the Financial Statements

April 30, 2023 and 2022

(Expressed in Canadian Dollars)

c) Deferred Tax Assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

5. EXPLORATION AND EVALUATION ASSETS

Cumulative acquisition and exploration costs incurred and expensed by the Company to date on its mineral properties are summarized below.

	Kilometer 26 \$	Porcupine \$	Nepisiguit \$	General \$	Total \$
Balance, April 30, 2021	2,027,593	482,765	-	-	2,510,358
Acquisition Costs	-	-	-	-	-
Exploration Costs	1,438	1,591	301,018	-	304,047
Balance, April 30, 2022	2,029,031	484,356	301,018	-	2,814,405
Acquisition Costs	-	115,000	-	-	115,000
Exploration Costs	345	3,317	43,162	80,345	127,169
Balance, April 30, 2023	2,029,376	602,673	344,180	80,345	3,056,574

Management has determined that due to uncertainty on future recoverability of its mineral exploration and evaluation assets, acquisition and exploration costs are expensed as incurred.

a) Kilometer 26 Property, British Columbia, Canada

The Company has a 100% interest in the Kilometer 26 property consisting of 5,778 hectares in the Omineca Mining Division, British Columbia.

b) Porcupine Property, New Brunswick, Canada

In August 2017, the Company signed an option agreement with Great Atlantic Resources Corp. ("GR") to acquire GR's Porcupine property located in the province of New Brunswick. In March 2022, the agreement was revised to amend payments dates for the second, third and fourth anniversary payments to October 31, 2022. Under the terms of the option agreement, the Company is required to make the following cash and share payments to earn a 100% interest in the property:

- Pay \$15,000 in cash (paid) and issue 500,000 common shares (issued) within five days of the TSX Venture approval of the transaction (the "Approval Date");
- Pay \$20,000 in cash (paid) and issue \$75,000 in common shares on or before October 6, 2018. The Company issued 234,375 common shares with a fair value of \$43,359 on February 12, 2019.
- Pay \$20,000 in cash (paid) and issue \$75,000 in common shares on or before October 31, 2022. The Company issued 500,000 common shares with a fair value of \$50,000 on October 17, 2019;
- Pay \$20,000 in cash (paid) and issue \$75,000 in common shares on or before October 31, 2022. The Company issued 375,000 common shares with a fair value of \$93,750 on February 5, 2021.
- Pay \$75,000 in cash (paid) and issue \$200,000 in common shares on or before October 31, 2022.

The Company is also required to spend \$1,000,000 in exploration expenditures on the property over a four-year period with a minimum of \$150,000 each year.

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Notes to the Financial Statements

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c) Nepisiguit Property, New Brunswick, Canada

In May 2021, the Company announced it has entered into a letter of intent agreement with a private company to acquire 100% interest in the Nepisiguit Base Metal – Precious Metal Property located within the Bathurst Mining Camp of northern New Brunswick. The agreement grants the Company the exclusive right to receive the results of the core assay from the 2020 drill program and to conduct due diligence on certain areas of the Nepisiguit Property. A definitive agreement is expected to be negotiated upon review of the results and due diligence.

The term of the original letter of intent has been extended and will expire on December 30, 2023. As of the Auditor's report date, a definitive agreement has not yet been signed; however, the Company has spent exploration expenditures on this project.

For the year ended April 30, 2023, the Company incurred acquisition and exploration expenditures totaling \$345 (2022 - \$1,438) with respect to its Kilometer 26 Property, \$118,317 (2022 - \$1,591) on the Porcupine Property, \$43,162 (2022 - \$301,018) on the Nepisiguit Property and \$80,345 (2022 - \$Nil) in general.

6. LOANS PAYABLE

	2023	2022
	\$	\$
Loans Payable	207,306	111,819
	<u>207,306</u>	<u>111,819</u>

During 2020 and 2021, the Company received a total of \$215,000 in loans, all unsecured, non-interest bearing and with no terms of repayment. During the year ended April 30, 2022, the Company paid down loans by \$103,181.

During the year ended April 30, 2023, the Company received \$139,850 in new unsecured loans and paid \$51,819 towards 2022 loans payable. The Company accrued \$7,456 in interest expense on certain loans at a rate of 10% per annum.

7. SHARE CAPITAL

a) Authorized

The Company's authorized capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares without par value, issuable in series and having special rights and restrictions.

As at April 30, 2023, there were 24,248,262 (2022 – 22,748,262) common shares issued and outstanding.

b) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statements of financial position include "Stock Option Reserve", "Share Purchase Warrant Reserve", "Contributed Surplus", and "Accumulated Deficit".

- "Stock Option Reserve" is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation.
- "Share Purchase Warrant Reserve" is used to recognize the fair value of share purchase warrants prior to exercise or expiry.
- "Contributed Surplus" recognizes amounts contributed to the Company by shareholders either by way of direct contribution of cash or assets to the Company or delivery of assets to the Company having a fair value in excess of consideration paid by the Company.
- "Accumulated Deficit" is used to record the Company's change in deficit from net losses from period to period.

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c) Issued

Year ended April 30, 2023

In October 2022, the Company issued 1,500,000 units at \$0.04 for gross proceeds of \$60,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional share of the Company at a price of \$0.05 per warrant for a period of five years from the date of issuance.

Year ended April 30, 2022

In July 2021, the Company completed a non-brokered private placement of 1,502,221 units at a price of \$0.18 per unit for gross proceeds of \$270,400. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per warrant for a period of 12 months after closing.

The Company also issued 400,000 flow-through units at a price of \$0.25 for gross proceeds of \$100,000. Each flow-through unit consists of one flow-through common share and one-half common share purchase warrant. Each whole flow-through warrant entitles the holder to purchase one additional share which is not a flow-through share at a price of \$0.30 for 12 months after closing. The Company paid a cash commission of \$7,200 and issued 40,000 broker warrants, fair valued at \$5,689, with the same terms as the private placement warrants.

The full amount of these flow-through funds of \$100,000 has been spent and renounced as at the year-end date of April 30, 2022.

During the year ended April 30, 2022, the Company issued 413,240 shares on exercise of share purchase warrants for gross proceeds of \$147,185.

d) Stock Option Plan Details

The Company has a stock option plan under which directors, officers and employees of the Company are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed five years and typically vest on the grant or at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the TSX-V stock exchange on which the Company's common shares are listed.

As at April 30, 2023, there were no outstanding options.

Expiry Date	Exercise Price	April 30, 2022	Granted	Exercised	Expired/Cancelled	April 30, 2023
April 5, 2023	\$0.50	650,000	-	-	(650,000)	-
		650,000	-	-	(650,000)	-

As at April 30, 2022, 650,000 options, with an average exercise price of \$0.50 per share and an average remaining life of 0.93 years, were vested.

Expiry Date	Exercise Price	April 30, 2021	Granted	Exercised	Expired/Cancelled	April 30, 2022
October 5, 2021	\$0.15	450,000	-	-	(450,000)	-
April 5, 2023	\$0.50	650,000	-	-	-	650,000
		1,100,000	-	-	-	650,000

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e) Share Purchase Warrants

As at April 30, 2023, 5,000,000 share purchase warrants, with an average exercise price of \$0.10 per share and an average remaining life of 2.38 years, were outstanding.

Expiry Date	Exercise Price	April 30, 2022	Issued	Exercised	Expired/Cancelled	April 30, 2023
July 07, 2022	\$0.30	1,502,221	-	-	(1,502,221)	-
July 07, 2022	\$0.30	200,000	-	-	(200,000)	-
October 28, 2024	\$0.12	3,500,000	-	-	-	3,500,000
October 03, 2027	\$0.05	-	1,500,000	-	-	1,500,000
		5,202,221	1,500,000	-	(1,702,221)	5,000,000

As at April 30, 2022, 5,202,221 share purchase warrants, with an average exercise price of \$0.18 per share and an average remaining life of 1.74 years, were outstanding.

Expiry Date	Exercise Price	April 30, 2021	Issued	Exercised	Expired/Cancelled	April 30, 2022
July 23, 2021	\$0.30	500,000	-	(213,240)	(286,760)	-
July 07, 2022	\$0.30	-	1,502,221	-	-	1,502,221
July 07, 2022	\$0.30	-	200,000	-	-	200,000
October 28, 2024	\$0.12	3,700,000	-	(200,000)	-	3,500,000
		4,200,000	1,702,221	(413,240)	(286,760)	5,202,221

f) Agents' Warrants

As at April 30, 2023, there were no outstanding agents' warrants.

Expiry Date	Exercise Price	April 30, 2022	Issued	Exercised	Expired/Cancelled	April 30, 2023
July 07, 2022	\$0.30	40,000	-	-	(40,000)	-
		40,000	-	-	(40,000)	-

As at April 30, 2022, 40,000 agents' warrants, with an average exercise price of \$0.30 per share and an average remaining life of 0.19 years, were outstanding.

Expiry Date	Exercise Price	April 30, 2021	Issued	Exercised	Expired/Cancelled	April 30, 2022
July 07, 2022	\$0.30	-	40,000	-	-	40,000
		-	40,000	-	-	40,000

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes directors (executive and non-executive) and senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). There were no amounts paid nor payable for CEO or CFO services for the years ended April 30, 2023 and 2022.

9. COMMITMENTS

In January 2023, the Company entered into an Office Services Agreement for a gross monthly fee of \$35,000 per month. Additional fees of \$7,500 per quarter and \$10,000 annually are also payable for the preparation of quarterly and annual financial statements. The agreement is for a five-year term, expiring December 31, 2027.

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10. INCOME TAX

a) Provision for Income Taxes

The income tax expense of the Company is reconciled to the net loss for the year as reported in the statements of comprehensive loss as follows:

	2023	2022
	\$	\$
Net Loss Before Income Tax	696,773	720,050
Expected Income Tax Recovery	(188,000)	(194,000)
Permanent Differences	3,000	35,000
Change in Unrecognized Deductible Temporary Differences	185,000	162,000
Share Issuance Costs	-	(3,000)
Income Tax Expense	-	-

b) Deferred Tax Assets and Liabilities

As at April 30, 2023 and 2022, the Company has temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company's deferred tax assets not recognized consist of the following amounts:

Capital Assets	19,000	19,000
Exploration and Evaluation Assets	1,280,000	1,217,000
Capital Losses	539,000	539,000
Non-Capital Losses	1,858,000	1,735,000
Share Issuance Costs	2,000	3,000
Net Deferred Tax Assets	3,698,000	3,513,000

As at April 30, 2023, the Company has non-capital losses of approximately \$6,881,000 and share issuance costs of approximately \$7,241 that may be applied against future income for Canadian income tax purposes. The share issuance costs expire through to 2027. The non-capital losses expire as follows:

2028	978,000
2029	949,000
2030	757,000
2031	632,000
2032	704,000
2033	397,000
2034 - 2043	2,464,000
	6,881,000

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration, and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages its share capital as capital, which as at April 30, 2023 was \$14,039,632 (2022 – \$13,980,682). Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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 ended April 30, 2023.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Company's accounts payable and accrued liabilities and amounts due to related parties approximate their carrying value, which is the amount recorded on the statements of financial position. The Company's cash under the fair value hierarchy is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) 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 its liquid financial assets including cash. Management believes that its credit risk is not significant.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2023, the Company had a cash balance of \$322 to settle current liabilities of \$1,319,899. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management expects to fund those liabilities through equity financing and loans from related parties over the coming year.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's amounts due to related parties are non-interest bearing, and as such, the Company is not exposed to significant interest rate risk.

d) Commodity Price Risk

The Company is subject to price risk from fluctuations in the market prices of commodities as it relates to the possible underlying values of its commodity based mineral properties and the corresponding ability to raise funds for future operations. Management closely monitors commodity prices to determine the appropriate course of actions to be taken in its investing and financing activities. As the Company has not yet developed commercial mineral interests, it is not exposed to significant commodity price risk.

13. SUBSEQUENT EVENTS

In July 2023, the Company received approval on a \$30,000 grant from the Province of New Brunswick for the Nepisiguit project for eligible exploration costs. Project costs related to the grant funding must be completed by February 29, 2024.