
VALKEA RESOURCES CORP.

(Formerly Outback Goldfields Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED

JUNE 30, 2024 and JUNE 30, 2023

(Expressed in Canadian Dollars)

VALKEA RESOURCES CORP.

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For the year ended June 30, 2024 and 2023

INTRODUCTION

The following is management’s discussion and analysis (“**MD&A**”), prepared as of June 30, 2024. This MD&A should be read in conjunction with the Valkea Resources Corp.’s (the “**Company**”) audited consolidated Financial Statements and the accompanying notes for the years ended June 30, 2024 and 2023. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed “forward-looking statements” within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties, assumptions and other factors of which are beyond the reasonable control of the Company. You can identify these statements by forward-looking words such as “expects”, “does not expect”, “plans”, “anticipates”, “does not anticipate”, “believes”, “intends”, “estimated”, “projects”, “potential”, “scheduled”, “forecast”, “budget”, and similar expressions, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur and similar words. Such statements give the Company’s current expectations or forecasts of future events and are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward-looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things anticipated costs and expenditures and the Company’s ability to achieve its goals. Although management believes that the assumptions made, and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include, for example, such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca.

DESCRIPTION OF BUSINESS

Valkea Resources Corp. (formerly Outback Goldfields Corp.) was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on March 6, 2018 under the name Skarb Exploration. In December 2020 the Company moved its jurisdiction of incorporation to British Columbia and completed the process in January 2021. The Company’s head office is located at Suite 700 – 1090 West Georgia St., Vancouver, British Columbia. The Company’s principal business activities include the acquisition and exploration of mineral property assets.

Valkea Resources Corp. is an exploration mining company holding a package of gold projects located proximate and adjacent to the Fosterville Gold Mine in Victoria, Australia. The Goldfields of Victoria, Australia continue to show its gold prospectivity and are home to some of the highest grade and lowest cost mining in the world.

Following incorporation on March 6, 2018, the Company capitalized itself through the issuance of securities on a private placement basis. The Company completed a modest capital raise and initially held the option to acquire the RDR Property in Quebec. The Company’s common shares were first listed on the Canadian Securities Exchange under the symbol “SKRB” on February 13, 2019.

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In December 2020, the Company acquired four exploration projects in Australia via a purchase agreement with Petratherm Ltd ("Petratherm" – ASX listed symbol "PTR"). Following the completion of the transaction with Petratherm, the Company changed its name to Outback Goldfields Corp., adopted the trading symbol on the Canadian Securities Exchange "OZ" and completed a 3 for 1 security consolidation. In the quarter ended March 31, 2021 the Company began trading on the Frankfurt exchange under the symbol "S600" and the OTCQB under the symbol "OZBKF". In early 2022 the Company graduated to trading of the TSXV. All information and amounts in these financial statements reflect retrospective treatment of the 3 for 1 consolidation unless specifically identified and described as such. Additionally, the reader should refer to the Subsequent Events section that follows in the MD&A for additional material information.

On December 15, 2020, the Company closed the acquisition of the Victorian Gold Projects pursuant to the terms of an asset purchase agreement with Petratherm. The Company acquired one exploration license, three exploration license applications and the right, title and interest in a mining and joint venture agreement by issuing 3,333,333 common shares of the Company. Petratherm distributed these shares to its shareholders on a pro rata, in-specie basis in April, 2021, pursuant to the asset purchase agreement.

OVERVIEW AND HIGHLIGHTS OF THE CURRENT PERIOD

On March 1, 2024, the Company announced in a news release that it has entered into a letter of intent dated February 16, 2024 with S2 Resources Ltd. ("S2") to acquire all of S2's highly prospective portfolio of gold projects in Finland (the "S2 Finnish Projects"), by way of an acquisition of S2's wholly-owned Finnish subsidiary, Sakumpu Exploration Oy. On March 1, 2024, Outback notified S2 that it was satisfied with the results of its due diligence investigation, and the parties are committed to proceeding with the transaction subject to the terms and conditions set out in the letter of intent.

In connection with the Transaction, Outback went about completing a non-brokered private placement for minimum gross proceeds of C\$5 million (the "Offering"). Details of the Offering were announced in a news release on April 25, 2024, including terms of finder's fees payable within the limits permitted by the policies of the TSXV.

On May 9, 2024, the Company announced it had entered the Definitive Agreement indicated in the letter of intent, in line with the terms contemplated. The consideration to be paid to S2 consists of a \$1,500,000 cash payment and the issuance of \$5,500,000 in common shares of the Company ("Consideration Shares"). The Transaction was subject to, among other things, the Company completing the previously-announced \$5,000,000 non-brokered private placement. The Consideration Shares were to be issued at deemed price equal to the price of the Offering.

In addition, a letter of intent was signed to grant S2 an option (the "Joint Venture Earn-In") to earn an interest in the Company's Glenfine, Silver Spoon, Ballarat West and Yeungroon gold projects, located in the Victorian Goldfields, Australia (the "Outback Australian Projects"). This was announced along with the letter of intent announcement on March 1, 2024. The Outback Australian Projects are expected to have exploration synergies with S2's gold projects also located in the Victorian Goldfields, near the Fosterville gold mine.

Details of the proposed transaction were published in the Information Circular dated July 31, 2024, as found on SEDAR+ and distributed to all shareholders on record as at the record date, ahead of the AGM and special meeting held on September 3, 2024.

In the second half of calendar 2023, despite needing to conserve cash, the Company continued limited work and announced the identification of large-scale gold arsenic anomalies at the O'Connor's target at the Yeungroon gold project (August 4, 2023), and defined multiple new gold targets at the Glenfine gold project (December 18, 2023). Due to the majority of efforts of the Company being focused on the completion of the Finnish transaction with S2 starting early in 2024, the Company's Victorian assets were kept in good standing but minimal additional work was completed to date in 2024.

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SUBSEQUENT EVENTS

On September 18, 2024, the Company announced in a news release that it had closed the Finnish transaction as contemplated in the Definitive Agreement, acquiring S2's Finnish projects and raising just over \$5.0 million in the related offering. Additionally, the Company's name was changed to Valkea Resources Corp., and its shares were consolidated on a 10 to 1 basis. With the closing of the transaction the Company also issued options and deferred share units in line with its omnibus share compensation plan and TSXV guidelines, to certain executives, directors and consultants. Between the financing completed and the payment of shares to S2, 26.4 million new shares were issued, with the remaining 5.8 million shares being held by pre-transaction shareholders. As a result of the transaction, S2 is a majority shareholder of the Company, holding 14.4 million post 10:1 consolidation shares, with a ownership stake of 44.6%. The Company also has outstanding 12.7 million \$0.60 warrants with a life of 3 years, and 0.3 million \$0.40 finder warrants associated with the financing finder's fees. All historical share and equity instrument data is retroactively restated to reflect the 10:1 consolidation.

DISCLOSURE OF OUTSTANDING SECURITY DATA

Common Shares, Share Options, and Warrants

As at June 30, 2024 before the 10:1 consolidation and transaction closing announced on September 18, the Company had: 58,370,500 Common Shares issued and outstanding; 585,000 Options outstanding; and NIL Warrants outstanding. Additionally, 60,350,000 Subscription Receipts were outstanding at June 30, 2024 as a result of closing the first tranche of the financing associated with the Finnish transaction described above.

As of the date of this MD&A, following the 10:1 consolidation, the Company had: 32,246,998 Common Shares issued and outstanding; 3,208,500 Options outstanding; 12,928,748 Warrants outstanding, and 1,931,250 Deferred Share Units outstanding.

OUTLOOK

The Company will be focused on work to initiate exploration of its Finnish gold portfolio, including diamond drilling of the most advanced and prospective targets. The Company has initiated transition activities to operate and administer its wholly owned Finnish subsidiary.

In Victoria, Australia, the Company is re-engaging with S2 Resources to enter into the Definitive Agreement as per the signed Letter of Intent to enter into a joint venture on its Victorian portfolio. This step is anticipated to be completed in early 2025.

OVERALL PERFORMANCE

As at June 30, 2024, the Company had working capital of \$2.5 million and incurred accumulated losses of \$19.4 million. The Company expects to incur further losses in the development of its business. To continue as a going concern, the Company will be dependent upon its ability to develop the business further, generate future profitable operations and/or obtain additional financing, which carries significant risk in ability to execute. These condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. Adjustments arising from the non-continuation as a going concern would be material. The completion of financing described in Subsequent Events has improved the Company's Going Concern outlook.

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Industry and Economic Factors that May Affect the Company's Performance

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all exploration and mining operations there is uncertainty and, therefore, risk associated with exploration and operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in a resource base. Additionally, the Company's mineral interests are in the form of exploration licenses which terminate as per schedules at the time of granting, unless they are renewed, extended or converted to certain exploitation rights. There is no assurance that the Company can renew, extend or convert their licenses in the future.

In particular, the Company does not generate revenue, and as a result, continues to be dependent on third party financing to continue exploration activities on the company's properties. Accordingly, the Company's future performance will be most affected by its access to financing, whether debt, equity or other means. Access to such financing, in turn, is affected by general economic conditions, exploration risks and the other risk factors.

SELECTED FINANCIAL INFORMATION

The following tables set out selected financial information for the Company. The selected financial information should only be read in conjunction with the Company's financial statements, including the notes thereto, for the same periods as filed on [SEDAR+](#).

Statements of Operations, Comprehensive Loss and Deficit Data, and Cash Flows

			Year ended June 30, 2024	Year ended June 30, 2023
			(\$)	(\$)
Total Revenue			-	-
Total Expenses			830,794	1,200,593
Net loss for the period			(805,811)	(12,253,104)
Loss per share - basic and diluted			(0.01)	(0.21)
Net cash used in operating activities			(951,031)	(900,443)
Change in cash			(1,228,677)	(1,744,294)

Balance Sheet Data

	As at June 30, 2024	As at June 30, 2023
	(\$)	(\$)
Current Assets	2,599,154	1,445,661
Mineral Properties	13,900,025	13,633,812
Total Assets	16,702,174	15,113,869
Current Liabilities	115,976	139,710
Long Term Debt	-	-

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	As at June 30, 2024	As at June 30, 2023
Shareholders' Equity	16,586,198	14,974,159
Total Liabilities and Equity	16,702,174	15,113,869

RESULTS OF OPERATIONS

The following discussion addresses the operating results and financial condition of the Company for the three months and year ended June 30, 2024 compared to the three months and year ended June 30, 2023. The MD&A should be read in conjunction with the Company's audited financial statements and the accompanying notes for the years ended June 30, 2024 and 2023.

During the year ended June 30, 2024, the Company generated no revenues and incurred expenses of \$0.8 million. The decrease in expenses in the year ended June 30, 2024 arose from decreased stock based compensation expense with the passage of prior grants' vesting periods, decreased marketing and investor services, and cost controls applied across all general and administrative categories due to challenging market conditions dictating cash conservation. Cash was allocated to growth prospects including the Finnish transaction

In the three months ended June 30, 2024, the cost reductions from the prior comparable period continued, with the majority of focus on the Finnish transaction.

SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's condensed consolidated interim financial statements prepared in accordance with IFRS applicable to interim condensed consolidated financial reporting including IAS 34. The information below should be read in conjunction with the Company's consolidated financial statements for the same periods. Consistent with the preparation and presentation of the Annual Financial Statements, the unaudited quarterly results are presented in Canadian dollars.

	June 30, 2024	Mar. 31, 2024	Dec. 31, 2023	Sept 30, 2023	June 30, 2023	March 31, 2023	Dec 31, 2022	Sep 30, 2022	June 30, 2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	-	-	-	-	-	-	-	-	-
Net loss for the period	(156,866)	(204,544)	(222,497)	(243,904)	(11,254,199)	(323,580)	(372,734)	(302,591)	(594,633)
Loss per share (basic and diluted)	(0.03)	(0.04)	(0.04)	(0.40)	(1.93)	(0.06)	(0.06)	(0.05)	(0.10)

The Company does not derive any revenue from its operations. Its primary focus is the acquisition, exploration and evaluation of mineral properties. As a result, the loss per period has fluctuated depending on the Company's activity level and cash availability. Therefore, quarterly periods are not comparable.

EXPLORATION EXPENDITURES

Total capitalized exploration costs and property carrying values for the year ended June 30, 2024 and prior periods are as follows:

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	Yeungroon property	Glenfine property	Ballarat West property	Silver Spoon property	Gossan and SBS properties	Total
Opening Balance as at July 1, 2022	\$ 10,105,054	\$ 7,491,748	\$ 3,211,257	\$ 3,107,064	\$ 7,656	\$ 23,922,779
Exploration costs						
Chemical analysis	52,760	7,193	35,489	-	-	95,442
GIS & data management	1,172	-	270	-	-	1,442
Drilling and trenching	76,775	-	5,941	-	-	82,716
Geological services	169,163	19,876	185,261	12,906	-	387,206
Geophysical surveys	22,685	71,190	17,045	-	-	110,920
Materials and supplies	13,753	453	2,659	1,354	-	18,219
Project management	58,754	14,477	51,885	3,082	-	128,198
Recording and filing	4,026	1,129	6,789	646	-	12,591
Travel	4,617	1,777	2,790	-	-	9,184
Additions in current period	403,705	116,095	308,130	17,988	-	845,918
Closing balance as at June 30, 2023	10,508,759	7,607,842	3,519,387	3,125,053	7,656	24,768,697
Impairment of E & E assets	-	7,607,842	3,519,387	-	7,656	11,134,885
Closing balance as at June 30, 2023	\$ 10,508,759	\$ -	\$ -	\$ 3,125,053	\$ -	\$ 13,633,812

	Yeungroon property	Glenfine property	Ballarat West property	Silver Spoon property	Other	Total
Opening Balance as at July 1, 2023	\$ 10,508,759	\$ -	\$ -	\$ 3,125,053	\$ -	\$ 13,633,812
Exploration costs						
Chemical analysis	17,843	-	-	-	-	17,843
GIS & data management	-	-	-	-	-	-
Drilling and trenching	-	-	-	-	-	-
Geological services	59,031	89,764	19,647	28,994	-	197,435
Geophysical surveys	11,310	-	-	-	-	11,310
Materials and supplies	7,029	-	-	-	-	7,029
Project management	77,618	4,614	1,791	40,409	-	124,431
Recording and filing	15,294	-	4,123	4,315	-	23,732
Travel	3,961	6,394	126	410	-	10,891
Additions in current period	192,086	100,771	25,686	74,128	-	392,672
Charged to exploration expense	-	(100,771)	(25,686)	-	-	(126,458)
Closing balance as at June 30, 2024	\$ 10,700,845	\$ -	\$ -	\$ 3,199,181	\$ -	\$ 13,900,026

Following a strategic evaluation of the Company's four projects in the quarter ended June 30, 2023, it was determined that given existing plans and finances available for exploration, the priority of the Company is the Yeungroon and Silver Spoon properties. As such, the Glenfine and Ballarat West properties were consistent with the IFRS definition of having impairment indicators, and as such the Company impaired their values to NIL. It is expected sufficient work has been completed or will be completed to keep the tenements in good standing for the duration of their grants.

LIQUIDITY

The Company had a working capital position at June 30, 2024 of \$2.7 million including cash of \$0.1 million. Liquidity was improved with the completion of the financing as part of the Finnish transaction described earlier.

SHARE CAPITAL

There were no material movements in the Company's share capital in the year ended June 30, 2024 other than the Subscription Receipts issued and described above, as well the material changes subsequent to June 30, 2024. Prior material movements occurred in 2020 as part of the acquisition of the Company's Australian projects.

CAPITAL RESOURCES

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The Company continues to evaluate raising capital through the issuance of common shares and is dependent upon its ability to secure equity and/or debt financing, the availability of which cannot be assured. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. Management currently believes that the Company has the cash required to fund operations for the next 12 months but additional capital raises may be required or warranted, although the success of such capital raises carries inherent risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole, and are considered related parties. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Payments to key management personnel in the year ended June 30, 2024 were made pursuant to their contracts and agreements in place and consist of cash-based payments as well stock-based compensation arising from options granted.

	June 30, 2024	June 30, 2023
Director remuneration	\$ 72,065	\$ 178,000
Officer & key management remuneration	260,797	322,729
Advisory and other service fees	112,500	144,000
Share-based compensation	3,276	135,894
Total	\$ 448,638	\$ 780,623

During the three months and year ended June 30, 2024, no common shares were issued to related parties of the Company.

The Company sub-leases its office space from an entity controlled by its Chairman. Sub-lease costs, office expenses and fees came into effect December 1, 2020 and are being incurred and paid monthly. All dealings with this entity are at fair market value for services received by the Company.

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CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements 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 the reported amounts of revenues and 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 in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in a material adjustment to the carrying amount of the asset or liability affected in future periods.

A detailed summary of all of the Company's accounting estimates and assumptions is included in the audited annual financial statements ended June 30, 2024 filed on SEDAR+.

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements include the following:

Impairment of exploration and evaluation assets

Management applies judgement in assessing, each reporting period, whether there are any indicators of impairment related to exploration and evaluation assets. If an indicator exists, the recoverability of the exploration and evaluation asset is assessed using estimates, judgements and assumptions. To estimate recoverability, management considers current and forecasted commodity prices, the economic viability of the project, and its geological prospectivity, amongst other factors.

Share-based payments

The Company measures the fair value of its share-based payments using a valuation model which requires management to use judgements and estimates in determining the inputs of such model. These inputs include volatility, spot price of the underlying shares, and expected life of the share option.

Valuation and allocation of consideration paid to acquired mineral properties

Management applies judgement in determining the valuation of consideration paid for properties when acquired. Relevant factors and indicators are evaluated including current share price at time of acquisition, volume of shares traded at time of acquisition, and recent material financings. Furthermore, management applies judgement in determining the allocation of consideration paid amongst properties when acquired. Relevant factors and indicators are evaluated including status of the ability to explore, the geological prospectivity of the property, and land area open to exploration.

Tax loss utilization

Management applies judgement in assessing, each reporting period, whether incurred losses have the potential to be utilized against future profits.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Standards, Amendments, and Interpretations Not Yet in Effect

The International Accounting Standards Board continually issues new and amended standards and interpretations which may need to be adopted by the Company. The Company continually assesses the impact that the new and amended standards and interpretations may have on its financial statements or whether to early adopt any of the new requirements. No new or amended standards and interpretations affected the financial statements for the year ending June 30, 2024.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash accounts payable and accrued liabilities.

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The fair values of the Company's financial instruments approximate their carrying value, due to their short-term maturities or liquidity. The Company's cash and amounts receivable are initially recorded at fair value and subsequently at amortized cost with accrued interest recorded in accounts receivable.

Financial instrument risk exposure

As at June 30, 2024, the Company's financial instrument risk exposure and impact thereof on the Company's financial instruments is summarized below:

Credit Risk, Liquidity Risk, Market Risk, Currency Risk, and Interest Rate 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. As at June 30, 2024, the Company has the majority of its cash on deposit with one of the largest Canadian banks. Management believes the risk of loss to be remote.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its obligations under financial instruments. The Company manages liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital to meet short-term obligations.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. The Company does not expect exchange rates, and commodity and equity prices to have a material impact to the Company.

The Company's operating costs are primarily in Canadian dollars and Australian dollars, therefore any fluctuations of the Canadian dollar in relation to the Australian dollar may affect the net losses and value of some assets and liabilities of the Company. Management believes that any currency risk from foreign exchange conversion or changes in cost structure is not significant.

Interest rate risk is the risk that the future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash in bank accounts that earn variable interest rates but the expected risk is deemed insignificant due to the continued expected low interest rate risk environment.

Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value of the Company's cash and cash equivalent balances as of June 30, 2024.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company anticipates that its working capital of \$2.7 million at June 30, 2024, together with the financing completed in September 2024, will fund exploration programs, operations and payments for the next 12-month period. The funds necessary for the Company to achieve its stated business objectives to carry out its limited exploration programs and to cover anticipated administrative costs for the next 12-month period are in place.