RIO GRANDE RESOURCES LTD.

Consolidated Financial Statements

For the year ended July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024

(Expressed in Canadian Dollars)

Corporate Head Office
250 – 750 West Pender Street
Vancouver, BC
V6C 2T7

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rio Grande Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Rio Grande Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2025 and 2024, and its financial performance and its cash flows for the year ended July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a working capital of $539,262 and an accumulated deficit of $2,044,331. The Company has financed its operations primarily through share issuances and promissory notes and has not generated revenues from operations. As stated in Note 1, these events and conditions 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 4 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was $1,923,027 as of July 31, 2025. As more fully described in Note 3 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements including reviewing option agreements.
- Obtaining, on a test basis, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 Consolidated Financial Statements

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

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

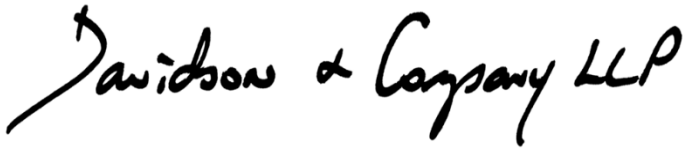
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 Glenn Parchomchuk.



Vancouver, Canada

Chartered Professional Accountants

November 28, 2025

RIO GRANDE RESOURCES LTD.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at July 31, 2025	As at July 31, 2024
ASSETS		
Current		
Cash	$ 731,610	$ -
Commodity tax recoverable	42,362	-
Amount receivable (Note 6)	243,742	
Prepaids	129,134	
	1,146,848	-
Non-Current		
Exploration and evaluation assets (Note 4)	1,923,027	-
Total Assets	$ 3,069,875	$ -
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 57,388	$ -
Income tax penalty payable (Note 9)	196,631	-
Royalty payable (Note 4)	353,567	-
	607,586	-
Non-Current		
Promissory notes payable (Note 5)	891,349	-
Total Liabilities	1,498,935	-
Shareholders' Equity		
Capital stock (Note 6)	3,059,316	-
Share based payment reserve (Note 6)	555,955	-
Deficit	(2,044,331)	-
Total Shareholders' Equity	1,570,940	-
Total Liabilities and Shareholders' Equity	$ 3,069,875	$ -

Nature and continuance of operations and going concern (Note 1)
Subsequent events (Note 12)

Approved and authorized on behalf of the board of directors on November 28, 2025:

(Signed) *"Ray Strafehl"*
Ray Strafehl, Director

(Signed) *"Jason Barnard"*
Jason Barnard, Director

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

RIO GRANDE RESOURCES LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended July 31, 2025	For the period from incorporation on July 19, 2024 to July 31, 2024
EXPENSES		
Consulting (Note 7)	$ 142,066	$ -
Director fees	6,250	-
Filing and regulatory	65,618	-
Interest expenses on promissory notes (Note 5)	16,092	-
Interest expenses on income tax penalty (Note 9)	10,416	-
Investor relations	88,657	-
Office and miscellaneous	11,646	-
Professional fees (Note 11)	1,226,813	-
Share-based compensation – options (Note 6)	354,100	-
Share-based compensation – RSU's (Note 6)	152,459	-
Loss before other items	(2,074,117)	-
Foreign exchange	29,786	-
Net Loss and Comprehensive Loss for the Period	$ (2,044,331)	$ -
Weighted average shares outstanding	15,453,445	-
Basic and diluted loss per common share	$ (0.13)	$ -

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

RIO GRANDE RESOURCES LTD.

Consolidated Statements of Changes in Shareholders' Equity
For the period from incorporation on July 19, 2024 to July 31, 2025
(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Share-based payment reserve	Deficit	Total Shareholders' Equity
Balance, Incorporation, July 19, 2024	1	$ -	$ -	$ -	$ -
Balance, July 31, 2024	1	-	-	-	-
Shares and warrants issued on Arrangement (Note 10)	25,827,350	1,175,604	145,536	-	1,321,140
Shares issued – private placement	13,328,900	1,332,890	-	-	1,332,890
Shares issuance cost	-	(300)	-	-	(300)
Shares issued – options exercised	108,000	17,903	(4,513)	-	13,390
Shares issued – warrants exercised	3,073,734	512,116	(70,524)	-	441,592
Shares issued – RSU's exercised	292,952	21,103	(21,103)	-	-
Share-based compensation – stock options	-	-	354,100	-	354,100
Share-based compensation – RSU's	-	-	152,459	-	152,459
Net Loss and Comprehensive Loss for the Period	-	-	-	(2,044,331)	(2,044,331)
Balance, July 31, 2025	42,630,937	$ 3,059,316	$ 555,955	$ (2,044,331)	$ 1,570,940

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

RIO GRANDE RESOURCES LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended July 31, 2025	For the period from incorporation on July 19 2024 to July 31, 2024
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	$ (2,044,331)	$ -
Foreign exchange	(30,597)	-
Interest expenses on promissory notes	16,092	-
Interest expenses on income tax penalty	10,416	-
Share-based compensation – stock options	354,100	-
Share-based compensation - RSUs	152,459	-
Changes in non-cash working capital items:		
Commodity tax recoverable	(42,362)	-
Prepaids	(129,134)	-
Accounts payable and accrued liabilities	87,174	-
Income tax penalty payable	(15,601)	-
Royalty payments	(11,697)	-
Promissory note for settle professional fees incurred	520,000	
Amount receivable	197,850	
Net cash used in operating activities	(935,631)	-
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	(33,996)	-
Net cash used in investing activities	(33,996)	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Promissory notes received	677,450	-
Private placement net of share issuance costs	1,332,590	-
Exercise of options	13,390	-
Repayment of promissory notes	(322,193)	-
Net cash provided by financing activities	1,701,237	-
Change in cash during the period	731,610	-
Cash, beginning of period	-	-
Cash, end of period	$ 731,610	$ -
Cash paid for interest	$ 16,092	$ -
Cash paid for tax	$ -	$ -
Non-cash items as at July 31, 2025		
Net assets assumed on Plan of Arrangement (Note 10)	$ 1,321,140	$ -
Fair value of options exercised	$ 4,513	$ -
Fair value of warrants exercised	$ 70,524	$ -
Proceeds of warrants to be received from Foremost	$ 441,592	$ -
Fair value of RSU's exercised	$ 21,103	$ -

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Rio Grande Resources Ltd. (the "Company" or "Rio Grande") was incorporated by Foremost Clean Energy Ltd. (Formerly Foremost Lithium Resource & Technology Ltd.) ("Foremost") under the laws of British Columbia on July 19, 2024.

On January 31, 2025, as part of the Plan of Arrangement (Note 10), Foremost spun-out its wholly owned subsidiary, Sierra Gold and Silver Ltd. ("Sierra"), and transferred all of its issued and outstanding shares to the Company (Note 10).

On February 7, 2025, the Company began trading on the Canadian Securities Exchange under the trading symbol "RGR". On March 19, 2025, the Company began trading on the OTC Pink Market under the symbol "RGRFL".

The Company is an exploration company focused on the identification and development of mineral assets in the United States of America.

The Company's head office is located at 250 - 750 West Pender Street, Vancouver, BC, V6C 2T7.

Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at July 31, 2025, the Company had a working capital of $539,262 and an accumulated deficit of $2,044,331. The Company has financed its operations primarily through share issuances and promissory notes and has not generated revenues from operations. The Company continues to seek capital through various means including the issuance of equity and/or debt. These material uncertainties may cast substantial doubt as to the ability of the Company to continue as a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Any such adjustments may be material.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PRESENTATION

a) Basis of measurement

These consolidated financial statements have been prepared using accounting policies consistent with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and effective as of July 31, 2025.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary's functional currency.

These consolidated financial statements have been authorized for issue by the Board of Directors of the Company on November 28, 2025.

2. BASIS OF PRESENTATION (continued)

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they were a single entity. All inter-company transactions and balances between the Company and its subsidiaries, or between individual subsidiaries, are therefore excluded and eliminated upon consolidation.

As of July 31, 2025, the consolidated financial statements include the financial information of the Company and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest at July 31, 2025	Principal Activity
Sierra Gold and Silver Ltd.	Canada	100%	Exploration

3. MATERIAL ACCOUNTING POLICY INFORMATION

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Material accounting judgments and critical accounting estimates

Material accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

i) Assessment of any indicators of impairment of the carrying value of the Company's exploration and evaluation assets;

ii) The ability of the Company to continue as a going concern.

Foreign currency translation

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the period end date exchange rates.

The functional currency of the Company and its subsidiary is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset.

The classification of debt instruments is driven by the business model for managing the financial assets, liabilities and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest.

If the business model is not to hold the debt instrument, it is classified as fair value through profit or loss ("FVTPL"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, and on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income ("FVTOCI").

FVTPL - Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

FVTOCI - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost using the effective interest method if the objective of the business model is to hold the financial asset for the collection of contractual cash flows and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or noncurrent assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at FVTPL are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at FVTPL are expensed as incurred.

The following table shows the classification and measurement of the Company's financial instruments under IFRS 9:

Financial assets/liabilities	Classification and measurement
Cash	at amortized cost
Amounts receivable	at amortized cost
Accounts payable and accrued liabilities	at amortized cost
Royalty payable	at amortized cost
Income tax penalty payable	at amortized cost
Promissory notes payable	at amortized cost

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at FVTPL are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at FVTPL are expensed as incurred.

Mineral properties - exploration and evaluation assets

Pre-exploration costs - Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of the property are capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company’s estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Mineral properties - exploration and evaluation assets (Continued)

Decommissioning obligations

The Company's activities may give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's long-lived assets, including mineral property interests, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of financial assets and financial liabilities

A financial asset is derecognized when the contractual right to the asset's cash flows expire; or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company derecognizes a financial liability when its obligations are discharged, cancelled or expired.

Share-based payments

The Company grants stock options, Restricted Share Units ("RSUs") and Performance Share Units ("PSU's") to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized in share-based payment reserve over the vesting period. Consideration paid for the shares along with the fair value recorded in share-based payment reserve on the exercise of stock options is credited to capital stock. When vested options are cancelled, forfeited, or are not exercised by the expiry date, the amount previously recognized in share-based payment reserve is transferred to deficit.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Share-based payments (Continued)

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Share issue costs

Share issue costs are deferred and charged directly to capital stock on completion of the related financing. If the financing is not completed, share issue costs are charged to operations. Costs directly identifiable with the raising of capital will be charged against the related capital stock.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. Any fair value attributed to the warrants is recorded as reserves.

Allowance for expected credit losses

IFRS 9 Financial instruments introduces an expected credit loss ("ECL") impairment model applicable to all debt instruments within financial assets classified as amortized cost or at fair value through other comprehensive income ("FVTOCI"), as well as certain off-balance sheet loan commitments. The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by: evaluating possible outcomes; the time value of money; reasonable and supportable information about past events, and current and forecasted economic conditions.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basic and Diluted Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

New accounting standards issued and effective

IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The adoption of this new accounting standard is not expected to have a material impact on the Company's consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

During the period from incorporation on July 19, 2024 to July 31, 2024 and for the year ended July 31, 2025, the following expenditures were incurred on the exploration and evaluation of the Company's assets:

Winston Property	For the year ended July 31, 2025	For the period from incorporation on July 19, 2024 to July 31, 2024
Acquisition costs		
Balance, beginning of period	$ -	$ -
Acquired on Arrangement (Note 10)	1,889,031	-
Royalty payments	16,577	-
Balance, end of period	1,905,608	-
Exploration costs		
Balance, beginning of period	-	-
Acquired on Arrangement (Note 10)	-	-
Field costs	17,419	-
Balance, end of period	17,419	-
Total Balance – End of period	$ 1,923,027	$ -

4. EXPLORATION AND EVALUATION ASSETS (Continued)

Winston Property

On January 31, 2025, the Company completed the Arrangement Agreement (Note 10), which included the Winston Property.

In October 2014, Sierra entered into an option agreement with Redline Minerals Inc. and its US subsidiaries (collectively, the "Optionors") to acquire up to an 80% interest in 102 unpatented lode mining claims in the Winston Property, in addition to the four Little Granite Gold Claims ("Little Granite") and Ivanhoe and Emporia claims ("Ivanhoe/Emporia"). In April 2017, Sierra entered into a definitive purchase agreement with the Optionors to acquire all of the Optionors' rights, title and interest in and to the Winston Property. The terms of this agreement closed on May 17, 2017, thereby extinguishing any remaining obligations to Redline Minerals Inc. and its US subsidiaries. Prior to closing, for total consideration of Little Granite and Ivanhoe/Emporia, Foremost paid the Optionors $240,000 on behalf of Sierra and Foremost issued 88,000 common shares on behalf of Sierra (valued at $341,500). Prior to January 31, 2025, Sierra staked additional claims, resulting in an aggregate total of 147 lode mining claims and 2 patented claims.

Ivanhoe/Emporia claims

In accordance with the terms and conditions of the underlying Ivanhoe/Emporia purchase agreement, the Optionors agreed to sell and convey the Ivanhoe/Emporia Claims for the purchase price of US$500,000 of which US$361,375 remained owing to the Robert Howe Educational Trust ("RHET") upon closing on May 17, 2017. Sierra agreed to pay RHET a monthly royalty equal to the greater of the Minimum Monthly Royalty or Production Royalty determined in accordance with the following table:

Monthly Average Silver Price/Oz	Minimum Monthly Royalty	Production Royalty %
Less than US$5.00	US$125	3%
US$5.00 ~ US$6.99	US$250	4%
US$7.00 ~ US$8.99	US$500	5%
US$9.00 ~ US$10.99	US$1,000	6%
US$11.00 ~ US$14.99	US$1,500	7%
US$15 or greater	US$2,000	8%

All royalty payments made to RHET under the Minimum Monthly Royalty or Production Royalty of the agreement will be credited against the purchase price. Sierra received an irrevocable waiver, effective September 30, 2024, whereby the accrued minimum monthly royalty payments outstanding as of July 31, 2025 of $353,567 (US$256,325) could not be enforced for repayment for a period of eighteen months provided that Sierra continues to make ongoing monthly payments of US$1,400. Only the permanent production royalty of 2% of NSR on all ore mined on the Ivanhoe and Emporia lode claims, will remain as an encumbrance after the property has been purchased.

Little Granite Claims

In accordance with the terms and conditions of the underlying Little Granite purchase agreement, the Optionors agreed to sell and convey the Little Granite property to Sierra for the purchase price of US$500,000 of which US$434,000 remained owing to Silver Rose Corporation ("Silver Rose") upon closing on May 17, 2017. During the year ended March 31, 2024, Sierra negotiated a final cash payment US$75,000 to exercise the option through the issuance of a non-interest-bearing promissory note. US$25,000 was repaid by Foremost during the year ended March 31, 2024. As at March 31, 2023, $67,717 (US$50,000) remained payable. The promissory note was due on October 15, 2023, and the remaining US$50,000 was paid by Foremost on behalf of Sierra during the year ended March 31, 2024. Prior to closing on the revised final cash payment, the Company had paid a total of US$111,000 to Silver Rose towards the purchase. The Little Granite Property was acquired for an aggregate cash consideration of US$186,000, versus aggregate consideration of US$434,000 under the original terms. There are no encumbrances on the 4 unpatented Little Granite lode claims.

5. PROMMISORY NOTES PAYABLE

As a condition of the completion of the Arrangement (Note 10), the Company:

i) issued a $677,450 promissory note to a related party, namely Jason Barnard (CEO) and Christina Barnard (VP of Operation), due for payment on or before November 5, 2027. The promissory note will bear interest of 8.95% per annum, starting 4 months from January 31, 2025. The full amount of the promissory note must be settled by the Company using funds from its first and, as necessary, subsequent financing(s) following January 31, 2025. The promissory note is secured by a general security agreement.

The Company incurred $9,479 in interest and made principal payments of $114,412 to the loan during the period ended July 31, 2025.

ii) issued a $520,000 promissory note to Foremost, due for repayment on or before November 5, 2027. The promissory note bear interests at 8.95% per annum, starting 4 months from January 31, 2025. The promissory note is unsecured.

The Company incurred $6,613 in interest expense and made principal payments of $207,780 to the loan during the period ended July 31, 2025.

Promissory notes payable for the year ended July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024 are summarized as follows:

		From the period July 19, 2024 to July 31, 2025
Balance on July 19, 2024 and July 31, 2024	**$**	**-**
Addition		1,197,450
Interest		16,092
Payments		(322,193)
Balance on July 31, 2025	**$**	**891,349**

6. CAPITAL STOCK

Authorized capital stock

The Company has authorized an unlimited number of common shares with no par value. As at July 31, 2025, the Company had 42,630,937 common shares issued an outstanding.

Issued capital stock

During the year ended July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024, the Company:

i) issued 25,827,350 shares valued at $1,175,604, and 9,281,236 warrants valued at $145,536 totaling $1,321,140 as part of the Arrangement (Note 10).

ii) issued 292,952 shares upon the exercise of RSUs, and as a result, the Company reallocated $21,103 from share-based payment reserve to capital stock.

6. CAPITAL STOCK (Continued)

iii) issued 3,073,734 shares upon the exercise of warrants for gross proceed of $441,592, and as a result, the Company reallocated $70,524 from warrant reserve to capital stock. Pursuant to the Arrangement, the proceeds were collected by Foremost, less $197,850 as agreed as part of the settlement of the promissory note using 15% of its funds from its subsequent financing(s) following completion of the Arrangement. As of July 31, 2025, the remaining amount to be collected was $243,742.

iv) issued 108,000 shares upon the exercise of stock options for gross proceed of $13,390, and as a result, the Company reallocated $4,513 from share-based payment reserve to capital stock.

v) closed a non-brokered, full subscribed private placement by issuing an aggregate of 13,328,900 units of the Company at a price of $0.10 per unit for gross proceeds of $1,332,890. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional share of the Company at a price of $0.20 per share and expire on June 6, 2027.

The Company paid $300 in finder's fees pursuant to the private placement.

Stock options

During the year ended July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024, the Company:

i) granted 944,018 stock options exercisable at $0.134 to $0.754 until March 8, 2025 to November 15, 2029 upon completion of the arrangement (Note 10). They are fair valued at $42,500.

ii) granted 20,000 stock options exercisable at $0.065 until February 26, 2027 to an officer and consultants. They are fair valued at $800.

iii) granted 800,000 stock options exercisable at $0.065 until February 26, 2030 to an investor relation consultant. They are fair valued at $44,100.

iv) granted 50,000 stock options exercisable at $0.07 until March 14, 2028 to a consultant. They are fair valued at $2,500.

v) granted 20,000 stock options exercisable at $0.085 until May 12, 2028 to a consultant. They are fair valued at $1,200.

vi) granted 1,200,000 stock options exercisable at $0.35 until July 16, 2027 to an officer and consultants. They are fair valued at $263,000.

The fair value of stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions.

	For the year ended July 31, 2025	For the period July 19, 2024 to July 31, 2024
Fair value per option	$ 0.15	$ -
Exercise price	$ 0.23	$ -
Expected life (years)	3.18	-
Interest rate	2.76%	-
Annualized volatility	124%	-
Dividend yield	0.00%	-

6. CAPITAL STOCK (Continued)

Stock options (continued)

Stock option transactions for the year ended July 31, 2025 and the period ended from incorporation on July 19, 2024 to July 31, 2024 are summarized as follows:

Expiry Date	Exercise Price	Balance July 19, 2024 and July 31, 2024	Granted	Exercised	Forfeited / Expired	Balance July 31, 2025	Exercisable
March 8, 2025	$ 0.69	-	8,000	-	(8,000)	-	-
September 2, 2025	$ 0.57	-	40,000	-	(40,000)	-	-
September 6, 2025	$ 0.61	-	16,000	-	(16,000)	-	-
November 20, 2025	$ 0.18	-	12,000	-	-	12,000	12,000
December 2, 2025	$ 0.40	-	84,000	-	(84,000)	-	-
December 13, 2025	$ 0.42	-	42,000	-	(26,000)	16,000	16,000
March 26, 2026	$ 0.15	-	40,000	(40,000)	-	-	-
August 25, 2026	$ 0.25	-	35,000	-	(35,000)	-	-
September 6, 2026	$ 0.29	-	65,000	-	(45,000)	20,000	20,000
November 1, 2026	$ 0.33	-	20,000	-	(20,000)	-	-
December 4, 2026	$ 0.24	-	40,000	-	(40,000)	-	-
February 26, 2027	$ 0.065	-	20,000	(14,000)	(6,000)	-	-
July 16, 2027 [ii]	$ 0.35	-	1,200,000	-	-	1,200,000	1,200,000
November 15, 2027	$ 0.12	-	110,000	(40,000)	(50,000)	20,000	20,000
March 14, 2028	$ 0.07	-	50,000	-	-	50,000	50,000
May 12, 2028	$ 0.085	-	20,000	-	-	20,000	20,000
September 6, 2028 [i]	$ 0.29	-	80,000	-	-	80,000	80,000
February 15, 2029	$ 0.29	-	40,000	-	-	40,000	40,000
April 1, 2029 [i]	$ 0.12	-	166,388	-	(102,646)	63,742	63,742
July 23, 2029	$ 0.17	-	72,000	-	(72,000)	-	-
November 15, 2029	$ 0.12	-	73,630	(14,000)	(59,630)	-	-
February 26, 2030 [i]	USD$0.065	-	800,000	-	-	800,000	800,000
Total		**-**	**3,034,018**	**(108,000)**	**(604,276)**	**2,321,742**	**2,321,742**
Weighted average exercise price		**$ -**	**$ 0.23**	**$ 0.12**	**$ 0.26**	**$ 0.23**	**$ 0.23**

[i] subsequently exercised
[ii] 61,812 stock options subsequently exercised

As at July 31, 2025, the stock options outstanding had a weighted average remaining contractual life of 2.96 years.

Restricted Share Units

The terms and conditions of vesting of each granted are determined by the Board at the time of the grant in accordance with the Company's Stock Incentive Plan. The Company uses the fair value method to recognize the obligation and compensation expense associated with the restricted share units ("RSUs"). The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU, the carrying amount is recorded as an increase in common share capital.

On January 31, 2025, upon completion of the Arrangement Agreement (Note 10), the Company issued 444,982 RSU's. The RSU's are fair valued at $42,273 based on the stock price of $0.095 at the date of grant. The Company has recorded $29,896 relating to the vested portion of the RSUs.

6. CAPITAL STOCK (Continued)

Restricted Share Units (Continued)

The fair value of each RSU is recorded as share-based payments over the vesting period. These RSUs will vest as follows:

- 158,634 RSUs vested immediately.
- 96,276 RSUs – 80,552 vest on April 1, 2025 and 15,724 vested immediately upon the resignation of a director.
- 179,348 RSUs vest equally over a three-year period starting on April 1, 2025.
- 10,724 RSUs vest on November 15, 2025.

On April 4, 2025, the Company issued 833,333 RSU's. The RSU's are fair valued at $50,000, based on the Company's stock price of $0.06 at the date of grant. The RSUs vest on April 4, 2026. The Company has recorded $16,164 relating to the vested portion of the RSUs. On June 17, 2025, the Company decided to vest 416,667 RSUs and recorded $16,918 relating to the additional vested portion of the RSUs.

On June 17, 2025, the Company issued 946,588 RSU's. The RSU's are fair valued at $340,772, based on the Rio stock price of $0.36 at the date of grant. 75,000 RSUs vested on grant, the remaining 871,588 RSUs will vest on February 1, 2026. The Company has recorded $89,481 relating to the vested portion of the RSUs.

Restricted share unit transactions for the year ended to July 31, 2025 and the period from incorporation on July 19, 2024 to July 31, 2024, are summarized as follows:

Grant Date	Balance July 19, 2024 and July 31, 2024	Granted	Exercised	Forfeited / Expired	Balance July 31, 2025	Exercisable
January 31, 2025	-	444,982	(292,952)	(21,740)	130,290	-
April 4, 2025	-	833,333	-	-	833,333	-
June 17, 2025	-	946,588	-	-	946,588	75,000
Total	**-**	**2,224,903**	**(292,952)**	**(21,740)**	**1,910,211**	**75,000**

Warrants

As part of the Arrangement Agreement (Note 10), the Company will be obligated to issue up to 9,281,236 shares of the Company, assuming the full exercise of Foremost Warrants (Note 10) with a weighted average exercise price of $0.05 per warrant

6. CAPITAL STOCK (Continued)

Warrants (continued)

A continuity of the warrants for the year ended July 31, 2025 and the period ended from incorporation on July 19, 2024 to July 31, 2024, are summarized as follows:

Expiry Date	Exercise Price	Balance July 19, 2024 and July 31, 2024	Granted	Exercised	Forfeited / Expired	Balance July 31, 2025
March 13, 2026	$ 0.1792	-	683,184	(668,478)	-	14,706
March 13, 2026	$ 0.1524	-	6,548	-	-	6,548
April 29, 2026	$ 0.1524	-	494,942	(494,942)	-	-
April 29, 2026	$ 0.1524	-	102	-	-	102
November 14, 2026 [iii]	$ 0.1792	-	6,091,000	(1,617,400)	-	4,473,600
November 14, 2026 [i]	$ 0.1344	-	325,460	(292,914)	-	32,546
August 21, 2028	$ 0.4057	-	80,000	-	-	80,000
August 24, 2028	$ 0.4057	-	1,600,000	-	-	1,600,000
June 6, 2027 [ii]	$ 0.2000	-	13,328,900	-	-	13,328,900
			22,610,136	(3,073,734)	-	19,536,402
Weighted average exercise price		$ -	$ 0.21	$ 0.17	$ -	$ 0.21

[i] subsequently exercised
[ii] 865,000 warrants subsequently exercised
[iii] 40,000 warrants subsequently exercised

As at July 31, 2025, the warrants outstanding had a weighted average remaining contractual life of 1.82 years.

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. 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 and companies controlled by them. The remuneration that was paid or accrued to the directors and other members of key management personnel during the year ended to July 31, 2025 and the period ended from incorporation on July 19, 2024 to July 31, 2024 was as follows:

	Director fees	Consulting fees	Share-based payments - options	Share-based payments - RSUs	Total
Period from incorporation on July 19, 2024 to July 31, 2024					
Current directors, officers and companies controlled by them	$ -	$ -	$ -	$ -	$ -
Year ended July 31, 2025					
Current directors, officers and companies controlled by them	$ 6,250	$ 102,875	$ 233,413[i]	$ 86,974[ii]	$ 429,512

[ii] 1,065,000 stock options were granted to officers, directors, former officers and former directors resulting in a total share-based compensation – stock options of $233,413.
[ii] 911,588 RSUs were granted to officers, directors, former officers and former directors, of which the vested portion recorded in the share-based compensation – RSUs of $86,974.
Additionally, please refer to Note 5 on the long-term related party promissory note payable.

8. FINANCIAL RISK MANAGEMENT

Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e., capital stock and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares. The Company is not exposed to any externally imposed capital requirements.

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities, royalty payable, promissory notes payable, and income tax penalty payable approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

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

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consists primarily of royalty payable and income tax penalty payable.

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 July 31, 2025, the Company had current liabilities of $607,586. The Company is exposed to liquidity risk and is dependent on obtaining loans or financings in order to continue as a going concern. Despite previous success in acquiring these loans, there is no guarantee of obtaining future loans.

Market risk
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.

Interest rate risk
The Company has income tax penalties payable that accrues interest. The Company's liabilities do not have significant exposure to interest rate risk.

8. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk
The Company is exposed to foreign currency risk on fluctuations related to income tax penalty payable and royalty payable. A 10% change in the USD/CAD foreign exchange rate would result in a $25,700 foreign exchange gain or loss. The Company has not hedged its exposure to currency fluctuations.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

9. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	For the year ended July 31, 2025	For the period ended July 19, 2024 to July 31, 2024
Income (loss) before taxes for the year	$ (2,044,331)	$ -
Canadian federal and provincial income tax rates	27%	27%
Expected income tax recovery based on above rates	(552,000)	-
Permanent difference	130,000	-
Impact of spin-out transaction	(62,000)	-
Change in unrecognized deductible temporary differences	484,000	-
Deferred income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	For the year ended July 31, 2025	For the period ended July 19, 2024 to July 31, 2024
Deferred tax assets (liabilities)		
Property and equipment	$ 152,000	$ -
Non-capital losses	332,000	-
Unrecognized deferred tax assets	(484,000)	-
Net deferred tax assets	$ -	$ -

9. INCOME TAXES (Continued)

The significant components of the Company's temporary differences and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	For the year ended July 31, 2025	Expiry Date Range
Temporary differences		
Property and equipment	$ 565,000	No expiry date
Non-capital losses available for future period	1,296,000	2045 to 2045
Canada	982,000	2045 to 2045
USA	314,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

As at July 31, 2025, the Company incurred income tax penalties for late filing and recorded $196,631 as the income tax penalties was payable.

10. PLAN OF ARRANGEMENT AGREEMENT (SPIN-OUT)

On July 29, 2024, the Company entered into an Arrangement Agreement with Foremost Clean Energy Ltd. ("Foremost"), which was amended and restated on November 4, 2024, (the "Arrangement"). The purpose of the Arrangement was to reorganize Foremost's interest in Sierra by distributing Sierra to the shareholders of Foremost through the Company.

On January 31, 2025, Foremost transferred all of the issued and outstanding shares of Sierra to the Company. In connection with the transfer, the Company issued 25,827,350 common shares and 9,281,236 warrants to Foremost. The Rio Grande common shares and warrants were issued in proportion to the number of Foremost common shares and warrants outstanding as at the effective date of the Arrangement.

Following the issuance of shares and warrants by the Company, Foremost distributed the Rio Grande shares and warrants it received to its shareholders. As a result, Foremost's shareholders gave up their indirect ownership interest in Sierra in exchange for common shares and warrants of the Company. Upon completion of the Arrangement, the Company became the sole shareholder of Sierra, while Foremost's shareholders collectively exchanged their indirect interest in Sierra for an equivalent ownership in Rio Grande through the receipt of common shares and warrants.

The net assets of Sierra acquired by the Company were recorded at their historical carrying amounts as reflected in Sierra's books immediately prior to the Arrangement. The assets and liabilities recognized by the Company on January 31, 2025 were as follows:

- Exploration and evaluation assets: $1,889,031
- Royalty payable: ($366,075)
- Income tax penalty payable: ($201,816)

The total net assets of Sierra recognized by the Company amounted to $1,321,140, reflecting the historical carrying values of the acquired assets and liabilities and forming the basis for the Company's initial share capital and warrant recording under the historical cost accounting approach.

10. PLAN OF ARRANGEMENT AGREEMENT (SPIN-OUT) (Continued)

As a condition to the completion of the arrangement, the Company:

i) issued a $677,450 promissory note of the Company (Note 5) to a related party, namely Jason Barnard and Christina Barnard, due for payment on or before November 5, 2027. The Company's promissory note bears interest of 8.95% per annum, starting four (4) months from the effective date of the Arrangement (the "Effective Date"). The full amount of the Company's promissory note must be settled by the Company using funds from its first and, as necessary, subsequent financing(s) following completion of the arrangement. The Company's promissory note is secured by a general security agreement.

ii) issued a $520,000 promissory note (the "Foremost Promissory Note") (Note 5), due for repayment on or before November 5, 2027. The Foremost Promissory Note bears interest of 8.95% per annum, starting four (4) months from the Effective Date. The Foremost Promissory Note is unsecured. The full amount of the Foremost Promissory Note must be settled by the Company using 15% of its funds from its first and, as necessary, subsequent financing(s) following completion of the Arrangement.

Pursuant to the terms of the arrangement, Foremost (i) transferred to the Company the right to collect receivables in respect of all amounts outstanding from Sierra to Foremost as at the effective date (January 31, 2025) and (ii) assigned and transferred to the Company all of the issued and outstanding common shares in the capital of Sierra in consideration for the Company issuing to Foremost such number of the Company's shares as is equal to the quotient obtained by dividing by 0.8005 the product obtained by multiplying the number of Foremost Shares issued and outstanding immediately prior to the effective time on the effective date (the "Effective Time") by two (2), being 25,827,350 shares.

Notwithstanding Foremost's equity incentive plan (the "Foremost Incentive Plan"), each stock option of Foremost (the "Foremost Options") entitling the holder there of to acquire one (1) Foremost Share outstanding immediately prior to the Effective Date shall be simultaneously surrendered and transferred by the holder thereof to Foremost (free and clear of any encumbrances) in the following portions and such portions shall be exchanged for, as the sole consideration therefor the following consideration:

i) 0.9136 of each Foremost Option held immediately prior to the Effective Time shall be transferred and exchanged for one (1) Foremost Replacement Option to acquire one (1) Foremost Share issued in connection with the Arrangement (the "New Foremost Shares") having an exercise price (rounded up to the nearest cent) equal to the product of the exercise price of the Foremost Option so exchanged immediately before the exchange of such Foremost Option multiplied by the fair market value of a Foremost Share determined immediately prior to this divided by the total fair market value of a new Foremost Share and the fair market value of two (2) shares of the Company determined immediately prior to the Effective Time; and

ii) 0.0864 of each Foremost Option held immediately prior to the Effective Time shall be transferred and exchanged for two options of the Company, with each whole Company option entitling the holder thereof to acquire one (1) share of the Company having an exercise price (rounded up to the nearest cent) equal to the product of the exercise price of the Foremost Option so exchanged immediately before the exchange of such Foremost Option multiplied by the fair market value of a share of the Company determined immediately prior to this divided by the total of the fair market value of a new Foremost Share and the fair market value of two (2) shares of the Company at the Effective Time.

10. PLAN OF ARRANGEMENT AGREEMENT (SPIN-OUT) (Continued)

Notwithstanding the Foremost Incentive Plan, each restricted share unit of Foremost (each a "Foremost RSU") to acquire one (1) Foremost Share outstanding as at the Effective Time shall be deemed to be, simultaneously surrendered and transferred by the holder thereof to Foremost (free and clear of any encumbrances) in the following portions and such portions shall be exchanged for, as the sole consideration therefor the following consideration:

i) 0.9136 of each Foremost RSU immediately prior to the Effective Time shall be transferred and exchanged for one (1) Foremost Replacement RSU to acquire such number of New Foremost Shares and on such vesting and other conditions as set forth in the applicable award agreement in respect of such Foremost RSU; and

ii) 0.0864 of each Foremost RSU held immediately prior to the Effective Time shall be transferred and exchanged for two (2) restricted share units of the Company to acquire such number of shares of the Company and on such vesting and other conditions as set forth in the applicable award agreement in respect of such Foremost RSU.

Concurrently with the exchange of the Foremost Options and Foremost RSU's, each share purchase warrant of Foremost (each a "Foremost Warrant") amended to entitle the holder thereof to receive, upon due exercise thereof, for the exercise price immediately prior to the Effective Time:

i) one (1) New Foremost Share for each Foremost Share that was issuable upon due exercise of the Foremost Warrant immediately prior to the Effective Time; and

ii) two (2) shares of the Company for each Foremost Share that was issuable upon due exercise of the Foremost Warrant immediately prior to the Effective Time,

Additionally, Foremost and the Company have acknowledged and agreed that:

i) the Company shall forthwith upon receipt of written notice from Foremost from time to time issue, as directed by Foremost, that number of shares of the Company as may be required to satisfy the foregoing;

ii) Foremost shall, as agent for the Company, collect and pay to the Company an amount for each two (2) shares of the Company so issued that is equal to the exercise price under the Foremost Warrant multiplied by the fair market value of two (2) shares of the Company at the Effective Time divided by the total fair market value of a Foremost Share and two (2) shares of the Company at the Effective Time; and

iii) the terms and conditions applicable to the Foremost Warrants, immediately after the Effective Time, will otherwise remain unchanged from the terms and conditions of the Foremost Warrants as they exist immediately before the Effective Time.

11. PROFESSIONAL FEES

	For the year ended July 31, 2025	For the period July 19, 2024 to July 31, 2024
Audit and accounting	$ 103,255	$ -
Legal	603,558	-
Professional fees	520,000	-
	$ 1,226,813	$ -

12. SUBSEQUENT EVENTS

Subsequent to July 31, 2025, the Company:

- granted 15,000 stock options exercisable at $0.345 until August 25, 2028 to a consultant. These options were cancelled subsequently.
- granted 10,000 RSU's to a consultant. The RSU's are scheduled to vest on August 25, 2026, but were cancelled subsequently prior to vesting.
- repaid $150,000 of the promissory note payable to Jason and Christina Barnard.
- repaid $42,150 of the promissory note payable to Foremost Clean Energy Ltd.
- issued 1,005,554 common shares pursuant to the exercise of options for proceeds of $52,483 and US$52,000.
- issued 937,546 common shares pursuant to the exercise of warrants for proceeds of $177,375.
- received $243,742 in cash from Foremost Clean Energy Ltd, in settlement of amounts receivable outstanding at year-end.