



Damara Gold Corp.

Financial Statements

Years ended July 31, 2023 and 2022

Expressed in Canadian Dollars

DAMARA GOLD CORP.
Years ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DAMARA GOLD CORP.

Opinion

We have audited the financial statements of Damara Gold Corp. (the "Company"), which comprise:

- ◆ the statements of financial position as at July 31, 2023 and 2022;
- ◆ the statements of comprehensive loss for the years then ended;
- ◆ the statements of changes in shareholders' equity for the years then ended;
- ◆ the statements of cash flows for the years then ended; and
- ◆ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023 and 2022, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$190,827 during the year ended July 31, 2023 and, as of that date, the Company's deficit is \$33,872,126. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended July 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditors' 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 Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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- ◆ 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Sukhjot Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

November 27, 2023

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DAMARA GOLD CORP.

(An Exploration Stage Company)

STATEMENTS OF FINANCIAL POSITION

As at July 31

Expressed in Canadian Dollars

	Note	2023	2022
ASSETS			
Current			
Cash and cash equivalents		\$ 29,810	\$ 298,495
Restricted cash	6	-	9,013
Receivables		1,873	54,710
Prepays		1,114	1,019
Non Current			
Reclamation bond		50,000	-
Exploration and evaluation assets	5	2,666,250	2,361,248
Total Assets		\$ 2,749,047	\$ 2,724,485
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	10	78,384	129,328
Other liability	6	-	1,002
		78,384	130,330
Shareholders' Equity			
Share Capital	7	34,919,997	34,721,204
Contributed surplus	8	1,622,792	1,554,250
Deficit		(33,872,126)	(33,681,299)
Total Shareholders' Equity		2,670,663	2,594,155
Total Liabilities and Shareholders' Equity		\$ 2,749,047	\$ 2,724,485

Approved on behalf of the Board of Directors by:

/s/ Lawrence Nagy

Lawrence Nagy, Director

/s/ William Lindqvist

William Lindqvist, Director

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

DAMARA GOLD CORP.

(An Exploration Stage Company)

STATEMENTS OF COMPREHENSIVE LOSS

For the years ended July 31

Expressed in Canadian Dollars

	Note	2023	2022
Expenses			
Administrative and general	9,10,11	\$ 194,734	\$ 208,309
Share-based payments	8	-	29,450
Total Expenses		(194,734)	(237,759)
Other items			
Interest revenue		2,905	1,990
Other income	6	1,002	18,441
Net loss and comprehensive loss for the year		\$ (190,827)	\$ (217,328)
Loss per share for the year - basic and diluted	12	\$ (0.00)	\$ 0.00

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

DAMARA GOLD CORP.

(An Exploration Stage Company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended July 31, 2023 and 2022

Expressed in Canadian Dollars

	Note	Share Capital	Contributed Surplus	Deficit	Total
Balance at July 31, 2021		\$ 33,834,443	\$ 1,524,800	\$ (33,463,971)	\$ 1,895,272
Net loss for the year		-	-	(217,328)	(217,328)
Share issued for exploration and evaluation assets	5,7	738,103	-	-	738,103
Share issued for private placement	7	174,999	-	-	174,999
Share-based payments	8	-	29,450	-	29,450
Share issue costs	7	(6,898)	-	-	(6,898)
Flow-thru premium liability		(19,443)	-	-	(19,443)
Balance at July 31, 2022		\$ 34,721,204	\$ 1,554,250	\$ (33,681,299)	\$ 2,594,155
Net loss for the year		-	-	(190,827)	(190,827)
Units issued for exploration and evaluation assets	5,7	200,000	68,542	-	268,542
Share issue costs	7	(1,207)	-	-	(1,207)
Balance at July 31, 2023		\$ 34,919,997	\$ 1,622,792	\$ (33,872,126)	\$ 2,670,663

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

DAMARA GOLD CORP.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
For the years ended July 31
Expressed in Canadian Dollars

	Note	2023	2022
OPERATING ACTIVITIES			
Loss for the year		\$ (190,827)	\$ (217,328)
Items not affecting cash			
Share-based payments	8	-	29,450
Other revenue	6	(1,002)	(18,441)
Changes in non-cash working capital			
Receivables		52,837	(31,828)
Prepaid expenses and advances		(95)	15,274
Trade and other payables		21,629	2,422
Cash used in operating activities		(117,458)	(220,451)
INVESTING ACTIVITIES			
Exploration and evaluation asset expenditures	5	(109,033)	(946,114)
Purchase reclamation bond		(50,000)	-
Total cash (used) provided in investing activities		(159,033)	(946,114)
FINANCING ACTIVITIES			
Private placements	7	-	174,999
Share issue costs		(1,207)	(6,898)
Cash provided in financing activities		(1,207)	168,101
Decrease in cash during the year		(277,698)	(998,464)
Cash beginning of year		307,508	1,305,972
Cash end of year		\$ 29,810	\$ 307,508
Composition of cash and restricted cash			
Cash		\$ 29,810	\$ 298,495
Restricted Cash		-	9,013
Cash and restricted cash end of the year		\$ 29,810	\$ 307,508

Supplemental Disclosure with Respect to Cash Flows (Note 13)

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

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Damara Gold Corp. (“**Damara**” or the “**Company**”) was incorporated on August 1, 1989 under the *Business Corporations Act* of British Columbia as Solomon Resources Limited. On September 30, 2014, the Company changed its name to Damara Gold Corp. Effective October 1, 2014, the Company commenced trading on the TSX Venture Exchange (the “**Exchange**”) under the symbol “DMR” as a Tier 2 issuer.

The Company is in the business of identifying and acquiring prospective and under-explored gold properties worldwide. The Company’s corporate head office is at Suite 335 – 1632 Dickson Avenue, Kelowna, BC V1Y 7T2.

2. BASIS OF PREPARATION AND CONTINUANCE OF OPERATIONS

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

The financial statements were authorized for issue by the Board of Directors on November 27, 2023.

These financial statements have been prepared on the historical cost basis, except for certain financial assets, which have been measured at fair value. The methods used to measure fair value are discussed in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has not generated revenues from its operations to date. During the year ended July 31, 2023, the Company incurred a net loss of \$190,827 (2022 - \$217,328) and, as of that date, had a deficit of \$33,872,126 (2022 - \$33,681,299). The Company currently has a working capital deficiency of \$45,587 as at July 31, 2023 (2022 - \$232,907 working capital) of which the Company has \$Nil of flow through expenditure requirements on or before December 31, 2023 (July 31, 2022 - \$9,013).

The Company will continue to have to raise funds beyond its current working capital balance in order to continue the development of its exploration properties and general operations.

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND CONTINUANCE OF OPERATIONS (cont'd)

These conditions indicate the existence of material uncertainties, which cast significant doubt about the Company's ability to continue as a going concern.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus ("**COVID-19**") pandemic, relations between NATO and the Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

While it cannot be assured, the Company expects reduced forward-impact of COVID-19 as it relates to the mining sector to generally be in line with normalization of its effects within the broader business sector during 2023 and beyond.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

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

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Mineral Exploration and Evaluation Expenditures (cont'd)**Acquisition Costs

The fair value of all consideration paid to acquire an exploration and evaluation asset is capitalized, including amounts arising under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property will be considered to be a mine under development and will be classified as "mines under construction". Exploration and evaluation assets are also 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.

Mining Exploration Tax Credit ("METC")

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits. The Company recognizes mining exploration tax recoveries in the period in which the related recoveries are received. During the year ended July 31, 2023, the Company received a mining tax credit refund of \$Nil (2022 - \$84,006) for exploration and evaluation expenditures during the year ended July 31, 2021 on the Placer Mountain Property as described in Note 5. The refund received in 2022 was recorded as a recovery of exploration and evaluation expenses.

Impairment of Non-Financial Assets

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

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

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Financial Instruments**

The Company classifies its financial instruments as follows:

Financial Asset/Liabilities	
Cash and cash equivalents	Fair value through profit or loss ("FVTPL")
Receivables	Amortized cost
Restricted cash	FVTPL
Trade and other payables	Amortized cost

Financial Assets*Initial recognition and measurement*

Financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("**FVOCI**"); or (iii) fair value through profit or loss ("**FVTPL**"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Financial Instruments (cont'd)**Financial Assets (cont'd)*Impairment (cont'd)*

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled, or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

Provisions

Provisions are recognized as liabilities when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Rehabilitation Provision**

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

When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability-specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. As at July 31, 2023 and 2022, the Company had recognized no rehabilitation provisions.

Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share using the residual method into: i) share capital based on market value of common shares on the date of issue; ii) warrants based on fair value determined by the Black-Scholes option pricing model; and iii) flow-through share premium, if any. The estimated flow-through share premium, representing the amount investors paid for the flow-through feature, is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability with a corresponding other income charged to profit or loss. At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. The required flow-through expenditures as at July 31, 2023 of \$Nil (2022 - \$9,013) is recorded as restricted cash.

Proceeds received from the issuance of flow-through shares are restricted to be used only for certain Canadian resource property exploration expenditures incurred within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by year-end.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related contributed surplus is transferred to share capital.

Contributed Surplus

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options or warrants vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

DAMARA GOLD CORP.

Notes to Financial Statements

For the Years Ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Earnings/Loss per Share**

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year. Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share-based Payments

The fair value, at the grant date, of equity-settled share awards is charged to profit or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the equity-settled employee benefits reserve. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model, which considers the following factors:

- Exercise price
- Expected life
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Dividend yield

For equity-settled share-based payments to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (cont'd)

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these financial statements are discussed below.

Critical Estimates*Valuation of Share-based Payments*

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Critical Judgments*Impairment of Exploration and Evaluation Assets*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash-generating unit or group of cash-generating unit's level in the year the new information becomes available. The assessment of impairment indicators, impairment tests, and recoverable value models have a degree of estimation and judgment which may differ in the future.

Mining Exploration Tax Credits

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits. During the year ended July 31, 2023, the Company received a mining tax credit refund of \$Nil (July 31, 2022 - \$84,006) for exploration and evaluation expenditures during the year ended July 31, 2021 on the Placer Mountain Property.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

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5. EXPLORATION AND EVALUATION ASSETS**British Columbia*****Placer Mountain Property, British Columbia***

	British Columbia Placer Mountain	Quebec VanLab	Total
Balance at July 31, 2021	\$674,270	-	\$674,270
Acquisition costs	781,447	-	781,447
Exploration costs	989,537	-	989,537
Recovery of exploration and evaluation expenditures	(84,006)	-	(84,006)
Balance at July 31, 2022	2,361,248	-	2,361,248
Acquisition costs	-	271,724	271,724
Exploration costs	33,278	-	33,278
Balance at July 31, 2023	\$2,394,526	\$271,724	\$2,666,250

On October 15, 2020, Damara entered into an assignment and assumption agreement with Canagold Resources Ltd. (“**Canagold**”) pursuant to which Canagold has assigned (the “**Assignment**”) all of its rights, obligations, interests and assets with respect to a property option agreement dated December 20, 2018 and amended on June 3, 2019 (the “**Option Agreement**”) between Canagold, Universal Copper Ltd. (“**Universal**”), and Sydney Wilson (“**Wilson**”) to acquire a 75% interest (the “**Option**”) in certain mineral claims of Universal and Wilson located approximately 35km south of Princeton, British Columbia (“**Placer Mountain**” or the “**Property**”), subject to the Universal NSR and Wilson NSR (as defined herein).

The Property is subject to a 1% net smelter return (“**NSR**”) to Universal which can be purchased for \$1,000,000 (the “**Universal NSR**”) and a 2% NSR to Wilson which can be reduced to 1% for cash purchase of \$1,000,000 (the “**Wilson NSR**”).

On April 13, 2021, the Company, in accordance with the terms of the Option Agreement, provided notice (the “**Notice**”) of its intent to exercise the Option and acquire its 75% interest and on August 4, 2021 the parties entered into a definitive joint venture agreement (the “**JV Agreement**”). Pursuant to the terms of the Option Agreement, Damara made the cash payment of \$25,000 to Universal on execution of the JV Agreement. Pursuant to the terms of the JV Agreement, Universal’s interest has been diluted to 16% as at July 31, 2023 (July 31, 2022 - 17%) for non-contribution to the exploration programs.

Consideration for the Assignment included:

- Completion of \$300,000 in earn-in exploration expenditures (completed);
- The issuance of 3,989,950 common shares with a fair value of \$292,922 issued on or before December 31, 2020 (issued); and
- The issuance of 9,841,371 common shares with a fair value of \$738,103 issued on or before December 31, 2021 (issued).

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5. EXPLORATION AND EVALUATION ASSETS (cont'd)

Quebec

VanLab Property

On December 22, 2022 the Company entered into purchase agreement (the "**Purchase Agreement**") to acquire a 100% undivided interest (the "**Interest**") in 203 mineral exploration claims located in the Labrador Trough region of Quebec, (collectively, the "**VanLab Property**") with two arm's length sellers (the "**Sellers**").

Consideration to acquire the Interest included the following:

- The issuance of an aggregate of 4,000,000 units (each a "**Unit**") to the Sellers with a fair value of \$200,000 (issued Note 7). Each Unit is comprised of one common share and one non-transferable share purchase warrant (each a "**VanLab Warrant**"). Each VanLab Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.25 until December 23, 2025; and
- Damara has granted to the Sellers a 2% net smelter return royalty (the "**NSR Royalty**").

Pursuant to the terms of the Purchase Agreement, the Sellers may be entitled to a 0.5% net smelter return royalty in any interest Damara acquires in additional claims within an area of interest of the VanLab Property.

6. OTHER LIABILITY

	Issued On December 17 2021
Balance at July 31, 2021	\$-
Liability incurred on flow-through shares issued	19,443
Settlement of flow-through share liability on incurring expenditures	(18,441)
Balance at July 31, 2022	1,002
Settlement of flow-through share liability on incurring expenditures	(1,002)
Balance at July 31, 2023	\$-

On December 17, 2021, the Company completed a private placement for 1,944,444 flow-through common shares ("**FT Share**") at a price of \$0.09 per FT Share, for gross proceeds of \$174,999. The residual amount allocated to the flow-through premium liability was \$19,443.

As at July 31, 2023, the Company had incurred \$174,999 of qualifying Canadian Exploration Expenditures ("**CEE**") thereby fulfilling \$19,443 (July 31, 2022 - \$18,441) of the liability. The extinguishment of the liability was recognized as other income during the year ended July 31, 2023 of \$1,002 (2022 - \$18,441).

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7. SHARE CAPITAL**(a) Authorized Share Capital**

The Company's authorized share capital consists of an unlimited number of common shares without par value.

(b) Common Shares

	Note	Number	Issue Price	Total
Balance at July 31, 2021		57,729,574		\$33,834,443
Shares issued for private placement		1,944,444	\$0.09	174,999
Shares issued for exploration and evaluation assets		9,841,371	\$0.075	738,103
Share issue costs		-	-	(6,898)
Flow-thru premium liability		-	-	(19,443)
Balance at July 31, 2022		69,515,389	-	\$34,721,204
Shares issued for exploration and evaluation assets		4,000,000	\$0.05	200,000
Share issue costs		-	-	(1,207)
Balance at July 31, 2023		73,515,389	-	\$34,919,997

During the year ended July 31, 2023, the Company issued the following:

- On December 23, 2022, the Company issued 4,000,000 common shares pursuant to the VanLab Purchase Agreement described in Note 5 hereinabove. The Common Shares were valued at \$200,000 as determined by the market price when issued, being \$0.05 per share.
- The Company also issued 4,000,000 VanLab Warrants as described in Note 5 hereinabove. The fair value of the non-cash share issuance costs of \$68,542 for the VanLab Warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on issuance date of \$0.05, exercise price of \$0.25, risk-free interest rate of 4.02%, average projected volatility of 103.97 %, dividend yield of nil, average expected life of the VanLab Warrants of 3 years, and the fair value of the warrants of \$0.02. Additional share issue costs of \$1,207 were recorded for regulatory filing fees, administration, and transfer agent fees.

During the year ended July 31, 2022, the Company issued the following:

- On December 17, 2021, the Company issued 1,944,444 common shares of the Company on a flow-through basis (the "**2021 FT Shares**") at a price of \$0.09 per 2021 FT Shares for gross proceeds of \$174,999.
- On December 31, 2021, the Company issued 9,841,371 common shares pursuant to the Option as described in Note 5 hereinabove. The common shares were valued at \$738,103 as determined by the market price when issued being \$0.075 per share.

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7. SHARE CAPITAL (cont'd)**(c) Share Purchase Warrants**

The following is a summary of changes in warrants from August 31, 2021 to July 31, 2023:

	Number of Warrants	Weighted Average Exercise Price
Balance at July 31, 2021 and 2022	18,203,184	\$0.12
Expired	(18,203,184)	\$0.12
Issued	4,000,000	\$0.25
Balance at July 31, 2023	4,000,000	\$0.25

As at July 31, 2023, the 4,000,000 (2022 - 18,203,184) share purchase warrants have a weighted average remaining contractual life of 2.40 (2022 - 0.51) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Expiry Date	Exercise Price	Number of Warrants
December 23, 2025	\$0.25	4,000,000
Total		4,000,000

(d) Agents' Warrants

The following is a summary of changes in agents' warrants from August 1, 2021 to July 31, 2023:

	Number of Warrants	Weighted Average Exercise Price
Balance at July 31, 2021 and 2022	1,021,140	\$0.14
Expired	(1,021,140)	\$0.14
Balance at July 31, 2023	-	-

As at July 31, 2023, Nil (2022 - 1,021,140) agent warrants were outstanding having a weighted average remaining contractual life of Nil (2022 - 0.74) years.

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8. SHARE-BASED PAYMENTS**(a) Option Plan Details**

The Company adopted a stock option plan (the “Plan”) to grant options to directors, senior officers, employees, and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option price under each option shall not be less than the discounted market price as defined in the policies of the Exchange on the grant date. All options vest when granted unless otherwise specified by the Board of Directors.

Stock option activity from August 1, 2021 to July 31, 2023 was as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2021	2,300,000	\$0.08
Granted	600,000	\$0.08
Expired	(200,000)	\$0.08
Balance at July 31, 2022	2,700,000	\$0.08
Expired	(200,000)	\$0.08
Balance at July 31, 2023	2,500,000	\$0.08

As at July 31, 2023, the following options were outstanding:

Expiry Date	Exercise Price	Number of Options
July 26, 2026	\$0.08	1,900,000
December 30, 2026	\$0.08	100,000
January 21, 2027	\$0.08	300,000
June 9, 2027	\$0.08	200,000
		2,500,000

As at July 31, 2023, 2,500,000 (2022 - 2,700,000) options were outstanding and exercisable with a weighted average remaining contractual life of 3.13 (July 31, 2022 - 4.12) years.

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8. SHARE-BASED PAYMENTS (cont'd)**(b) Fair Value of Options Issued During the Year**

During the year ended July 31, 2023 there were no options granted. During the year ended July 31, 2022, the weighted average fair value at grant date of options granted was \$0.05 per option.

(c) Expenses Arising from Share-based Payment Transactions

The total fair value of options granted during the year ended July 31, 2023 was \$Nil (2022 - \$29,450) which has been recorded as a share-based payment expense in the statements of comprehensive loss with a corresponding increase in contributed surplus.

The Black-Scholes option pricing model inputs for options granted during the years ended July 31, 2023 and 2022 include:

Grant Date	Expiry Date	Share Price	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
30-Dec-21	30-Dec-26	\$0.075	\$0.08	1.30%	5	106.63%	-
21-Jan-22	21-Jan-27	\$0.075	\$0.08	1.67%	5	106.64%	-
9-Jun-22	9-Jun-27	\$0.045	\$0.08	3.17%	5	105.80%	-

Expected volatility is based on the historical volatility of the Company's market share price. Interest rates represent rates from the Bank of Canada on bonds with a similar term. The dividend yield represents the expected dividends to be paid by the Company.

9. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	For the Years Ended July 31	
		2023	2022
Accounting and legal		\$29,553	\$24,372
Consulting	10	87,748	92,480
Website, shareholder communication, conferences		18,793	25,038
Office and administration fees	10	17,354	20,792
Insurance		10,154	11,307
Rent	11	9,500	14,052
Filing fees		10,540	12,000
Part XII.6 tax		538	-
Transfer agent fees		4,462	5,519
Travel		6,092	2,749
		\$194,734	\$208,309

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10. KEY MANAGEMENT COMPENSATION

Compensation for key management and personnel, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

	July 31 2023	July 31 2022
Key management personnel compensation comprised:		
Consulting fees	\$87,748	\$92,480
Administration	13,406	15,413
Share-based payments	-	17,303
	\$101,154	\$125,196

Included in trade and other payables are amounts due to officers and directors and related parties for fees and expenses of \$33,340 at July 31, 2023 (2022 - \$8,502).

11. RELATED PARTY TRANSACTIONS**Rent**

The Company currently pays Golden Ridge Resources Ltd. (a company with common directors and officers) rent and expenses on a month-to-month basis for shared offices space for total rent during the year ended July 31, 2023 of \$9,500 (2022 - \$12,000).

12. LOSS PER SHARE

	July 31 2023	July 31 2022
Net loss attributable to ordinary shareholders	(\$190,827)	(\$217,328)
Weighted average number of common shares	71,932,971	64,681,905
Basic and diluted loss per share	(\$0.00)	\$0.00

Basic loss per share amounts is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the years ended July 31, 2023 and 2022, the following transactions were excluded from the statements of cash flows:

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13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd)

- i) An aggregate compensation charge of \$68,542 (2022 - \$Nil) associated with the grant of the VanLab Warrants was recorded as exploration and evaluation acquisition costs (Note 5 and 7);
- ii) The Company issued and aggregate common shares 4,000,000 (2022 - 9,841,371) valued at an aggregate amount of \$200,000 (2022 - \$738,103) for acquisition of exploration and evaluation assets, as determined by their market prices when issued (Note 5); and
- iii) Included in accounts payable is \$977 (2022 - \$73,549) of exploration expenditures that are capitalized to exploration and evaluation assets.

During the years ended July 31, 2023 and 2022, the Company paid \$Nil for income taxes and interest.

14. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities in Canada. The Company's non-current assets as at July 31, 2023 and 2022 are all in Canada.

15. INCOME TAXES

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the years ended July 31, 2023 and 2022. The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	2023	2022
Loss before income tax	\$ (190,827)	\$ (217,328)
Statutory income tax rate	27.00%	27.00%
Income tax recovery computed at statutory tax rate	\$ (51,523)	\$ (58,679)
Items not deductible for income tax purposes	334	7,952
Change in estimate	(4,921)	42,285
Unused tax losses and tax offsets not recognized	56,110	8,442
Income tax recovery	\$ -	\$ -

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2022 - 27%) to income before income taxes.

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15. INCOME TAXES (cont'd)**Deferred Tax Assets and Liabilities**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	July 31 2023	July 31 2022
Non-capital losses carried forward	\$6,196,209	\$5,967,694
Excess of tax value over carrying value of mineral properties	2,668,012	2,677,024
Investment tax credits	160,085	160,085
Cumulative eligible capital	115,905	115,905
Share issue costs and other	43,263	62,756
Unrecognized deductible temporary differences	\$9,183,474	\$8,983,464

The Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate losses expire as follows:

Available to	Amount
2025 \$	1,361,000
2026	358,000
2027	161,000
2029	828,000
2030	185,000
2031	535,000
2032	481,000
2033	616,000
2034	130,000
2035	333,000
2037	125,000
2038	71,000
2039	225,000
2040	70,000
2041	278,000
2042	228,000
2043	210,000
\$	6,195,000

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

General Objectives, Policies, and Processes

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks, or the methods used to measure them from previous years unless otherwise stated in the note.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of interest rate and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and non-interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

As at July 31, 2023, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**General Objectives, Policies, and Processes** (cont'd)Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar and other foreign currencies will affect the Company's operations and financial results.

The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and receivables. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand and receivables are entered into with credit-worthy counterparties.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to endeavour that it will have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. However, circumstances may arise where the Company is unable to meet those goals. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**General Objectives, Policies, and Processes** (cont'd)Liquidity Risk

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company endeavours not to maintain any trade payables beyond a 30-day period to maturity. All trade and other payables are due within 30 days of July 31, 2023.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statements of financial position carrying amounts for cash, restricted cash, and trade and other payables approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values, these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash, restricted cash, and trade and other payables;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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17. CAPITAL MANAGEMENT

The Company monitors its common shares, warrants and stock options as capital. 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. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year ended July 31, 2023.