

**AUKA CAPITAL CORP.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

# AUKA CAPITAL CORP.

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DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of  
Auka Capital Corp.

### *Opinion*

We have audited the financial statements of Auka Capital Corp., which comprise the Statement of Financial Position as at December 31, 2022 and the Statement of Loss and Deficit and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

### *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 International Financial Reporting Standards, 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.

## **INDEPENDENT AUDITOR'S REPORT, continued**

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

## **INDEPENDENT AUDITOR'S REPORT, continued**

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.

Medicine Hat, Alberta  
April 27, 2023

CHARTERED PROFESSIONAL ACCOUNTANT

**AUKA CAPITAL CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

ASSET	2022	2021
<b>CURRENT ASSET</b>		
Cash	\$ 797,737	\$ 124,265
<b>LIABILITY</b>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	\$ 40,571	\$ 8,924
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 4)</b>	1,000,000	125,000
<b>DEFICIT</b>	(242,834)	(9,659)
	757,166	115,341
	\$ 797,737	\$ 124,265

On behalf of the Board of Directors

\_\_\_\_\_  
(s) Michael Kaiser Director

\_\_\_\_\_  
(s) Robert Cole Director

**AUKA CAPITAL CORP.**  
**STATEMENT OF LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022</b>	<b>For the period Aug 5, 2021 to Dec 31, 2021</b>
<b>REVENUE</b>	\$ -	\$ -
<b>EXPENSES</b>		
Professional Fees	233,175	8,924
Advertising and promotion	-	735
	233,175	9,659
<b>NET LOSS</b>	\$ (233,175)	\$ (9,659)
<b>BASIC LOSS PER SHARE</b>	(0.0341)	(0.0039)
<b>DILUTED LOSS PER SHARE</b>	(0.0328)	(0.0039)
<b>AVERAGE WEIGHTED NUMBER OF COMMON SHARES</b>	6,847,260	2,500,000
<b>AVERAGE WEIGHTED NUMBER OF DILUTED SHARES</b>	7,104,547	2,500,000

The accompanying notes are an integral part of the financial statements

**AUKA CAPITAL CORP.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Share capital	Deficit	Total equity
<b>Balance, August 5, 2021</b>	\$ -	\$ -	\$ -
Net loss	-	(9,659)	(9,659)
Issuance of share capital	125,000	-	125,000
<b>Balance, December 31, 2021</b>	125,000	(9,659)	115,341
Net loss	-	(233,175)	(233,175)
Issuance of share capital	875,000	-	875,000
<b>Balance, December 31, 2022</b>	\$ 1,000,000	\$ (242,834)	\$ 757,166

The accompanying notes are an integral part of the financial statements

**AUKA CAPITAL CORP.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>2022</b>	<b>For the period Aug 5, 2021 to Dec 31, 2021</b>
<hr/>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (233,175)	\$ (9,659)
Change in non-cash working capital		
Accounts payable and accrued liabilities	31,647	8,924
	<hr/>	<hr/>
	(201,528)	(735)
<b>FINANCING ACTIVITY</b>		
Issuance of share capital	875,000	125,000
	<hr/>	<hr/>
<b>INCREASE IN CASH</b>	673,472	124,265
<b>CASH, beginning of year</b>	124,265	-
	<hr/>	<hr/>
<b>CASH, end of year</b>	\$ 797,737	\$ 124,265
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **DECEMBER 31, 2022**

#### **NATURE OF BUSINESS**

Auka Capital Corp. (the "Company") was incorporated on August 5, 2021 under the laws of the Province of Alberta, Canada as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

Head office is located at 1600, 421 7th Avenue SW, Calgary Alberta, T2P 4K9.

The principal business of the Company is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the "Qualifying Transaction"), subject to, if a non-arm's length Qualifying Transaction, receipt of majority approval of the minority shareholders and acceptance by regulatory authorities.

Until the completion of a Qualifying Transaction, the Company will not carry on any other business.

#### **1. BASIS OF PRESENTATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC's).

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

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for the Statement of Cash Flows.

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### **2. GOING CONCERN**

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As at December 31, 2022 the Company's management believes it has sufficient cash to satisfy its financial obligations for the next 12 months. The continuation of the Company is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

# **AUKA CAPITAL CORP.**

## **NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **CASH AND CASH EQUIVALENTS**

Cash consists of balances with financial institutions. Cash in bank deposit accounts, at times, exceeds federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

#### **SHARE-BASED PAYMENTS**

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

#### **INCOME TAXES**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rate and laws that have been enacted or substantively enacted at the statement of financial statement date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### **CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND MEASUREMENT UNCERTAINTY**

The preparation of the Company's financial statements, in conformity with IFRS, requires management of the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

#### **Income taxes**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. See Note 5.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES, continued

#### FINANCIAL INSTRUMENTS

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Company's business model.

The Corporation classifies financial assets and liabilities as follows:

- Amortized cost: Cash and accounts payable and accrued liabilities are held by the Company to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

- Fair value through profit or loss or fair value through other comprehensive income: The Company does not have financial instruments that meet the criteria to be measured at fair value and, accordingly, no financial instruments are measured at fair value through profit or loss or fair value through other comprehensive income.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 4. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value.

The Company has the following Common Shares issued and outstanding:

	2022	2021
<b>Issued</b>		
12,500,000 Common Shares	\$ 1,000,000	\$ 125,000

During the period ended December 31, 2022, the Company issued 2,500,000 Common shares at \$0.05 per share and completed their initial public offering issuing an additional 7,500,000 Common shares at \$0.10 per share.

Upon completion of the initial public offering Canaccord Genuity Corp. (the Agent) received warrant options to purchase 750,000 Common Shares at a price of \$0.10 per share for period of five years from September 15, 2022, which is the date of the listing of the Common Shares on the Exchange.

Upon closing of the initial public offering December 13, 2022, the Company granted 758,875 incentive stock options to its directors and officers which are exercisable within ten years from the date of the grant at an exercise price of \$0.10 per Common Share.

	2022		2021	
	Options outstanding	Exercise price	Options outstanding	Exercise price
Warrant options	750,000	0.10	-	-
Incentive stock options	758,875	0.10	-	-
	1,508,875	-	-	-

**AUKA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**4. SHARE CAPITAL, continued**

Management uses the Black-Scholes valuation model to estimate the value of all options issued. For the year-ended December 31, 2022 management believes the value of the options in aggregate is nil (2021 - nil), based on applying the following inputs to the valuation model:

Risk-free Interest Rate - 2.50%  
Exercise Price - \$0.10  
Share Price - \$0.10  
Expected Dividend Yield - 0.00%  
Expected Life of Warrants - two categories;  
    - 5 years for warrant options  
    - 10 years for incentive stock options  
Expected Volatility - 0.00%

For the year-ended December 31, 2022, no options or warrants were exercised (2021 - nil).

**AUKA CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**5. INCOME TAXES**

- (a) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 23% (2021 - 23%) to the loss for the years as follows:

	<b>2022</b>	<b>For the period Aug 5, 2021 to Dec 31, 2021</b>
Loss for the year before income taxes	\$ (233,175)	\$ (9,659)
Anticipated income tax recovery of Tax effect of the following:	\$ (53,630)	\$ (2,222)
Benefit of income tax losses not recognized	53,630	2,222
Income tax benefit	\$ -	\$ -

- (b) For income tax purposes, the Company has non-capital losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2041	\$ 9,649	
2042	233,175	
	\$ 242,824	
	<b>2022</b>	<b>2021</b>
Deferred income tax		
Losses available for offset against future taxable income	\$ 242,824	\$ 9,649
Valuation allowance against deferred tax assets	(242,824)	(9,649)
Net deferred income tax assets	\$ -	\$ -

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company does not yet have a history of profitability or other supporting evidence of future profitability to support the recognition of deferred tax assets in excess of deferred tax liabilities. Accordingly, the net deferred tax assets of the Company are offset by a valuation allowance, which is re-evaluated at the end of each reporting period.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 6. RELATED PARTY TRANSACTIONS

The Company is related to Gowling WLG (Canada) LLP by virtue of a partner in Gowling WLG (Canada) LLP who is a director and corporate secretary of the Company. Transactions and balances with these related parties are as follows:

Professional fees in the amount of \$85,971 (2021 - \$1,924) paid to the related party for matters pertaining to the review of prospectus drafts, initial public offering filings, share issuance, and completion during the year.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 7. FINANCIAL INSTRUMENTS RISKS AND UNCERTAINTIES

The Company's financial instruments include cash, and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to their short-term maturities.

The Company's activities are exposed to a variety of financial risks, including price risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

#### (a) LIQUIDITY RISK

The Company does have a liquidity risk in the accounts payable and accrued liabilities of \$40,571 (2021 - \$8,924). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due, and maintains an adequate cash balance to repay trade creditors as they become payable. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

# AUKA CAPITAL CORP.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

### 8. CAPITAL MANAGEMENT

The Company is a Capital Pool Company and considers items included in shareholders' equity as capital. The Company has no debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets.

In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company had share capital of \$1,000,000 as of December 31, 2022 (2021 - \$125,000).

The Company currently has no source of revenues. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is dependent upon the continuing financial support of shareholders and the completion of a Qualifying Transaction.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets of businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a qualifying transaction by the Company as defined under the policies of the Exchange Policy 2.4.