

DEPARTURE BAY CAPITAL CORP.

(A Capital Pool Company)

Condensed Interim Financial Statements

For the nine months ended November 30, 2023

(Expressed in Canadian dollars - Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for review of condensed interim financial statements by an entity's auditor.

DEPARTURE BAY CAPITAL CORP.**(A Capital Pool Company)**

Condensed interim statements of financial position

(Expressed in Canadian dollars)

	November 30, 2023 (unaudited)	February 28, 2023 (audited)
	\$	\$
Assets		
Current assets		
Cash	159,928	193,418
Total assets	159,928	193,418
Liabilities and shareholders' equity		
Current liability		
Accounts payable and accrued liabilities	4,321	16,336
Shareholders' equity (deficit)		
Share capital (Note 4)	257,100	257,100
Reserves (Note 4)	48,455	48,455
Subscription receivable (Note 4)	-	-
Deficit	(149,948)	(128,473)
Total shareholders' equity (deficit)	155,607	177,082
Total liabilities and shareholders' equity	159,928	193,418

Going concern (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on December 29, 2023 by:

/s/ Trevor Treweweke

Director

/s/ Paul Andreola

Director

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

DEPARTURE BAY CAPITAL CORP.**(A Capital Pool Company)**

Condensed interim statements of net and comprehensive loss

(Expressed in Canadian dollars - Unaudited)

	For the three months ended November 30, 2023	For the three months ended November 30, 2022	For the nine months ended November 30, 2023	For the nine months ended November 30, 2022
	\$	\$	\$	\$
Expenses				
Bank charges	442	317	914	845
Office and administrative charges	-	745	-	764
Legal fees	901	8,055	4,866	22,535
Accounting and audit fees	4,286	4,755	9,661	15,130
Regulatory and filing	1,199	13,984	6,034	24,134
Stock-based compensation	-	33,555	-	33,555
Net and comprehensive loss for the period	(6,828)	(61,411)	(21,475)	(96,963)
Net loss per share, basic and diluted	(0.00)	(0.02)	(0.01)	(0.02)
Weighted average number of shares outstanding, basic and diluted	2,500,000	4,254,386	2,500,000	2,657,273

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

DEPARTURE BAY CAPITAL CORP.**(A Capital Pool Company)**

Statements of changes in shareholders' equity (deficit)

(Expressed in Canadian dollars - Unaudited)

	<u>Share capital</u>					Total shareholders' equity (deficit)
	Number of shares	Amount	Subscription Receivable	Reserves	Deficit	
		\$	\$	\$	\$	\$
Balance, February 28, 2022	2,000,000	100,000	(100,000)	-	(8,000)	(8,000)
Private placement proceeds	500,000	25,000	-	-	-	25,000
Initial public offering						
Gross proceeds	2,000,000	200,000	-	-	-	200,000
Finder's fee – cash	-	(20,000)	-	-	-	(20,000)
Finder's fee – broker warrants	-	(14,900)	-	14,900	-	-
Other share issuance costs	-	(33,000)	-	-	-	(33,000)
Subscription receivable	-	-	100,000	-	-	100,000
Stock-based compensation	-	-	-	33,555	-	33,555
Net loss for the period	-	-	-	-	(96,963)	(96,963)
Balance, November 30, 2022	4,500,000	257,100	-	-	(48,455)	(104,963)
Balance, February 28, 2023	4,500,000	257,100	-	48,455	(128,473)	177,082
Net loss for the period	-	-	-	-	(21,475)	(21,475)
Balance, November 30, 2023	4,500,000	257,100	-	48,455	(149,948)	155,607

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DEPARTURE BAY CAPITAL CORP.**(A Capital Pool Company)**

Condensed interim statements of cash flows

(Expressed in Canadian dollars - Unaudited)

	For the nine months ended November 30, 2023	For the Nine months ended November 30, 2022
	\$	\$
Operating activities		
Net loss for the period	(21,475)	(96,963)
Adjustment for non-cash working capital:		
Prepaid expense	-	33,555
Accounts payable and accrued liabilities	(12,015)	(2,678)
Net cash used in operating activities	(33,490)	(66,086)
Financing activities		
Initial public offering and private placement	-	225,000
Finder's fees and share issuance costs	-	(53,000)
Share subscriptions receivable	-	100,000
Net cash provided by financing activities	-	272,000
Increase in cash, being cash end of period	(33,490)	205,914
Cash – beginning of period	193,418	-
Cash – end of period	159,928	205,914

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DEPARTURE BAY CAPITAL CORP.

(A Capital Pool Company)

Notes to the condensed interim financial statements

For the nine months ended November 30, 2023

(Expressed in Canadian dollars - Unaudited)

1. NATURE OF OPERATIONS

Departure Bay Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on February 16, 2022. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. On October 26, 2022, the Company completed its initial public offering ("IPO") and the common shares of the Company were listed on the Exchange under the symbol "DBC.P". The common shares of the Company began trading on the Exchange on October 28, 2022.

The head office, principal address and registered office of the Company are located at Suite 228 – 1122 Mainland Street, Vancouver, B.C. V6B 5L1, Canada.

There is no assurance that the Company will identify a QT and complete a transaction.

These financial statements have been prepared on the 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. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at November 30, 2023, the Company has not generated any revenues from operations and has an accumulated deficit of \$149,948 and there is no assurance that the Company will identify a QT under the policies of the Exchange. If a QT is not completed, the Company will need to identify other courses of financing to remain as a going concern. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

The 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 Interpretation Committee.

Basis of Preparation

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

DEPARTURE BAY CAPITAL CORP.

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Notes to the condensed interim financial statements

For the nine months ended November 30, 2023

(Expressed in Canadian dollars - Unaudited)

2. BASIS OF PRESENTATION (continued)

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations 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. Actual results may differ from these estimates.

There have been no significant judgments made by management in the application of IFRS other than the going concern assumption (note 1) that have a significant effect on these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards within the framework of the significant accounting policies described below:

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

i) Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

Cash is classified as measured at amortized cost.

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For the nine months ended November 30, 2023

(Expressed in Canadian dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- **Fair value through OCI (FVOCI):** Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is not reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in profit or loss in the period in which it arises.

ii) Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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 or in other comprehensive income (loss). Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Share issuance costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing cost. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are no longer probable of being issued. Share issuance costs consist primarily of corporate finance fees, filing fees and legal fees.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants stock options 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 expensed over the vesting terms. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in reserves remains in the same account. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

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 based on the fair market value of when the shares are issued. Otherwise, share-based payments are measured at the fair value of goods or services received.

4. SHARE CAPITAL

Authorized share capital

Unlimited Class A Common Shares without par value; and
Unlimited Class B Preferred Shares without par value

Share issuances

On February 16, 2022, the Company issued 2,000,000 common shares at \$0.05 per share to the directors of the Company for proceeds of \$100,000 which were received during the year ended February 28, 2023.

On March 18, 2022, the Company issued 500,000 common shares at a price \$0.05 per share.

The Company completed its IPO on October 26, 2022 in which is distributed 2,000,000 common of the Company at a price of \$0.10 per common share for gross proceeds of \$200,000. The Company paid \$20,000 in cash finder's fees, paid \$33,000 in share issuance costs comprising a corporate finance fee and agents' costs, and issued 200,000 broker warrants exercisable into one common share of the Company at \$0.10 per share expiring October 26, 2027.

Escrowed Securities

Seed shares issued below the IPO price, shares acquired from treasury by non-arm's length parties to the CPC and CPC stock options and shares issued on exercise of stock options, which were granted before the IPO and at an exercise price less than the IPO price, are all subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 25% of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 25% will be released on the dates 6, 12, and 18 months following the Initial Release. Shares acquired by the "Pro Group" as such term is defined in Exchange policies, at or above the IPO price and shares acquired by a "Control Person" as such term is defined in Exchange policies, in the secondary market are not subject to the CPC Escrow Agreement.

At May 31, 2023, 2,500,000 common shares and 450,000 stock options are held in escrow.

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For the nine months ended November 30, 2023

(Expressed in Canadian dollars - Unaudited)

4. SHARE CAPITAL (continued)

Escrowed Securities

Once the common shares are placed in escrow, they are considered contingently issuable under IFRS until the Company completes a QT and will not be considered outstanding for purpose of the loss per share calculation.

Options

On October 26, 2022, the Company granted 450,000 stock options to officers and directors to purchase common shares in the Company at a price of \$0.10 per common share. These options had a fair value of \$33,555 using the Black Scholes model with the following inputs: i) exercise price: \$0.10; ii) share price: \$0.10; iii) term: 5 years; iv) volatility: 100%, based on comparable peer companies' volatilities; v) discount rate: 0.44%. As at May 31, 2023, these were the only options outstanding with a remaining life of 4.16 years.

Warrants

On October 26, 2022, the Company granted 200,000 share purchase warrants to finders to purchase common shares in the Company at a price of \$0.10 per common share. These options had a fair value of \$14,900 which has been included as a reduction to share capital using the Black Scholes model with the following inputs: i) exercise price: \$0.10; ii) share price: \$0.10; iii) term: 5 years; iv) volatility: 100%, based on comparable peer companies' volatilities; v) discount rate: 0.44%. As at May 31, 2023, these were the only share purchase warrants outstanding with a remaining life of 4.16 years.

5. TRANSACTIONS WITH RELATED PARTIES

During the nine months ended November 30, 2023, there were no related party transactions or balances owing.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification and evaluation of a QT and continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4, which will apply following the completion of the IPO. These expenditure restrictions limit the Company's on-going expenditures to reasonable expenditures relating to the IPO, reasonable expenses relating to a proposed QT, assurance and audit fees, escrow agent and transfer agent fees, regulatory filing fees and a maximum of \$3,000 per month for other general and administrative costs. The Company's approach to capital management has not been changed from prior year.

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Notes to the condensed interim financial statements

For the nine months ended November 30, 2023

(Expressed in Canadian dollars - Unaudited)

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and accounts payable and accrued liabilities, approximate fair values due to the relatively short-term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Liquidity Risk

As at November 30, 2023, the Company had accounts payable and accrued liabilities of \$4,321 due within 12 months and had cash of \$159,928 to meet its current obligations. Cash was held at a major Canadian financial institution at November 30, 2023. As a result, the Company has minimal liquidity risk.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with a major financial institution. The Company believes it has no significant credit risk.