

**DEPARTURE BAY CAPITAL CORP.**

**(A Capital Pool Company)**

Financial Statements

For the Year Ended February 28, 2023 and Period From February 16, 2022  
(Incorporation) to February 28, 2022

(Expressed in Canadian dollars)



**Crowe MacKay LLP**

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## **Independent Auditor's Report**

To the Shareholders of Departure Bay Capital Corp.

### **Opinion**

We have audited the financial statements of Departure Bay Capital Corp. (the "Company"), which comprise the statements of financial position as at February 28, 2023 and February 28, 2022 and the statements of net and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the periods 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 February 28, 2023 and February 28, 2022, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards.

### **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.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the financial statements which describes the material uncertainty 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 of the current period. 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. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 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.

### **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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
June 20, 2023**

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

Statements of financial position

(Expressed in Canadian dollars)

	February 28, 2023	February 28, 2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	193,418	-
<b>Total assets</b>	193,418	-
<b>Liabilities and shareholders' equity</b>		
<b>Current liability</b>		
Accounts payable and accrued liabilities	16,336	8,000
<b>Shareholders' equity (deficit)</b>		
Share capital (Note 4)	257,100	100,000
Reserves (Note 4)	48,455	-
Subscription receivable (Note 4)	-	(100,000)
Deficit	(128,473)	(8,000)
<b>Total shareholders' equity (deficit)</b>	177,082	(8,000)
<b>Total liabilities and shareholders' equity</b>	193,418	-

**Going concern** (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on June 20, 2023 by:

*/s/ Trevor Treweweke* \_\_\_\_\_

Director

*/s/ Paul Andreola* \_\_\_\_\_

Director

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

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

Statements of net and comprehensive loss

(Expressed in Canadian dollars)

	<b>For the year ended February 28, 2023</b>	<b>February 16, 2022 (Incorporation) to February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Bank charges	1,107	-
Office and administrative	865	-
Legal fees	22,535	6,500
Accounting and audit fees	31,337	1,500
Regulatory and filing	31,074	-
Stock-based compensation (Notes 4 and 5)	33,555	-
<b>Net and comprehensive loss for the period</b>	<b>(120,473)</b>	<b>(8,000)</b>
Net loss per share, basic and diluted	(0.18)	(0.00)
Weighted average number of shares outstanding, basic and diluted	684,932	2,000,000

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

**DEPARTURE BAY CAPITAL CORP.**

**(A Capital Pool Company)**

Statements of changes in shareholders' equity (deficit)

(Expressed in Canadian dollars)

	Share capital					Total shareholders' equity (deficit)
	Number of shares	Amount	Subscription Receivable	Reserves	Deficit	
		\$	\$	\$	\$	\$
<b>Balance, February 16, 2022 (date of incorporation)</b>	-	-	-	-	-	-
Shares issued for cash	2,000,000	100,000	-	-	-	100,000
Subscription receivable	-	-	(100,000)	-	-	(100,000)
Net loss for the period	-	-	-	-	(8,000)	(8,000)
<b>Balance, February 28, 2022</b>	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 year	-	-	-	-	(120,473)	(120,473)
<b>Balance, February 28, 2023</b>	4,500,000	257,100	-	48,455	(128,473)	177,082

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

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

Statements of cash flows

(Expressed in Canadian dollars)

	<b>For the year ended February 28, 2023</b>	<b>From February 26, 2022 (incorporation) to February 28, 2022</b>
	\$	\$
<b>Operating activities</b>		
<b>Net loss for the period</b>	(120,473)	(8,000)
Stock-based compensation	33,555	-
<b>Adjustment for non-cash working capital:</b>		
Prepaid expense	-	-
Accounts payable and accrued liabilities	8,336	8,000
<b>Net cash used in operating activities</b>	(78,582)	-
<b>Financing activities</b>		
Initial public offering and private placement	225,000	-
Finder's fees and share issuance costs	(53,000)	-
Share subscriptions receivable	100,000	-
<b>Net cash provided by financing activities</b>	272,000	-
Increase in cash, being cash end of period	193,418	-
Cash – beginning of period	-	-
<b>Cash – end of period</b>	193,418	-
<b>Non-cash financing activity</b>		
Fair value of broker warrants	14,900	-
Subscription receivable issued for shares	-	100,000

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

# DEPARTURE BAY CAPITAL CORP.

## (A Capital Pool Company)

Notes to the financial statements

For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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### 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's shares were listed on the Exchange under the symbol "DBC.P" and began trading 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.

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 February 28, 2023, the Company has not generated any revenues from operations and has an accumulated deficit of \$128,473. 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.

The Company's business financial condition and results of operations may be negatively affected by economic and other consequences from the conflict in the Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the conflict in Ukraine to the business to be limited, the indirect impacts on the economy and on the industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future. The Ukraine-Russia conflict might affect the Company's ability to raise capital or complete a QT as required by the Exchange's Policies.

### 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 financial statements

For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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### **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.

## DEPARTURE BAY CAPITAL CORP.

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For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Financial Instruments (Cont'd)

##### i) Financial assets (Cont'd)

###### 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.

## **DEPARTURE BAY CAPITAL CORP.**

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Notes to the financial statements

For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

#### **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.

## **DEPARTURE BAY CAPITAL CORP.**

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Notes to the financial statements

For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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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 February 28, 2023, 2,500,000 common shares and 450,000 stock options are held in escrow.

## **DEPARTURE BAY CAPITAL CORP.**

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Notes to the financial statements

For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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#### **4. SHARE CAPITAL (continued)**

##### **Escrowed Securities (continued)**

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 February 28, 2023, these were the only options outstanding with a remaining life of 4.66 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 February 28, 2023, these were the only share purchase warrants outstanding with a remaining life of 4.66 years.

#### **5. TRANSACTIONS WITH RELATED PARTIES**

During the year ended February 28, 2023, the Company granted 450,000 stock options to the Board of Directors with a fair market value of \$33,555. There was no further compensation to key management personnel beyond the grant of options for the current year and prior period.

#### **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.

## DEPARTURE BAY CAPITAL CORP.

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Notes to the financial statements

For the year ended February 28, 2023 and February 16, 2022 (incorporation) to February 28, 2022

(Expressed in Canadian dollars)

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### 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 February 28, 2023, the Company had accounts payable and accrued liabilities of \$16,336 due within 12 months and had cash of \$193,418 to meet its current obligations. Cash was held at a major Canadian financial institution at February 28, 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.

### 7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2023	2022
	\$	\$
Loss before income taxes	(120,473)	(8,000)
Statutory income tax rate	27%	27%
Expected income recovery	(33,000)	(2,000)
Non-deductible differences	9,000	-
Unrecognized tax benefits	24,000	2,000
Total income tax recovery	-	-

The Company has share issue costs of approximately \$42,000 and non-capital losses of approximately \$106,000 available to reduce taxable income in future years, if not utilized, non-capital losses will expire between 2042 and 2043.