

DAURA CAPITAL CORP.

FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Daura Capital Corp.

### *Opinion*

We have audited the accompanying financial statements of Daura Capital Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$592,077 during the year ended December 31, 2022 and, as of that date, the Company's total deficit was \$1,035,331. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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 auditor's report.

### *Other Information*

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

Our opinion on the 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 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 auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the 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.

### ***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.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

May 1, 2023

**DAURA CAPITAL CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	December 31 2022	December 31 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 211,403	\$ 357,182
<b>Total current assets</b>	<b>211,403</b>	<b>357,182</b>
<b>Non-current assets</b>		
Loan receivable (Note 3)	-	253,930
Deferred acquisition costs (Note 3)	-	131,319
<b>Total non-current assets</b>	<b>-</b>	<b>385,249</b>
<b>TOTAL ASSETS</b>	<b>\$ 211,403</b>	<b>\$ 742,431</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 308,879	\$ 247,830
Note payable (Note 6)	101,200	-
<b>Total liabilities</b>	<b>410,079</b>	<b>247,830</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 5)	569,121	569,121
Subscription received in advance	211,366	312,566
Reserves	56,168	56,168
Deficit	(1,035,331)	(443,254)
<b>Total shareholders' equity (deficiency)</b>	<b>(198,676)</b>	<b>494,601</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>\$ 211,403</b>	<b>\$ 742,431</b>

Nature and continuance of operations (Note 1)  
Events after reporting date (Note 11)

These financial statements were authorized for issuance by the Board of Directors on May 1, 2023.

Approved by the Board of Directors

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*"Mark D. Sumner"* Director

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*"Christina Cepeliauskas"* Director

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

**DAURA CAPITAL CORP.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Year ended December 31 2022	Year ended December 31 2021
<b>General and administrative expenses</b>		
Consulting fees	\$ -	\$ 17,091
Office and administrative expenses	13,238	29,275
Investor relations	150	3,106
Professional fees	85,456	11,815
Transfer agent and filing fees	14,405	35,588
<b>Loss from operations</b>	<b>(113,249)</b>	<b>(96,875)</b>
Interest income	22,217	23,226
Loan impairment (Note 3)	(276,147)	-
Derecognition of deferred acquisition costs (Note 3)	(224,727)	-
Foreign exchange loss and other	(171)	(116)
<b>Net loss and comprehensive loss</b>	<b>\$ (592,077)</b>	<b>\$ (73,765)</b>
Loss per share - basic and diluted	\$ (0.08)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted	7,054,668	7,054,668

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

DAURA CAPITAL CORP.  
STATEMENTS OF CASH FLOWS  
(Expressed in Canadian Dollars)

	Year ended December 31 2022	Year ended December 31 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (592,077)	\$ (73,765)
Items not affecting cash:		
Loan impairment	276,147	-
Derecognition of deferred acquisition costs	224,727	-
Interest income	(22,217)	(23,226)
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	61,049	50,766
<b>Net cash used in operating activities</b>	<b>(52,371)</b>	<b>(46,225)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred acquisition costs	(93,408)	(4,216)
<b>Net cash used in investing activities</b>	<b>(93,408)</b>	<b>(4,216)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Subscriptions received in advance	-	211,366
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>211,366</b>
Change in cash	(145,779)	160,925
Cash, beginning of year	357,182	196,257
<b>Cash, end of year</b>	<b>\$ 211,403</b>	<b>\$ 357,182</b>

Supplemental disclosure with respect to cash flows (Note 8)

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

**DAURA CAPITAL CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Subscription received in advance	Share-based payments reserve	Deficit	Total shareholders' equity (deficiency)
<b>Balance as at December 31, 2020</b>	7,054,668	\$ 569,121	\$ 101,200	\$ 56,168	\$ (369,489)	\$ 357,000
Subscriptions received	-	-	211,366	-	-	211,366
Loss for the year	-	-	-	-	(73,765)	(73,765)
<b>Balance as at December 31, 2021</b>	7,054,668	569,121	312,566	56,168	(443,254)	494,601
Note payable arrangement (Note 6)	-	-	(101,200)	-	-	(101,200)
Loss for the year	-	-	-	-	(592,077)	(592,077)
<b>Balance as at December 31, 2022</b>	7,054,668	\$ 569,121	\$ 211,366	\$ 56,168	\$ (1,035,331)	\$ (198,676)

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Daura Capital Corp. (the "Company") has completed an Initial Public Offering ("IPO") and it has been classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange" or "TSX-V") Policy 2.4. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view of completing a Qualifying Transaction under the policies of the TSX-V. The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 29, 2018. The Company's common shares are listed on the TSX-V under the symbol "DUR". The Company's head office, registered, and records office address is 704 - 595 Howe Street, Vancouver, British Columbia, Canada.

The Company incurred a loss during the year of \$592,077 (2021 - \$73,765) and has an accumulated deficit of \$1,035,331 (2021 - \$443,254) as at December 31, 2022. The Company's continuing operations are dependent upon its ability to identify and evaluate assets or businesses potential for acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4. Any acquisition or investment proposed by the Company will be subject to regulatory approval. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation and measurement**

These financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments, which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Foreign currency translation**

These financial statements are presented in Canadian dollars, unless otherwise noted. The functional currency of the Company is the Canadian dollar, which is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Financial instruments**

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss.

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

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

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company has implemented the following classifications for financial instruments:

- a) cash and loan receivable are measured at amortized costs; and
- b) accounts payable and accrued liabilities and note payable are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in profit or loss, as applicable.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Impairment of financial assets*

An 'expected credit loss' impairment model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. 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. 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 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Deferred acquisition costs**

Costs incurred or accrued prior to the execution and closing of an acquisition are deferred. Deferred costs are re-allocated to long-lived assets upon signing of a definitive agreement. If management determines not to proceed with a proposed acquisition, the deferred costs are expensed at that time.

**Loss per share**

The Company presents basic loss per share data for its common shares, calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity holders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods where a loss is reported, diluted loss per share is the same as basic loss per share as the effects of potentially dilutive common shares would be anti-dilutive.

**Share-based payments**

The Company may grant 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.

Stock options granted to directors, officers, and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options on a graded basis. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based payments recorded.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

**Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

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, and losses carried forward. 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 income in the period that substantive enactment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

**Income taxes** (cont'd...)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Critical accounting estimates and judgments**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the financial statements are described below. The preparation of financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

*a) Income taxes*

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

3. LOANS RECEIVABLE AND DEFERRED ACQUISITION COSTS

In October 2019, the Company entered into a letter of intent ("LOI") with the shareholders of Estrella Gold S.A.C. ("Estrella") to acquire all issued and outstanding common shares of Estrella for 3,000,000 common shares of the Company. The transaction contemplated in the LOI was subject to completion of due diligence, a concurrent financing between \$500,000 and \$2,000,000 (revised to between \$2,650,000 and \$3,000,000, subsequently), approval of the TSX-V, and other conditions contained in the LOI. In March 2021, the Company entered into a share exchange agreement with Estrella to acquire all issued and outstanding shares of Estrella for 3,000,000 common shares of the Company. In November 2022, the Company announced the termination of this contemplated transaction.

**DAURA CAPITAL CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**3. LOANS RECEIVABLE AND DEFERRED ACQUISITION COSTS (cont'd...)**

In connection with the acquisition, the Company advanced a total of \$222,177 as a refundable deposit in the form of a secured loan, subject to an interest rate of 10% per annum. As at December 31, 2022, the Company has accrued interest of \$53,970 (2021 - \$31,753) on the outstanding balance and recognized an allowance of \$276,147 on the total loans receivable balance outstanding.

Up to November 2022, the Company advanced US\$25,000 or \$33,282 as a non-refundable deposit upon the execution of the LOI and incurred other expenditures of \$191,445 (December 31, 2021 - \$98,037) cumulatively relating to the contemplated transaction with Estrella. The Company recognized the cumulative advance and deferred expenditures in its profit or loss during the year ended December 31, 2022.

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31 2022	December 31 2021
Accounts payable	\$ 201,179	\$ 230,230
Accrued liabilities	82,700	17,600
Other payable	25,000	-
	<b>\$ 308,879</b>	<b>\$ 247,830</b>

During the year ended December 31, 2022, a related party advanced \$25,000 to the Company, which is non-interest bearing and has been included in the accounts payable as at the reporting date.

**5. SHARE CAPITAL**

Authorized share capital consists of an unlimited number of common shares and preferred shares without par value. As at December 31, 2022 and 2021, 2,766,668 common shares of the Company were held in escrow, 25% of which are to be released upon issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 25% every six months thereafter, over eighteen months following the Initial Release.

**Issued share capital**

There were no changes in share capital during the years ended December 31, 2022 and 2021.

**Stock options**

The Company has adopted an incentive stock option plan (the "Plan") which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at closing until the completion of a Qualifying Transaction and thereafter 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

**DAURA CAPITAL CORP.**  
NOTES TO THE FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**5. SHARE CAPITAL (cont'd...)**

**Stock options (cont'd...)**

Stock options may be exercised the greater of 12 months after completion of a Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Subject to earlier termination, all stock options granted under the Plan will expire not later than the date that is ten years from the date of the grant. Any common shares acquired pursuant to the exercise of stock options prior to completion of a Qualifying Transaction, must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued. There were no changes to the number of stock options outstanding for the years ended December 31, 2022 and 2021. As at December 31, 2022, the weighted average remaining life of the outstanding stock options was 1.72 (2021 - 2.72) years. The Company's outstanding stock options as at December 31, 2022 and 2021 are as follows:

Expiry date	Exercise price	Outstanding	Exercisable
September 17, 2024	\$ 0.10	460,000	460,000

**6. NOTE PAYABLE**

In April 2022, the Company entered into a loan agreement for proceeds of \$101,200, which had been previously recorded as share subscriptions received in advance. The loan is non-interest bearing and is due and payable on or before June 30, 2023. Should the Company complete its contemplated Qualifying Transaction and concurrent financing on or before June 30, 2023, the loan shall be converted into 506,000 units having the same terms as those issued in connection with the proposed concurrent financing.

**7. RELATED PARTY TRANSACTIONS AND BALANCES**

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. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

For the years ended December 31, 2022 and 2021, there was no compensation to management personnel.

For the year ended December 31, 2022, the Company paid or accrued \$Nil (2021 - \$15,000) to Seabord Services Corp. ("Seabord"). Seabord provides the following services to the Company: A Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administration staff, office space, and any related work to the IPO and Qualifying Transaction of the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

As at December 31, 2022, the Company had \$29,985 (2021 - \$4,985) due to an officer of the Company related to an advance and expense reimbursements, and \$63,000 (2021 - \$63,000) due to Seabord which have been included in accounts payable and accrued liabilities.

DAURA CAPITAL CORP.  
 NOTES TO THE FINANCIAL STATEMENTS  
 (Expressed in Canadian Dollars)  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2022, the Company entered into a loan agreement for proceeds of \$101,200 (2021 - \$Nil), which had previously been recorded as subscription received in advance.

As at December 31, 2021, \$67,999 of deferred acquisition costs were included in accounts payable and accrued liabilities.

9. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	December 31 2022	December 31 2021
<b>Financial assets - Amortized cost:</b>		
Cash	\$ 211,403	\$ 357,182
Loan receivable	-	253,930
<b>Financial liabilities - Amortized cost:</b>		
Accounts payable and accrued liabilities	\$ 308,879	\$ 247,830
Note payable	101,200	-

**Fair value**

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of cash, accounts payable and accrued liabilities, and note payable approximated their fair value because of the short-term nature of these instruments. The fair values of the Company's loan receivable is approximated by its carrying values as its interest rate is comparable to current interest rates.

**Capital risk management**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2022, the Company had a working capital deficiency of \$198,676 (2021 - working capital of \$109,352). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

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9. FINANCIAL INSTRUMENTS (cont'd...)

The Company is not subject to any externally imposed requirements other than the expenditure restrictions applicable under the Exchange 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, Qualifying Transaction, assurance and audit fees, and escrow agent and transfer agent fees.

**Credit risk**

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash as well as anticipated proceeds from the proposed financing. The Company believes that further funding will be required to meet long-term requirements. All the Company's financial liabilities are to be settled within one year.

10. INCOME TAXES

Income tax expense differs from the amount that would result from applying Canadian income tax rates to earnings before income taxes. These differences result from the following items:

	December 31 2022	December 31 2021
During the year ended		
<b>Loss before income taxes</b>	\$ (592,077)	\$ (73,765)
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery at statutory income tax rate	(159,861)	(19,917)
Changes in unrecognized deductible temporary differences and other	159,861	19,917
<b>Total income tax expense</b>	\$ -	\$ -

The composition of the Company's net deferred income tax asset (liability) that has been recognized is as follows:

	December 31 2022	December 31 2021
<b>Deferred income tax assets (liabilities)</b>		
Non-capital losses carried forward	\$ 278,329	\$ 114,399
Share issue costs	5,207	9,276
	283,536	123,675
Unrecognized deferred tax assets	(283,536)	(123,675)
<b>Net deferred income tax asset (liability)</b>	\$ -	\$ -

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**10. INCOME TAXES (cont'd...)**

Significant components of the Company's deferred tax assets that have not been included in the statements of financial position are as follows:

	December 31 2022	Expiry date range	December 31 2021	Expiry date range
Non-capital losses	\$ 1,030,849	2026-2042	\$ 423,699	2026-2041
Share issue costs	\$ 19,284	2042-2046	\$ 34,357	2042-2045

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

**11. EVENTS AFTER REPORTING DATE**

Subsequent to December 31, 2022, the Company:

- a) received an additional non-interest-bearing advance \$10,000 from a related party; and
- b) returned all subscriptions received in advance in connection to the contemplated transaction.