

DRAVOS CAPITAL CORP. (A Capital Pool Company)

UNAUDITED INTERIM FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(In Canadian Dollars)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Dravos Capital Corp. (the “Company”) have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company’s auditors.

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DRAXOS CAPITAL CORP.

**INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024 AND 2023
UNAUDITED**

(In Canadian Dollars)

For the period ended	Dec 31, 2024	Sept 30, 2024
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ASSETS

Current

Cash, note 4	\$ 7,145	\$ 3,835
Short-term investments, note 5	<u>104,079</u>	<u>121,079</u>
	<u>\$ 111,224</u>	<u>\$ 124,914</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	<u>\$ 10,528</u>	<u>\$ 23,323</u>
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SHAREHOLDERS' EQUITY

Share capital, note 6	269,720	269,720
Contributed surplus, note 6	55,502	55,502
Deficit	<u>(224,527)</u>	<u>(223,631)</u>
	<u>100,696</u>	<u>101,591</u>
	<u>\$ 111,224</u>	<u>\$ 124,914</u>

Approved on behalf of the Board:

"Gregory Prekuper"

Director

"Jason Atkinson"

Director

DRAVOS CAPITAL CORP.**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTHS ENDED DECEMBER 31, 2024 AND 2023
UNAUDITED**

(In Canadian Dollars)

	Number of Shares Issued and Outstanding	Share Capital (Note 6)	Contributed Surplus	Deficit	Shareholders' Equity
Balance, September 30, 2022	3,233,470	269,720	55,502	(128,759)	196,463
Net loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,573)</u>	<u>(42,573)</u>
Balance, September 30, 2023	<u>3,233,470</u>	<u>\$ 269,720</u>	<u>\$ 55,502</u>	<u>\$ (171,332)</u>	<u>\$ 153,890</u>
Net loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,299)</u>	<u>(52,299)</u>
Balance, September 30, 2024	<u>3,233,470</u>	<u>\$ 269,720</u>	<u>\$ 55,502</u>	<u>\$ (223,631)</u>	<u>\$ 101,591</u>
Net loss and comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(896)</u>	<u>(896)</u>
Balance, December 31, 2024	<u>3,233,470</u>	<u>\$ 269,720</u>	<u>\$ 55,502</u>	<u>\$ (224,527)</u>	<u>\$ 100,696</u>

DRAVOS CAPITAL CORP.**INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE-MONTHS ENDED DECEMBER 31, 2024 AND 2023
UNAUDITED**

(In Canadian Dollars)

	2024	2023
Expenses		
Regulatory	819	
992		
Bank charges and interest	78	
75		
Insurance	<u>-</u>	<u>4,050</u>
	896	5,517
Other Income	<u>-</u>	<u>-</u>
Interest income		
Net loss and comprehensive loss	<u><u>\$ (896)</u></u>	<u><u>\$ (5,117)</u></u>
Loss per share - basic and diluted, note 6	<u><u>\$ (0.00)</u></u>	<u><u>\$ (0.00)</u></u>
Weighted average number of shares outstanding, note 6	<u><u>1,492,500</u></u>	<u><u>1,492,500</u></u>

DRAVOS CAPITAL CORP.**INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTHS ENDED DECEMBER 31, 2024 AND 2023
UNAUDITED**

(In Canadian Dollars)

	2024	2023
Cash flows from operating activities		
Net loss and comprehensive loss for the period	\$ (896)	\$ (5,117)
Changes in non-cash working capital balances		
Decrease (increase) in prepaid expense	-	4,050
Increase (decrease) in accounts payable and accrued liabilities	<u>(12,794)</u>	<u>(75)</u>
Cash flow used in operating activities	<u>(32,194)</u>	<u>(39,476)</u>
Net increase (decrease) in cash	3,310	(75)
Cash, beginning of period	<u>3,835</u>	<u>156,375</u>
Cash, end of period	<u><u>\$ 7,145</u></u>	<u><u>\$ 156,300</u></u>
Represented by:		
Cash	\$ 7,145	\$ 146,300
Cash in trust	<u>-</u>	<u>10,000</u>
	<u><u>\$ 7,145</u></u>	<u><u>\$ 156,300</u></u>

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Draxos Capital Corp. (the "Company") was incorporated under the Business Corporations Act (Ontario) on September 8, 2021. The Company intends to carry on business as a Capital Pool Company ("CPC") as defined in policy 2.4 of the TSX Venture Exchange (the "Exchange"). On February 24, 2022, the Company completed its Initial Public Offering and is now defined as a Capital Pool Corporation trading under the symbol DRAX.P.

The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein. The purpose of such an acquisition is to satisfy the related conditions of a "Qualifying Transaction" ("QT") under the Exchange rules. The Company has not commenced operations and has no assets other than cash. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The Company's registered head office is located at 333 Bay Street, West Tower, Suite 1100, Toronto, Ontario, Canada, M5H 2R2.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2024, the Company had a deficit of \$224,527 (September 30, 2024 - \$223,631) and a net loss and comprehensive loss of \$896 for the three-months ended December 31, 2024 (Three-months ended December 31, 2023 - \$5,117). The Company has no source of operating revenues and its ability to operate as a going concern will depend on its ability to successfully raise additional financing and to complete the QT. These financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business. These circumstances create material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the presentation of interim financial statements and International Accounting Standards ("IAS") 34 Interim Financial Reporting, as the accounting policies applied in these Financial Statements are based on IFRS as issued, outstanding and effective August 24, 2023.

Certain disclosures that are normally required to be included in the notes to the annual audited financial statements have been condensed or omitted. These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended September 30, 2024. These financial statements were approved by the Board of Directors for issue on February 21, 2025.

Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

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

Critical accounting judgments, estimates, and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the 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. Uncertainty about these judgments, estimates, and assumptions could result in material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant areas of judgment considered by management in preparing the financial statements are as follows:

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and the financial statements are prepared on a going concern basis. However, the Company has no source of operating revenues and its ability to operate as a going concern will depend on its ability to successfully raise additional financing and to complete the QT. These factors may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

2. BASIS OF PREPARATION (Continued...)

Critical accounting judgments, estimates, and assumptions (Continued...)

Significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. These estimates will affect the reported amounts of deferred tax assets and expenses.

Valuation of options/warrants

The fair value of common share purchase options granted and warrants issued is determined at the issue date using the Black-Scholes Option pricing model. The Black-Scholes model involves six key inputs to determine the fair value of an option, which are: risk-free interest rate, exercise price, market price at the grant date, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense. These estimates impact the values of share-based compensation expense, share capital, and reserves.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all of the risk and rewards of the asset. The Company assesses each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Financial instruments (Continued...)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only where the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRS or for gains and losses arising from a group of similar transactions.

Classification

Financial assets and financial liabilities are classified in the following measurement categories:

- i. Those to be measured subsequently at fair value (either through profit or loss or through other comprehensive income), and;
- ii. Those to be measured subsequently at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and contractual terms of the cash flows. 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. For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Classification of financial assets or financial liabilities at fair value through either profit or loss or other comprehensive income, is an irrevocable designation at the time of recognition.

Financial assets are reclassified when, and only when, the Company's business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

- Cash and cash in trust are subsequently measured at fair value.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. Interest expense is recorded in profit or loss.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Financial instruments (Continued...)

Measurement

All financial instruments are required to be measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of that instrument are added to financial instruments not measured at fair value through profit or loss. Transaction costs of financial instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

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 are measured at amortized cost at the end of the subsequent accounting period. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income.

Impairment

The Company assesses all information available, including on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is significant increase in credit risk, the Company compares the risk of default occurring as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

Cash and cash in trust

Cash consists of deposit held at the Company's financial institution and at Haywood, who holds the Company short-term investments. These amounts are carried at fair value and are subject to the restrictions described in note 4.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. When capital stock is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Income taxes

The Company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for loss carryforwards. The resulting changes in the net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income (loss) in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payments transactions

The Company has a stock option plan that provides for the granting of options to officers, directors and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vested. When options are exercised, the consideration received is recorded as share capital. In additions, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from contributed surplus and charged to deficit.

Loss per share

Basic earnings or loss per share is calculated by dividing the loss by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time weighting factor.

Diluted earnings or loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units. Shares which were held in escrow that are only released upon completion of the Qualifying Transaction are not included in the calculation of the weighted average number of common shares.

Instruments which comprise stock options issued under the Stock Option Plan (see note 6) are anti-dilutive and are not included in the calculation of diluted loss per share.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

4. CASH RESTRICTION

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

5. SHORT-TERM INVESTMENTS

	2024	2023
Short-term investments	\$ 104,079	\$ 121,079

As at December 31, 2024, the company held a treasury bill with a market value of \$104,079 (September 30, 2024 - \$121,079).

6. SHARE CAPITAL

Authorized

Unlimited number of voting common shares

Issued

	Number	Amount
Balance at September 30, 2021	1,466,670	\$ 106,500
Issuance of shares for cash (i)	266,800	15,020
Issuance of shares for cash (ii)	<u>1,500,000</u>	<u>148,200</u>
Balance at December 31, 2024 and September 30, 2023 and 2024	<u>3,233,470</u>	<u>\$ 269,720</u>

Upon incorporation on September 8, 2021, the Company issued 1,466,670 common shares at a price of \$0.075 per share for gross proceeds of \$110,000. Transaction costs related to the issuance of these shares was \$3,500. As at December 31, 2024, 1,466,670 (September 30, 2024 - 1,466,670) of these common shares are held in escrow until completion of a Qualifying Transaction.

- i. On November 3, 2021, the Company announced a private placement for total proceeds of \$20,010 by issuing 266,800 common shares at \$0.075 per share. The Company recognized \$4,990 in associated share issue costs related to this offering. As at December 31, 2024, 266,800 (September 30, 2024 - 226,800) of these common shares are held in escrow until completion of a Qualifying Transaction.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

6. **SHARE CAPITAL** (Continued...)

Issued (Continued...)

- i. On February 24, 2022, the Company closed its Initial Public Offering ("IPO") of 1,500,000 common shares at \$0.15 per share for aggregate gross proceeds of \$225,000. The Company recognized \$76,800 in associated share issue costs for the IPO. As at December 31, 2024, 7,500 (September 30, 2024 - 7,500) of these common shares are held in escrow until completion of a Qualifying Transaction.

As at December 31, 2024, 1,740,970 (September 30, 2024 - 1,740,970) common shares are held in escrow until completion of a Qualifying Transaction. Twenty-five percent of these common shares will be released on the issuance of the Final Exchange Bulletin and an additional twenty-five percent will be released on the dates 6 months, 12 months, and 18 months following the initial release. These common shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation.

Stock options and warrants

The Company has established a stock option plan for its directors, officers and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be exercised for a period of ten years from the date of the grant. They are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

Options were granted to officers, directors and consultants on the close of the IPO. The options were valued using the Black-Scholes model and the expense was charged to the statements of loss and comprehensive loss during the year ended September 30, 2022. The grant date fair value of the stock options was estimated at \$43,652 using the Black-Scholes option pricing model with the following assumptions: share price of \$0.15; expected volatility of 100%, based on the average volatility of comparable companies; risk-free interest rate of 1.92%; expected dividend yield of 0%; and an expected life of 10 years.

Upon completion of the IPO on February 24, 2022, the Company issued 150,000 agent warrants. The warrants were valued using the Black-Scholes model and the share issuance cost was recorded in the statements of changes in shareholders' equity during the year ended September 30, 2022. The grant date fair value of the stock options was estimated at \$11,850 using the Black-Scholes option pricing model with the following assumptions: share price of \$0.15; expected volatility of 100%, based on the average volatility of comparable companies; risk-free interest rate of 1.92%; expected dividend yield of 0%; and an expected life of 2 years.

The total addition to contributed surplus from the above transactions is \$55,502 (September 30, 2024 - \$55,502) during the three-months ended December 31, 2024.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

6. SHARE CAPITAL (Continued...)

Stock options and warrants (Continued...)

The following table reflects the continuity of options:

	Number	Weighted Average Exercise Price
Outstanding, September 30, 2022	323,347	\$ 0.15
Granted during the year	<u>-</u>	<u>-</u>
Outstanding, December 31, 2024 & September 30, 2024	<u>323,347</u>	<u>0.15</u>
Number exercisable, December 31, 2024 & September 30, 2024	<u>-</u>	<u>\$ -</u>

Until the Company completes a QT, 323,347 stock options will not be exercisable.

The following table reflects the continuity of warrants:

	Number	Weighted Average Exercise Price
Outstanding, September 30, 2022	150,000	\$ 0.15
Granted during the year	<u>-</u>	<u>-</u>
Outstanding, September 30, 2023	150,000	0.15
Expired during the year ended September 30, 2024	<u>(150,000)</u>	<u>0.15</u>
Number exercisable, December 31, 2024 & September 30, 2024	<u>-</u>	<u>\$ -</u>

Agent warrants were exercisable until the earlier of (i) February 24, 2024 or (ii) 12 months from the date on which the common shares of the Resulting Issuer commence trading on the Exchange following completion of a Qualifying Transaction. These warrants expired during the year ended September 30, 2024.

As at December 31, 2024, the following were outstanding and vested:

Options/ warrants	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Directors and officers options	February 24, 2032	323,347	\$ 0.15	7.15 years

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

7. MANAGEMENT OF CAPITAL

The Company manages its share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue to operate and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new common shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to conduct its operations. Apart from the cash restriction as described in note 4, the Company is not subject to any externally or internally imposed capital requirements as at December 31, 2024.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

8. FINANCIAL RISK MANAGEMENT

Fair values

IFRS 7 requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the date of the statement of financial position based on relevant market information and information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Company's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by IFRS 7 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company's financial instruments consist of cash, cash in trust and accrued liabilities. The fair values of these instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures. As at December 31, 2024, the Company has liabilities of \$10,528 (September 30, 2024 - \$23,323) due within twelve months and has cash of \$7,145 (September 30, 2024 - \$3,835) and short-term investments of \$104,079 (September 30, 2024 - \$121,079) to meet its current obligations. As a result, Management has determined that there is no significant change in liquidity risk exposure from prior year (see note 1).

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. As at December 31, 2024, the Company's maximum exposure to credit risk is \$111,224 (September 30, 2024 - \$124,914) and is comprised of cash, cash in trust and short-term investments. All of the Company's cash is held at major Canadian financial institutions or in trust by its lawyers. Short-term investments are in treasury bills issued by the Bank of Canada. Management has determined credit risk is low.

DRAXOS CAPITAL CORP.

NOTES TO THE UNAUDITED, INTERIM FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023 UNAUDITED

(In Canadian Dollars)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has held \$104,079 (September 30, 2024 - \$121,079) interest-bearing financial instruments in the form of treasury bills issued by the Bank of Canada. Therefore, Management believes the Company has no significant exposure to interest rate risk through its financial instruments as at December 31, 2024.

9. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations. The Company's related party transactions are as follows:

Key management personnel are those individuals having responsibility for planning, directing, and controlling the activities of the Company. The Company considers the officers and directors to be key management. On February 24, 2022, the Company granted 323,347 options to its directors and officers to acquire 323,347 common shares of the Company. On the grant date, such options were fair valued based on the Black-Scholes option pricing model at \$43,652 (see note 6 for additional details). No additional options or other amounts were paid during the three-months ended December 31, 2024 to the officers and directors.