

MAKARA MINING CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the three months ended March 31, 2022 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

MAKARA MINING CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
As at March 31, 2022 and December 31, 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	March 31, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ -	\$ 13,653
Amount receivable	43,109	38,743
Prepaid expenses (Note 7)	45,077	45,376
	<u>88,186</u>	<u>97,772</u>
Equipment	4,798	5,214
Exploration and evaluation assets (Note 5)	814,000	687,709
	<u>\$ 906,984</u>	<u>\$ 790,695</u>
LIABILITIES		
Current		
Bank indebtedness	\$ 13,591	\$ -
Accounts payable and accrued liabilities (Note 7)	375,766	358,550
Due to related party (Note 7)	2,500	2,500
	<u>391,857</u>	<u>361,050</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	7,276,817	7,080,575
Contributed surplus	453,736	420,844
Deficit	(7,215,426)	(7,071,774)
	<u>515,127</u>	<u>429,645</u>
	<u>\$ 906,984</u>	<u>\$ 790,695</u>

Going concern (Note 2)
Commitments (Notes 5 and 6)
Subsequent events (Note 5)

APPROVED ON BEHALF OF THE BOARD:

"Andrew H. von Kursell" Director
Andrew H. von Kursell

"Grant Hendrickson" Director
Grant Hendrickson

MAKARA MINING CORP.**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended	
	March 31,	
	2022	2021
Administrative expenses		
Consulting fees (Note 7)	\$ 91,000	\$ 88,314
Depreciation	416	226
Filing fees	3,000	14,987
General exploration costs (Notes 5 and 7)	10,500	56,203
Office and general	3,926	11,819
Professional fees	5,523	6,723
Share-based payments (Notes 6 and 7)	32,892	206,442
Shareholder information	-	10,150
Transfer agent	3,178	13,138
Website	-	1,140
	(150,435)	(409,142)
Other item		
Gain on debt settlement (Note 6)	6,783	-
Net loss and comprehensive loss for the period	\$ (143,652)	\$ (409,142)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	40,406,478	35,648,843

MAKARA MINING CORP.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three months ended March 31 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2020	35,172,343	\$ 5,799,671	\$ 136,903	\$ (5,107,401)	\$ 829,173
Shares issuances					
Warrants exercised	1,000	200	-	-	200
Shares issued pursuant to option agreement	1,000,000	495,000	-	-	495,000
Shares issued under restricted share unit plan	443,750	189,625	(189,625)	-	-
Share-based payments stock options	-	-	16,817	-	16,817
Share-based payments restricted share unit plan	-	-	189,625	-	189,625
Net loss for the period	-	-	-	(409,142)	(409,142)
Balance March 31, 2021	36,617,093	\$ 6,484,496	\$ 153,720	\$ (5,516,543)	\$ 1,121,673
Balance, December 31, 2021	38,542,176	\$ 7,080,575	\$ 420,844	\$ (7,071,774)	\$ 429,645
Shares issued pursuant to option agreement	1,350,000	94,500	-	-	94,500
Shares issued for debt settlement	1,356,562	101,742	-	-	101,742
Shares-based payments stock options	-	-	32,892	-	32,892
Net loss for the period	-	-	-	(143,652)	(143,652)
Balance, March 31, 2022	41,248,738	\$ 7,276,817	\$ 453,736	\$ (7,215,426)	\$ 515,127

See accompanying notes to condensed interim financial statements

MAKARA MINING CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the three months ended March 31,	
	2022	2021
Operating Activities		
Net loss for the period	\$ (143,652)	\$ (409,142)
Items not affecting cash:		
Depreciation	416	226
Share-based payments	32,892	206,442
Gain on debt settlement	(6,783)	-
Changes in non-cash working capital items related to operations:		
Amount receivable	(4,366)	11,736
Prepaid expenses	299	(11,363)
Accounts payable and accrued liabilities	125,741	18,748
Cash used in operating activities	4,547	(183,353)
Investing Activities		
Equipment	-	(3,206)
Mineral property acquisitions	(31,791)	(25,000)
Cash used in Investing activities	(31,791)	(28,206)
Financing Activities		
Bank indebtedness	13,591	-
Shares issued for cash	-	200
Cash provided by Financing activities	13,591	200
Change in cash during the period	(13,653)	(211,359)
Cash and cash equivalents, beginning of period	13,653	447,352
Cash and cash equivalents, end of the period	\$ -	\$ 235,993
Cash and cash equivalents consist of:		
Cash	\$ -	\$ 201,493
GIC	-	34,500
	\$ -	\$ 235,993
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Non-cash financing and investing transactions		
Shares issued pursuant to option agreement	\$ 94,500	\$ 495,000
Shares issued for debt settlement	\$ 101,742	\$ -

MAKARA MINING CORP.

Notes to the Condensed Interim Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

1. CORPORATE INFORMATION

The Company is a mineral property exploration company whose common shares trade on the Canadian Securities Exchange (“CSE”). On April 28, 2020, the Company received a receipt from the British Columbia Securities Commission for its long-form prospectus dated April 27, 2020 and commenced trading on the CSE on May 4, 2020 under the trading symbol “MAKA”.

The Company was incorporated on September 17, 2019 in British Columbia. The head office of the Company is located at 409 Granville Street, Suite 1000, Vancouver, British Columbia, Canada, V6C 1T2 and its registered and records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The condensed interim financial statements were authorized for issue by the Board of Directors on May 26, 2022.

(b) Basis of Measurement

The condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3 of the annual financial statements at December 31, 2021. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed interim financial statements are presented in Canadian dollars, unless otherwise noted.

(c) Going Concern

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At March 31, 2022, the Company has not achieved profitable operations, has accumulated losses of \$7,215,426 since inception and expects to incur further losses in the development of its business.

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 results of operations at this time.

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Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. BASIS OF PREPARATION – (cont'd)

(c) Going Concern – (cont'd)

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business.

The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at December 31, 2021.

Accounting standards and amendments

The following new standards and amendments are not yet effective and have not been applied in preparing these condensed interim financial statements. The Company does not expect the adoption of this standard to have a significant impact on the condensed interim financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

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Notes to the Condensed Interim Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)**Exploration and Evaluation Asset and Impairment**

The application of the Company's accounting policy for exploration and evaluation assets and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Going Concern

The assessment of the Company's ability to continue as a going concern requires significant judgement. See Note 2(c).

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title or interest therein. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. EXPLORATION AND EVALUATION ASSETS

	Rude Creek Property	Win Property	Idaho Property	Davis and Paradise Properties	Total
<u>Deferred costs</u>					
Balance, December 31, 2020	\$ 50,000	\$ 36,000	\$ 43,000	\$ 205,101	\$ 334,101
Cash payment	25,000	-	10,000	30,402	65,402
Shares issued	495,000	-	20,500	-	515,500
Staking cost	8,209	-	-	-	8,209
Impairment	-	-	-	(235,503)	(235,503)
Balance, December 31, 2021	\$ 578,209	\$ 36,000	\$ 73,500	\$ -	\$ 687,709
Cash payment	25,000	-	-	-	25,000
Shares issued	87,500	-	7,000	-	94,500
Staking cost	-	6,791	-	-	6,791
Balance, March 31, 2022	\$ 690,709	\$ 42,791	\$ 80,500	-	\$ 814,000

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Notes to the Condensed Interim Financial Statements

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5. EXPLORATION AND EVALUATION ASSETS – (cont'd)

Summary of active exploration expenditures for the three months ended March 31, 2022 and for the years ended December 31, 2021.

	Total cumulative expenditure to December 31, 2020	Exploration Expenditures to December 31, 2021	Total cumulative expenditure to December 31, 2021	Exploration Expenditures to March 31, 2022	Total cumulative expenditure to March 31, 2022
<u>Rude Creek and Win Properties</u>					
Exploration expenditures					
Assays	\$ 123,895	\$ -	\$ 123,895	\$ -	\$ 123,895
Drilling	374,585	-	374,585	-	374,585
Field and miscellaneous	15,514	93,964	109,478	10,500	119,978
Geological	142,296	-	142,296	-	142,296
Geological report	16,000	3,513	19,513	-	19,513
Maintenance payments	-	17,745	17,745	-	17,745
	672,290	115,222	787,512	10,500	798,012
<u>Idaho Property</u>					
Exploration expenditures					
Assays	4,168	-	4,168	-	4,168
Contractors and suppliers	32,171	-	32,171	-	32,171
Field and miscellaneous	3,966	7,566	11,532	-	11,532
Labour	15,981	-	15,981	-	15,981
Surveying	-	24,000	24,000	-	24,000
Supervision fees	3,388	-	3,388	-	3,388
	59,674	31,566	91,240	-	91,240
<u>Davis and Paradise Claims</u>					
Exploration expenditures					
Assays	347	-	347	-	347
Drilling	7,991	89,394	97,385	-	97,385
Field and miscellaneous	9,458	-	9,458	-	9,458
Geological	22,814	-	22,814	-	22,814
Reclamation cost	-	11,021	11,021	-	11,021
Supervision	6,468	-	6,468	-	6,468
Surveying	24,146	-	24,146	-	24,146
	71,224	100,415	171,639	-	171,639
Total	\$ 803,188	\$ 247,203	\$ 1,050,391	\$ 10,500	\$ 1,060,891

Win Property

On September 21, 2020, the Company staked 127 claims (Win Claims) which is contiguous with the southern boundary to the Rude Creek Property for a total of \$36,000. On September 30, 2021, the Company staked an additional 13 claims for a total of \$1,950. During the period ended March 31, 2022, the Company staked another 13 claims for a total of \$6,791.

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5. EXPLORATION AND EVALUATION ASSETS – (cont'd)

Rude Creek Property

By a mineral property option agreement dated May 11, 2020, the Company may acquire up to a 70% interest in the Rude Creek Property. This property consists of 204 mineral claims covering 4,157 hectares in the Whitehorse Mining District in the Yukon Territory. As consideration, the Company will pay cash of \$125,000, issue 3,750,000 common shares of the Company and fund aggregate expenditures of \$3,175,000 as follows:

- a) Cash payment of \$50,000 on the effective date (paid);
- b) Complete a going public transaction and fund expenditures on the property of at least \$175,000 (incurred) on or before September 30, 2020;
- c) Cash payment of \$25,000 (paid) and issue 1,000,000 common shares (issued) on or before March 1, 2021;
- d) Fund expenditures on the property of at least \$500,000 on or before September 30, 2021 (incurred);
- e) Cash payment of \$25,000 (paid) and issue 1,250,000 common shares on or before March 1, 2022; (issued)
- f) Fund expenditures on the property of at least \$1,000,000 on or before September 30, 2022;
- g) Cash payment of \$25,000 and issue 1,500,000 common shares on or before March 1, 2023; and
- h) Fund expenditures on the property of \$1,500,000 on or before September 30, 2023.

Should the Company acquire 70% of the property, the optionor will retain a 3% net smelter returns royalty, 1% of which may be purchased by the Company for \$2,000,000.

Idaho Property

By a property option agreement dated August 19, 2020 and as amended on October 13, 2021, the Company may earn a 100% interest in the Idaho property. The property consists of 58 mineral tenures located in the Whitehorse Mining District in the Yukon Territory. As consideration, the Company will pay of \$150,000, issue 750,000 common shares of the Company and incur aggregate expenditures of \$2,000,000 as follows:

- a) Cash payment of \$5,000 (paid) and issuance of 25,000 common shares (issued) of the Company upon execution of this agreement;
- b) Incur \$50,000 in exploration expenditures on or before December 1, 2020 (incurred);
- c) Cash payment of \$10,000 (paid) and issuance of 50,000 common shares of the Company (issued) on or before May 1, 2021;
- d) Incur an additional \$25,000 in exploration expenditures on or before December 1, 2021 (incurred);
- e) Cash payment of \$20,000 (subsequently paid) and issuance of 100,000 common shares of the Company on or before May 1, 2022 (issued);
- f) Incur an additional \$225,000 in exploration expenditures on or before December 1, 2022;
- g) Cash payment of \$25,000 and issuance of 250,000 common shares of the Company on or before May 1, 2023;
- h) Incur an additional \$500,000 in exploration expenditures on or before December 1, 2023;
- i) Cash payment of \$90,000 and issuance of 325,000 common shares of the Company on or before May 1, 2024; and
- j) Incur an additional \$1,200,000 in exploration expenditures on or before December 1, 2024.

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Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

5. EXPLORATION AND EVALUATION ASSETS – (cont'd)

Idaho Property – (cont'd)

Should the Company acquire 100% of the property, the optionor will retain a 2% net smelter returns royalty, 1% of which may be purchased by the Company for \$1,000,000.

The Company has agreed that if it does not incur the \$300,000 in exploration expenditures on or before December 1, 2022, the Company will pay the optionor the difference on or before December 15, 2022.

Davis and Paradise Properties

By an option agreement dated September 10, 2020, the Company may earn a 60% interest in the Davis and Paradise Valley claim blocks located in Nye county, Nevada from Almadex Minerals Ltd. (“Almadex”). The property encompasses 900 hectares consisting of two contiguous parcels of land comprising of 34 Davis claims and 79 Paradise Valley claims. As consideration, the Company will pay US\$25,000, reimburse annual claim fees, issue 3,500,000 common shares of the Company and incur aggregate expenditures of US\$3,500,000 as follows:

- a) Pay to the Optionor US\$25,000 (paid) on the effective date and satisfy all underlying obligations, including payment of annual claim fees due in September 2020 (paid) and issue 100,000 common shares of the Company on the effective date (issued);
- b) Issuance of 400,000 common shares of the Company on or before the 1st anniversary date;
- c) Issuance of 500,000 common shares of the Company on or before the 2nd anniversary date;
- d) Issuance of 500,000 common shares of the Company on or before the 3rd anniversary date;
- e) Issuance of 500,000 common shares of the Company on or before the 4th anniversary date;
- f) Issuance of 1,500,000 common shares of the Company on or before the 5th anniversary date; and
- g) Incur exploration expenditures of not less than an aggregate of US\$250,000 in exploration expenditures on or before the 1st anniversary date and must incur not less than an aggregate US\$250,000 in exploration expenditures on or before each successive anniversary date and not less than an aggregate US\$3,500,000 in exploration expenditures on or before the 5th anniversary date.

Management decided that it will not continue with the Davis and Paradis Properties and as a result, an impairment charge of \$235,503 was recognized during the year ended December 31, 2021.

6. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued

During the three months ended March 31, 2022:

On January 25, 2022, pursuant to the terms of two property option agreements, the Company issued an aggregate of 1,350,000 common shares fair valued at \$94,500.

On January 31, 2022, the Company issued 1,356,562 common shares to debt settle \$108,525 in debts with directors and officers of the Company, resulting in a gain on debt settlement of 6,783.

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Notes to the Condensed Interim Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. SHARE CAPITAL – (cont'd)**(b) Issued – (cont'd)**

During the year ended December 31, 2021: - (cont'd)

On February 23, 2021, pursuant to the terms of the May 11, 2020 property option agreement, the Company issued 1,000,000 common shares fair valued at \$495,000.

On May 1, 2021, pursuant to the August 19, 2020 property option agreement, the Company issued 50,000 common shares fair valued at \$20,500.

On December 8, 2021, the Company issued 1,230,833 common shares to debt settle \$147,700 in debts, resulting in a loss on debt settlement of \$6,154.

During the year ended December 31, 2021 pursuant to the Restricted Share Unit Plan, the Company issued an aggregate of 1,087,500 common shares fair valued at \$611,250. This amount is recorded in share-based payments.

During the year ended December 31, 2021, the Company issued 1,500 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$300.

(c) Share Purchase Warrants

The changes in share purchase warrants were as follows:

	March 31, 2022	Weighted Average Exercise Price	December 31, 2021	Weighted Average Exercise Price
Balance, beginning of period	1,913,000	\$0.49	1,914,500	\$0.49
Expired	(57,000)	0.20	-	-
Exercised	-	0.20	(1,500)	0.20
Balance, end of period	1,856,000	\$0.49	1,913,000	\$0.49

As at March 31, 2022, the Company had 1,856,000 share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
1,856,000	\$0.50	May 22, 2023
1,856,000		

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Notes to the Condensed Interim Financial Statements

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6. SHARE CAPITAL – (cont'd)**(d) Finders' warrants**

The changes in finders' warrants were as follows:

	March 31, 2022	Weighted Average Exercise Price	December 31, 2021	Weighted Average Exercise Price
Balance, beginning of period	-	\$ -	-	\$ -
Issued	-	-	139,440	0.50
Exercised	-	-	(139,440)	0.50
Balance, end of period	-	\$ -	-	\$ -

(e) Stock Options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of ten years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the fair market value of the common shares.

There were no stock options granted during the three months ended March 31, 2022.

On October 29, 2021, the Company granted 300,000 stock options to a director of the Company. The stock options entitle the holder thereof the right to purchase one common share for each option at \$0.12 per share expiring on October 29, 2026. The stock option vest at 50% at the date of grant and 50% on November 18, 2021. The fair value of the stock option of \$39,000 was determined using the Black - Scholes option valuation model with the following assumptions – Share price on date of grant of \$0.16, Risk-free interest rate of 1.49%, Dividend yield of 0%, Expected life of 5 years; forfeiture rate of 0% and Expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies. During the year ended December 31, 2021, the Company recorded \$39,000 in share-based payments.

On March 17, 2021, the Company granted 487,500 stock options to directors and officers of the Company and consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.38 per share expiring on March 16, 2025. The stock option vest at 50% on September 17, 2021 and 50% on March 17, 2022. The fair value of the stock options of \$126,750 was determined using the Black Scholes option valuation model with the following assumptions – Share price on date of grant of \$0.38; Risk-free interest rate of 0.74%; Dividend yield of 0%; Expected life of 4 years; forfeiture rate of 0% and Expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies. During the three months ended March 31, 2022, the Company recorded 13,196 (December 31, 2021 – \$113,554) in share-based payments.

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6. SHARE CAPITAL – (cont'd)**(e) Stock Options – (cont'd)**

On October 27, 2020, the Company granted 510,000 stock options to directors and officers of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.93 per share expiring on October 27, 2025. The stock option vest as follows: 97,500 stock options on the date of grant, 153,000 stock options on October 27, 2021, 185,500 stock options on October 27, 2022 and 74,000 stock options on October 27, 2023. The fair value of the stock options of \$351,900 was determined using the Black Scholes option valuation model with the following assumptions – Share price on date of grant of \$0.93; Risk-free interest rate of 0.36%; Dividend yield of 0%; Expected life of 5 years; forfeiture rate of 0% and Expected volatility of 100%. Since the Company does not have enough history of trading prices, the Company utilized annualized volatility of comparable start-up companies. During the three months ended March 31, 2022, the Company recorded \$19,696 (December 31, 2021 – \$136,903) in share-based payments.

The changes in stock options were as follows:

	March 31, 2022	Weighted Average Exercise Price	December 31, 2021	Weighted Average Exercise Price
Balance, beginning of year	1,297,500	\$0.54	510,000	\$0.93
Issued	-	-	787,500	0.28
Balance, end of year	1,297,500	\$0.54	1,297,500	\$0.54

As at March 31, 2022, the Company had 1,297,500 stock options outstanding as follows:

Number of Stock Options	Exercisable	Exercise Price	Expiry Date
510,000	250,500	\$0.93	October 27, 2025
487,500	243,750	\$0.38	March 16, 2025
300,000	300,000	\$0.12	October 29, 2026
1,297,500	794,250		

(f) Escrow Shares

Pursuant to the subscription agreements to which such shares were issued by the Company, the 1,000,000 common shares issued on October 4, 2019 will be held in escrow for two years from the date the Company's shares commence trading on the CSE. In addition, pursuant to an escrow agreement entered into between the Company and the holders of such shares, such shares are placed into escrow to be released as to 10% on the Listing Date with the remaining 90% to be released in equal tranches at six-month intervals over the 36 months following the Listing Date. As at March 31, 2022, 450,000 (December 31, 2021 – 450,000) common shares are in escrow with the next release on May 4, 2022.

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Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. SHARE CAPITAL – (cont'd)**(g) Commitment**

There are no outstanding Restricted Share units granted or outstanding as at March 31, 2022.

On December 9, 2020, the Company agreed to grant 600,000 Restricted Share units (“RSU”) to Grant Hendrickson. These granted RSU vest at 200,000 on February 9, 2021, 200,000 on April 9, 2021 and 200,000 on June 9, 2021. During the year ended December 31, 2021, the Company recognized \$426,000 as share-based payments and as the Company intends to settle the RSU through equity settlement recorded a corresponding credit to contributed surplus. During the year ended December 31, 2021, the Company issued 600,000 common shares and transferred \$426,000 from contributed surplus.

On March 17, 2021, the Company agreed to grant 487,500 RSU to directors and officers of the Company and to consultants. The granted RSU shall vest at 50% immediately, and 50% will vest in 6 months. During the year ended December 31, 2021, the Company recognized \$185,250 as share-based payments and as the Company intends to settle the RSU through equity settlement, recorded a corresponding credit to contributed surplus. During the year ended December 31, 2021, the Company issued 487,500 RSU and transferred \$185,250 from contributed surplus of which \$118,750 are to directors and officers of the Company.

7. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	For the three months ended	
	March 31,	
	2022	2021
Consulting fees		
Andrew H. von Kursell, CFO	\$ 21,000	\$ 15,000
Grant A. Hendrickson, President and CEO	27,000	21,000
Hugh Maddin, Director	11,000	2,000
Gurcham Singh Deol, Director	7,500	-
Uranbileg Yondon, Director	3,000	-
	69,500	38,000
General exploration costs		
Uranbileg Yondon, Director	10,500	-
Share-based payments		
Andrew H. von Kursell, CFO	7,846	14,249
Grant A. Hendrickson, President and CEO	9,040	113,561
Hugh Maddin, Director	6,186	(9,031)
Stefan Szary, former Director	-	(7,565)
	23,072	111,214
	\$ 103,072	\$ 149,214

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7. RELATED PARTY TRANSACTIONS AND BALANCES – (cont'd)

Included in prepaid expenses at March 31, 2022, is \$2,254 (December 31, 2021 - \$2,254) paid to directors of the Company for advances on expenses and consulting fees. Included in accounts payable is \$91,396 (December 31, 2021 – \$76,456) owed to directors of the Company for unpaid consulting fees and expense reimbursements.

Included in due to related party at March 31, 2022 is \$2,500 (December 31, 2021 - \$2,500) owing to a director of the Company for advances on working capital.

These amounts are non-interest bearing, unsecured and payable on demand.

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of resource properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject to. Capital of the Company comprises of cash and cash equivalents and shareholders' equity.

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 shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the period ended March 31, 2022.

9. FINANCIAL INSTRUMENTS AND RISKS

The company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in the note.

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9. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at March 31, 2022, the Company had a working capital deficiency of \$303,671 (December 31, 2021 – working capital deficiency of \$263,278). The Company plans to raise financing from private placements to meet its current and future obligations.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Interest rate risk

The Company is not exposed to significant interest rate risk.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Credit Risk

Financial instruments that potentially expose the Company to credit risk is cash and cash equivalents. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

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9. FINANCIAL INSTRUMENTS AND RISKS – (cont'd)

Fair Values

The Company's financial instruments include cash and cash equivalents and accounts payable and accrued liabilities and due to related party. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

Fair Value Hierarchy

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2022:

The Company issued 1,664,286 common shares to debt settle \$83,214 in outstanding debts to directors and consultants.