

Bocana Resources Corp.

Condensed Interim Consolidated Financial Statements

March 31, 2023

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Bocana Resources Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

Bocana Resources Corp.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

(unaudited)

	Notes	As at March 31, 2023 \$	As at September 30, 2022 \$
Assets			
Current			
Cash		979,384	23,233
Cash in trust	4	-	1,963,419
Receivables		32,903	8,246
Prepaid expenses		46,365	-
		<u>1,058,652</u>	<u>1,994,898</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		71,264	276,488
Due to United Hunter Oil & Gas Corp.		-	20,000
Advances payable	6	-	108,898
Loans payable	7	-	185,400
Subscription receipt liability	8	-	1,946,750
		<u>71,264</u>	<u>2,537,536</u>
Shareholders' equity			
Share capital	8	7,587,935	5,320,580
Warrants	8	1,197,200	202,200
Contributed surplus		1,140,000	1,100,000
Foreign currency reserve		220,560	248,870
Deficit		(9,158,308)	(7,414,287)
		<u>987,387</u>	<u>(542,638)</u>
		<u>1,058,652</u>	<u>1,994,898</u>

Going concern

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Approved by the Board:

Timothy J. Turner
Director

Christian Shomber
Director

Bocana Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended March 31,		6 months ended March 31,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Expenses					
Professional fees		11,988	-	76,553	-
Consulting	11	51,892	10,419	69,236	14,127
Stock-based compensation	11	40,000	-	40,000	-
General and administrative		9,039	6,158	9,110	7,109
Public company costs		11,645	-	47,515	-
Investor relations		7,500	-	7,500	-
Exploration and evaluation		83,646	110,643	119,268	138,211
Travel		3,152	-	4,080	-
Listing costs	4	15,000	-	1,381,475	-
Interest		2,147	-	5,037	-
Foreign exchange gain		6,860	-	6,893	-
Interest income		(88)	-	(22,648)	-
		<u>242,781</u>	<u>127,220</u>	<u>1,744,020</u>	<u>159,447</u>
Net loss		(242,781)	(127,220)	(1,744,020)	(159,447)
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years (net of tax)					
Currency translation adjustment		(29,488)	(18,153)	(28,310)	(28,552)
Comprehensive loss		<u>(272,269)</u>	<u>(145,373)</u>	<u>(1,772,331)</u>	<u>(187,998)</u>
Net loss per share-basic and diluted		-	-	(0.02)	-
Weighted average number of shares outstanding - basic and diluted		101,227,661	55,980,887	79,243,141	55,980,887

Bocana Resources Corp.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	6 months ended March 31,	
	2023	2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss	(1,744,020)	(159,447)
Items not affecting cash flow		
Stock-based compensation	40,000	-
Interest income accrued	(22,557)	-
Interest expense accrued	2,890	-
Foreign exchange gain on advances payable	(859)	-
Listing cost	1,366,474	-
Changes in non-cash operating working capital		
Receivables	(19,820)	-
Prepaid expenses	(24,324)	10,420
Accounts payable and accrued liabilities	(244,807)	(40,452)
	<u>(647,023)</u>	<u>(189,479)</u>
Investing activities		
Cash acquired on reverse takeover	23,815	-
Financing activities		
Advances from United Hunter Oil & Gas Corp.	-	(191,115)
Advances payable	20,000	38,223
Advances payable repayment	(128,039)	-
Loans payable	(188,290)	180,000
Share issue costs	(99,439)	-
Subscription receipt proceeds	1,985,976	-
	<u>1,590,208</u>	<u>27,108</u>
Net increase (decrease) in cash	967,000	(162,371)
Currency translation adjustment	(10,849)	-
Cash, beginning of period	23,233	246,122
Cash, end of period	<u>979,384</u>	<u>83,751</u>
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

Bocana Resources Corp.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital		Warrants	Contributed surplus	Foreign currency reserve	Deficit	Total
	Number of common shares	\$	\$	\$	\$	\$	\$
Balance, September 30, 2022	56,770,077	5,320,580	202,200	1,100,000	248,870	(7,414,287)	(542,638)
Issued to United shareholders	24,990,084	1,367,045	-	-	-	-	1,367,045
Fair value of United replacement warrants	-	-	48,000	-	-	-	48,000
Units issued for subscription receipts	19,467,500	1,946,750	-	-	-	-	1,946,750
Fair value of unit warrants	-	(879,000)	879,000	-	-	-	-
Fair value of broker warrants	-	(81,000)	81,000	-	-	-	-
Fair value of expired warrants	-	13,000	(13,000)	-	-	-	-
Share issue costs	-	(99,439)	-	-	-	-	(99,439)
Stock-based compensation	-	-	-	40,000	-	-	40,000
Other comprehensive loss	-	-	-	-	(28,310)	-	(28,310)
Net loss	-	-	-	-	-	(1,744,020)	(1,744,020)
Balance, March 31, 2023	101,227,661	7,587,935	1,197,200	1,140,000	220,560	(9,158,307)	987,388
Balance, September 30, 2021	55,980,887	5,275,675	202,200	1,100,000	276,779	(7,097,803)	(243,149)
Other comprehensive loss	-	-	-	-	(28,552)	-	(28,552)
Net loss	-	-	-	-	-	(159,447)	(159,447)
Balance, March 31, 2022	55,980,887	5,275,675	202,200	1,100,000	248,227	(7,257,250)	(431,147)

See accompanying notes to condensed interim consolidated financial statements

Bocana Resources Corp.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2023

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

Bocana Resources Corp. (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resources in South America. The Company is the result of an amalgamation filed on December 29, 2022 under the *Business Corporation Act* in Alberta. The Company's registered office is located at 800 - 333 7th Avenue S.W., Calgary, AB T2P 2Z1.

2. Going concern

The Company is in the exploration stage and does not generate revenue. For the 6 months ended March 31, 2023, the Company incurred a loss of \$1,744,020 (2022 - \$159,447) and a cashflow deficit from operations of \$647,023 (2022 - \$189,479). The continuing losses and cashflow deficits from operations limit the Company's ability to fund its operations and the acquisition, exploration and development of mineral properties. The Company will periodically have to raise funds to continue operations, and, although it has been successful thus far in doing so, there is no assurance it will be able to do so in the future. The Company estimates it will need additional capital to operate for the upcoming year.

As a result, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption is inappropriate, and these adjustments could be material.

3. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended September 30, 2022.

These condensed interim consolidated financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2022.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 26, 2023.

4. Amalgamation

On December 29, 2022, Bocana Resources Ltd. ("Bocana") completed a reverse takeover transaction pursuant to the terms of an amalgamation agreement dated March 26, 2021, as amended, between Bocana and United Hunter Oil & Gas Corp. ("United") (the "Agreement").

The reverse takeover was completed by way of an amalgamation between Bocana and United and the resulting issuer was renamed Bocana Resources Corp. ("Company"). Pursuant to the terms of the Agreement, the outstanding shares, stock options and warrants of United were exchanged for replacement shares, stock options and warrants of the Company on the basis of one of the Company's securities for every 1.6877 securities of United. Additionally, each holder of a security of Bocana was issued one security of the Company.

In completing the Amalgamation, the following conditions were satisfied:

- a) Bocana completed a private placement of up to 20,000,000 subscription receipts at \$0.10 for gross proceeds of up to \$2,000,000, with each subscription receipt exchangeable into one unit consisting of one common share and one warrant entitling the holder to purchase one common share for \$0.10 for 36 months following the closing date of the Amalgamation (note 8, *Share capital, Private placement of subscription receipts*).
- b) Bocana converted outstanding debts of \$78,919 into 789,190 common shares.
- c) United converted outstanding debts of \$307,886 into 5,131,433 common shares.
- d) approval by the directors of Bocana and United.
- e) approval of the shareholders of Bocana and United.
- f) approval of the TSX Venture Exchange.

Upon completion of the Amalgamation, cash in trust of \$1,985,975 representing proceeds of the subscription receipts of \$1,946,500 (note 8, *Share capital, Private placement of subscription receipts*) plus accrued interest was released from escrow to the Company:

	\$
Cash in trust	
Balance, September 30, 2022	1,963,419
Interest	22,556
Released	(1,985,975)
Balance, March 31, 2023	—

The Amalgamation resulted in a reverse take-over of United which will be accounted for in accordance with reverse takeover accounting that does not constitute a business combination. Accordingly, the assets and liabilities of Bocana and United are included in the consolidated statement of financial position at their historical carrying values and the share capital of United is eliminated by a charge to deficit.

	\$
Consideration at fair value	
Fair value of 24,990,084 common shares issued to shareholders of United at \$0.0558	1,367,044
Fair value of United warrants	48,000
Fair value of United stock options	—
	1,415,044

Net assets acquired	
Cash	23,815
Receivables	4,837
Due from Bocana	57,460
Prepaid expenses	22,041
Accounts payable and accrued liabilities	(39,583)
Loans payable	(20,000)
	48,570

Listing expense	1,366,474
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The fair value of United replacement warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Issue date	December 29, 2022	December 29, 2022
Expiry date	April 1, 2024	April 1, 2024
Number of warrants	400,782	7,281,507
Exercise price	\$0.1000	\$0.2500
Share price	\$0.0558	\$0.0558
Risk-free interest rate	4.51%	4.51%
Expected volatility based on historical volatility	100%	100%
Expected life	1.26 years	1.26 years
Expected dividend yield	0%	0%
Fair value	\$6,500	\$41,500
Fair value per warrant	\$0.02	\$0.01

The fair value of United replacement stock options was calculated using the Black-Scholes option pricing model with the following assumptions:

Issue date	December 29, 2022
Expiry date	August 20, 2023
Number of stock options	711,027
Exercise price	\$0.4200
Share price	\$0.0558
Risk-free interest rate	4.4%
Expected volatility based on historical volatility	100%
Expected life	0.64 years
Expected dividend yield	0%
Fair value	\$ –
Fair value per stock option	\$ –

5. Exploration and evaluation

The Company, through its subsidiary, Huiracocha, holds a 100% working interest in the mineral property known as the Escala Project. The Escala Project is located approximately 125 kilometers southwest of the town of Uyuni, in Municipality San Pablo de Lipez of the Province of Sud Lipez in the Department of Potosi, in southwestern Bolivia. The Escala Project consists of 4 exploration concessions (for a total of 4,000 hectares), held pursuant to a Mining Production Contract (“MPC”) with Corporación Mineral de Bolivia (“COMIBOL”).

The MPC was executed on November 18, 2019 with a term of 15 years, computable from the next business day of its registration in the Mining Registry, and is renewable for an additional 15 years thereafter. The MPC includes three stages: 1) 5 years for exploration, environmental studies and estimation of reserves, 2) mine preparation and plant installation, and 3) operation and marketing. In stage 1, the Company will be required to expend \$25,290,089. In stage 2, work to be completed will include carrying out a prefeasibility study, engineering study of the project design, construction of the concentration plant and construction of the tails ditch, to be carried out in parallel between the first and second year. In stage 3, once the commercial production level has been reached, the Company will be obligated to pay a royalty of 6.7% of the gross value of sales to COMIBOL.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

6. Advances payable

	\$
Balance, September 30, 2022	108,898
Advance	20,000
Foreign exchange gain	(859)
Repayment	(128,039)
Balance, March 31, 2023	–

Repayment of advances payable included advances owing to a director and officer:

- \$63,000 which was unsecured, non-interest bearing and had no fixed terms of repayment.
- US\$30,000 which was unsecured, bearing interest at the rate of 6% per annum and was due on demand or December 31, 2022 in the event there was no demand for payment.
- \$20,000 advanced on December 23, 2022 which was unsecured, non-interest bearing and had no fixed terms of repayment.

7. Loans payable

	\$
Balance, September 30, 2022	185,400
Interest	2,890
Repayment	(208,290)
Balance, March 31, 2023	—

The repayment of loans payable included repayment of \$125,544 to two directors and officers of the Company.

8. Share capital

Authorized

An unlimited number of common shares.

An unlimited number of preferred shares issuable in series.

Issued

	Number of common shares	\$
Balance, September 30, 2022	56,770,077	5,320,580
Issued to United shareholders (note 4)	24,990,084	1,367,044
Issued for subscription receipts (note 4)	19,467,500	1,946,750
Fair value of unit warrants (note 4)	—	(879,000)
Fair value of broker warrants (note 4)	—	(81,000)
Fair value of expired warrants	—	13,000
Share issue costs	—	(101,439)
Balance, March 31, 2023	101,227,661	7,585,935

There are no preferred shares outstanding.

Private placement of subscription receipts

On April 1, 2021, the Company completed a private placement of 19,467,500 subscription receipts at a price of \$0.10 per subscription receipt for gross proceeds of \$1,946,750, which was initially recorded as cash in trust and an offsetting subscription receipt liability. Upon closing of the Amalgamation on December 29, 2022, for each subscription receipt, the Company issued one unit consisting of one common share and one warrant entitling the holder to purchase one common share for \$0.25 until January 3, 2026. In connection with the private placement of subscription receipts, the Company paid cash commissions of \$101,440 and issued 1,270,400 broker warrants entitling the holder purchase one Unit for \$0.10 until January 3, 2026.

The fair value of subscription receipt unit and broker warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

	Unit warrants	Broker warrants
Issue date	January 3, 2023	January 3, 2023
Expiry date	January 3, 2026	January 3, 2026
Number of warrants	19,467,500	1,270,400
Exercise price	\$0.25	\$0.10
Share price	\$0.10	\$0.10
Risk-free interest rate	3.77%	3.77%
Expected volatility based on historical volatility	100%	100%
Expected life	3 years	3 years
Expected dividend yield	0%	0%
Fair value	\$879,000	\$81,000
Fair value per warrant	\$0.05	\$0.06

Warrants

A summary of the Company's common share warrants outstanding at March 31, 2023 is presented below:

	Weighted- average exercise price \$	Number of warrants
Balance, September 30, 2022	0.25	4,775,300
Issued		
United replacement warrants	0.24	7,682,290
Subscription receipt unit warrants	0.25	19,467,500
Subscription receipt broker warrants	0.10	1,270,400
Expired	0.25	(440,000)
Balance, March 31, 2023	0.24	32,755,490

A summary of the Company's common share warrants outstanding at March 31, 2023 is presented below:

Exercise price	Expiry date	Number of warrants
\$0.10 (exercisable into a unit consisting of a common share and warrant)	April 1, 2024	400,782
\$0.25	April 1, 2024	7,281,508
\$0.10 (exercisable into a unit consisting of a common share and warrant)	January 3, 2026	132,800
\$0.25	January 3, 2026	4,202,500
\$0.10 (exercisable into a unit consisting of a common share and warrant)	January 3, 2026	1,270,400
\$0.25	January 3, 2026	19,467,500
		32,755,490

Stock options

The Company may grant stock options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. The exercise price for stock options will not be less than the market price of the common shares on the date of the grant, less any discount permissible under the rules of the TSXV. The maximum term for stock options is 5 years and stock options granted vest immediately.

A continuity of the Company's stock options outstanding at March 31, 2023 is presented below:

	Weighted- average exercise price \$	Number of warrants
Balance, September 30, 2022	—	—
Issued for United replacement stock options	0.42	711,027
Issued	0.10	1,600,000
Balance, March 31, 2023	0.20	2,311,027

A summary of the Company's stock options outstanding at March 31, 2023 is presented below:

Exercise price	Expiry date	Number of stock options
\$0.42	August 20, 2023	711,027
\$0.10	March 27, 2023	1,600,000
		2,311,027

On March 27, 2023, the Company granted 1,600,000 stock options to directors, officers and a consultant. Each stock option entitles the holder to purchase one common share for \$0.10 until March 27, 2028.

The fair value of stock options was calculated using the Black-Scholes option pricing model with the following assumptions:

Issue date	March 27, 2023
Expiry date	March 27, 2028
Number of stock options	1,600,000
Exercise price	\$0.10
Share price	\$0.04
Risk-free interest rate	3.02%
Expected volatility based on historical volatility	100%
Expected life	5 years
Expected dividend yield	0%
Fair value	\$40,000
Fair value per stock option	\$0.025

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and accounts payable and accrued liabilities

The fair values of cash and accounts payable and accrued liabilities at September 30, 2022 and March 31, 2023 approximated their respective carrying value due to their short term to maturity.

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;

Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data

There are no financial instruments measured at fair value.

10. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

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Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is equal to the Company's cash. The Company limits its exposure to credit risk on its cash by holding deposits with a Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of mineral properties. Accounts payable and accrued liabilities are subject to normal trade terms.

Current liabilities of \$71,264 (September 30, 2022 - \$2,537,536) have contractual maturities less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Foreign exchange risk

Foreign exchange risk is the risk of financial loss to the Company due to a change in foreign exchange rates. The majority of the Company's cash is held in Canadian dollars. Foreign exchange risk arises as the Company makes expenditures denominated in US dollars and has cash of US\$18,125 (September 30, 2022 - US\$6,432), accounts payable of US\$17,951 (September 30, 2022 - US\$33,346). If the foreign exchange related to the Company's US dollar balances increased or decreased by 10%, with all other variables held constant, the currency translation adjustment would have increased or decreased by \$23 (September 30, 2022 - \$13,270).

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations due to the limited number of transactions conducted in US dollars.

Capital management

Capital of the Company consists of share capital, common shares to be issued, contributed surplus, foreign currency reserve and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

11. Related party transactions

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	6 months ended March 31,		Outstanding at	Outstanding at
	2023	2022	March 31,	September 30,
	\$	\$	2023	2022
				\$
Consulting fees	69,236	14,127	26,415	24,297
Stock-based compensation	32,500	—	—	—
	<u>101,736</u>	<u>14,127</u>	<u>26,415</u>	<u>24,297</u>

See notes 6 and 7 for other related party transactions.