

Bocana Resources Corp.

Consolidated Financial Statements

September 30, 2024 and 2023

(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bocana Resources Corp.

Opinion

We have audited the consolidated financial statements of Bocana Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has a working capital deficit of \$266,362, incurred a net loss of \$806,199 and had a cashflow deficit from operations of \$715,072 during the year ended September 30, 2024. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

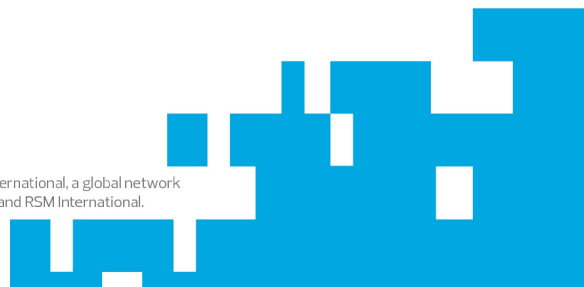
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 24, 2025
Toronto, Ontario

Bocana Resources Corp.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

		As at September 30,	
		2024	2023
		\$	\$
	Notes		
Assets			
Current			
Cash		33,181	743,017
Receivables		42,269	31,308
Prepaid expenses		28,810	132,862
		104,260	907,187
Liabilities			
Current			
Accounts payable and accrued liabilities	12	370,622	367,798
Shareholders' equity			
Share capital	5	7,635,935	7,587,935
Warrants	5	1,149,200	1,197,200
Contributed surplus	5	1,167,400	1,157,650
Foreign currency reserve		177,032	186,334
Deficit		(10,395,929)	(9,589,730)
		(266,362)	539,389
		104,260	907,187
Going concern	2		
Approved by the Board:			
	Timothy J. Turner	Christian Shomber	
	Director	Director	

Bocana Resources Corp.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

		Years ended September 30,	
		2024	2023
	Notes	\$	\$
Expenses			
Professional fees		42,536	114,059
Consulting	12	208,665	172,685
Stock-based compensation	5	9,750	57,650
General and administrative		32,604	28,596
Public company costs		26,199	53,161
Investor relations		7,500	25,120
Exploration and evaluation	6	486,712	348,230
Travel		809	12,419
Listing costs	1	-	1,381,475
Interest		-	5,037
Foreign exchange loss		(3,340)	8,149
Interest income		(5,236)	(31,137)
		806,199	2,175,444
Net loss		(806,199)	(2,175,444)
Other comprehensive loss that may be reclassified to profit or loss in subsequent years (net of tax)			
Currency translation adjustment		(9,302)	(62,536)
Comprehensive loss		(815,501)	(2,237,980)
Net loss per share-basic and diluted		(0.01)	(0.02)
Weighted average number of shares outstanding - basic and diluted		101,227,661	90,265,517

Bocana Resources Corp.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Share capital				Foreign		
	Number of		Warrants	Contributed	currency	Deficit	Total
	common	\$	\$	surplus	reserve	\$	\$
	shares						
	(note 5)	(note 5)	(note 5)	(note 5)			
Balance, September 30, 2023	101,227,661	7,587,935	1,197,200	1,157,650	186,334	(9,589,730)	539,389
Fair value of expired warrants	-	48,000	(48,000)	-	-	-	-
Stock-based compensation	-	-	-	9,750	-	-	9,750
Other comprehensive loss	-	-	-	-	(9,302)	-	(9,302)
Net loss	-	-	-	-	-	(806,199)	(806,199)
Balance, September 30, 2024	101,227,661	7,635,935	1,149,200	1,167,400	177,032	(10,395,929)	(266,362)
Balance, September 30, 2022	56,770,077	5,320,580	202,200	1,100,000	248,870	(7,414,286)	(542,636)
Issued to United shareholders	24,990,084	1,367,044	-	-	-	-	1,367,044
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	-	-	-	57,650	-	-	57,650
Other comprehensive loss	-	-	-	-	(62,536)	-	(62,536)
Net loss	-	-	-	-	-	(2,175,444)	(2,175,444)
Balance, September 30, 2023	101,227,661	7,587,935	1,197,200	1,157,650	186,334	(9,589,730)	539,389

Bocana Resources Corp.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Years ended September 30,	
	2024	2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss	(806,199)	(2,175,444)
Items not affecting cash flow		
Stock-based compensation	9,750	57,650
Interest income accrued	(5,236)	(22,557)
Interest expense accrued	-	2,890
Foreign exchange loss	-	8,149
Listing costs	-	1,381,475
Changes in non-cash operating working capital		
Receivables	(10,962)	(18,225)
Prepaid expenses	104,053	(110,822)
Accounts payable and accrued liabilities	(6,478)	(34,815)
	(715,072)	(911,699)
Investing activities		
Cash acquired on reverse takeover	-	23,815
Financing activities		
Advances from United Hunter Oil & Gas Corp.	-	17,460
Advances payable	-	20,000
Advances payable repayment	-	(128,039)
Loans payable	-	(188,290)
Share issue costs	-	(99,439)
Interest income received	5,236	39,226
Subscription receipt proceeds	-	1,946,750
	5,236	1,607,668
Net increase (decrease) in cash	(709,836)	719,784
Cash, beginning of period	743,017	23,233
Cash, end of period	33,181	743,017
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

1. Nature of operations

Bocana Resources Corp. is a public company engaged in the acquisition, exploration and development of mineral resources in South America.

The Company's registered office is located at 800 - 333 7th Avenue S.W., Calgary, AB T2P 2Z1.

Amalgamation agreement and reverse takeover transaction

On December 29, 2022, Bocana Resources Ltd. ("Bocana") completed a reverse takeover transaction ("RTO") 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 RTO was completed by way of an amalgamation between Bocana and United and the resulting issuer was renamed Bocana Resources Corp. (the "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.

The Amalgamation resulted in an RTO of United which was accounted for in accordance with reverse takeover accounting that does not constitute a business combination. For accounting purposes, Bocana acquired United. In these consolidated financial statements, Bocana is treated as the accounting acquirer and United is treated as the accounting acquiree. As Bocana was deemed to be the acquirer for accounting purposes, these consolidated financial statements are presented as a continuation of the financial statements of Bocana.

	\$
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	—
	<u>1,415,044</u>
Net assets acquired	
Cash	23,815
Receivables	4,836
Due from Bocana	57,460
Prepaid expenses	22,041
Accounts payable and accrued liabilities	(54,583)
Loans payable	(20,000)
	<u>33,569</u>
Listing expense	<u>1,381,475</u>

The excess of consideration at fair value over the net assets acquired of \$1,381,475 was expensed as a listing cost in the consolidated statement of loss and comprehensive loss for the year ended September 30, 2023.

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

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	4.40%
Expected volatility based on historical volatility	100%
Expected life	0.64 years
Expected dividend yield	0%
Fair value	\$ —
Fair value per stock option	\$ —

2. Going concern

The Company is in the exploration stage and does not generate revenue. At September 30, 2024, the Company had a working capital deficit of \$266,362 (2023 - working capital surplus of \$539,389) and for the year ended September 30, 2024, Company incurred a loss of \$806,199 (2023 - \$2,175,444) and a cashflow deficit from operations of \$715,072 (2023 - \$911,699). The working capital deficit, net losses and cashflow deficits 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 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 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 consolidated financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2024.

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

The consolidated financial statements were approved and authorized for issue by the Board of Directors on January 24, 2025.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. Historical costs are generally based on the fair value of consideration given in exchange for goods and services received. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's subsidiaries is the US dollar.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected if the revision impacts both current and future periods.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Going concern

The Company applied judgment in assessing its ability to continue as a going concern for at least 12 months. See note 2.

Title to mineral properties

Although the Company has taken steps to verify title to the mineral 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, illegal artisanal or small-scale miners, aboriginal claims, and non-compliance with regulatory and environmental requirements. If the Company does not have title to its mineral properties, there will be adverse consequences to the Company and its business prospects.

Stock-based compensation and fair value of warrants

The Company uses the Black-Scholes option pricing model in determining stock-based compensation and the fair value of warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility. Consequently, the actual stock-based compensation may vary from the amount estimated. See note 5.

Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the 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 recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. See note 7.

4. Material accounting policy information

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

Foreign currencies

Transactions in foreign currencies are translated to Canadian dollars at exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Expenses are translated at average exchange rates for the period. Foreign currency differences arising on translation are recognized in the statement of loss and comprehensive loss.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii. income and expenses for each consolidated statement of loss and comprehensive loss and cash flows for the years presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- iii. components of equity are translated at the exchange rates at the dates of the relevant transactions or at average exchange rates where this is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, and are not re-translated; and
- iv. all resulting exchange differences are recognized in other comprehensive income (loss).

Financial instruments

Financial assets are required to be initially measured at fair value and subsequently classified at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets includes cash which is classified at amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows consisting solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities include accounts payable and accrued liabilities, which were initially measured at fair value and subsequently classified as amortized cost.

Impairment of financial assets

The Company applies a forward-looking expected credit loss ("ECL") model on each reporting date to financial assets measured at amortized cost. The Company's only financial asset subject to impairment is receivables. The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses, if incurred, are recorded in profit or loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Consolidation

These consolidated financial statements include the accounts of the Company and its 99.94% (2023 - 99.94%) ownership in subsidiary, Inversiones Bocana SA ("Bocana SA") and its 100% ownership (2023 - 100%) in subsidiary, Huiracocha Internacional Service SRL ("Huiracocha"). Both subsidiaries are located in Bolivia. Bocana SA is a holding company and Huiracocha is involved in exploration in Bolivia. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

All intercompany transactions and balances are eliminated on consolidation.

Exploration and evaluation

Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are expensed in the period incurred until these mineral properties are placed into commercial production, sold or abandoned.

Costs include the cash consideration and the fair market value of any shares issued for the acquisition of mineral properties. Option proceeds received are recorded in the accounts at the time of receipt. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Decommissioning liabilities

The Company's activities may give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration. Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the date of the statement of financial position. The fair value of the estimated obligation is recorded as a liability with a corresponding increase in the carrying amount of the related asset. The obligation is subsequently adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion costs whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. As at September 30, 2024 and September 30, 2023, the Company had no decommissioning liabilities.

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Unit private placements

For private placements of units consisting of common shares and warrants, the Company uses the Black-Scholes option pricing model in determining the fair value of warrants. The proceeds from the issuance of units are first allocated to the warrants and the residual amount, being the difference between the proceeds from issuance and the fair value of the warrants, is allocated to common shares.

Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. When vested stock options expire, previously recognized share-based compensation is not reversed. When stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. No provisions were recorded as at September 30, 2024 and September 30, 2023.

Income tax

Income tax expense comprises current and deferred taxes. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred 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.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted and warrants issued. For the years presented, there are no dilutive effects.

Bocana Resources Corp.

Notes to Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in Canadian dollars)

New accounting standards adopted

The following accounting standards have been adopted by the Company during the year ended September 30, 2024:

IAS 1 – Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to management's intentions or expectations of exercising the right to defer settlement of the liability. Management would classify debt as non-current only when the Company complies with all the conditions at the reporting date. The amendments further clarify that settlement of a liability refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

There was no impact on the adoption of this standard.

IAS 8 – Definition of Accountings Estimates

The IASB has issued an amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to introduced a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

There was no impact on the adoption of this standard.

5. 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 1)	24,990,084	1,367,044
Issued for subscription receipts (note 1)	19,467,500	1,946,750
Fair value of unit warrants (note 1)	—	(879,000)
Fair value of broker warrants (note 1)	—	(81,000)
Fair value of expired warrants	—	13,000
Share issue costs	—	(99,439)
Balance, September 30, 2023	101,227,661	7,587,935
Fair value of expired warrants	—	48,000
Balance, September 30, 2024	101,227,661	7,635,935

There are no preferred shares outstanding.

Private placement of subscription receipts

On April 1, 2021, Bocana 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 \$99,439 and issued 1,270,400 broker warrants entitling the holder purchase one Unit for \$0.10 until January 3, 2026.

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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 continuity of the Company's outstanding common share warrants is presented below:

	Weighted- average exercise price \$	Number of warrants
Balance, September 30, 2022	0.25	4,775,300
Issued		
United replacement warrants (note 1)	0.24	7,682,289
Subscription receipt unit warrants (note 1)	0.25	19,467,500
Subscription receipt broker warrants (note 1)	0.10	1,270,400
Expired	0.25	(440,000)
Balance, September 30, 2023	0.24	32,755,489
Expired	0.24	(7,682,289)
Balance, September 30, 2024	0.24	25,073,200

A summary of the Company's outstanding common share warrants at September 30, 2024 is presented below:

Exercise price	Expiry date	Number of warrants
\$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
		25,073,200

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.

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A continuity of the Company's outstanding stock options is presented below:

	Weighted- average exercise price \$	Number of options
Balance, September 30, 2022	—	—
Issued for United replacement stock options (note 1)	0.42	711,027
Issued	0.10	2,300,000
Expired	0.42	(711,027)
Balance, September 30, 2023	0.10	2,300,000
Issued	0.10	2,400,000
Balance, September 30, 2024	0.10	4,700,000

A summary of the Company's outstanding stock options at September 30, 2024 is presented below:

Exercise price	Expiry date	Number of stock options	
		Outstanding	Exercisable
\$0.10	March 27, 2028	1,600,000	1,600,000
\$0.10	May 26, 2028	700,000	700,000
\$0.10	May 24, 2029	700,000	700,000
\$0.10	June 30, 2029	850,000	850,000
\$0.10	September 30, 2029	425,000	425,000
\$0.10	December 31, 2029	425,000	—
		4,700,000	4,275,000

On May 24, 2024, the Company granted stock options to directors and officers. A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black-Scholes option pricing model is presented below:

Date of grant	May 24, 2024
Number of stock options granted	2,400,000
Number of stock options by expiry date	
May 24, 2029	700,000
June 30, 2029	850,000
September 30, 2029	425,000
December 31, 2029	425,000
Exercise price	\$0.10
Share price	\$0.01
Risk-free interest rate	3.68%
Expected volatility based on historical volatility	100%
Expected life of stock options	5 years
Expected dividend yield	0%
Forfeiture rate	0%
Number of stock options by vesting date	
May 24, 2024	700,000
June 30, 2024	850,000
September 30, 2024	425,000
December 31, 2024	425,000
Fair value of stock options by vesting date	
May 24, 2024	\$2,844
June 30, 2024	\$3,453
September 30, 2024	\$1,727
December 31, 2024	\$1,726
Fair value per stock option	\$0.004

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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 options vested on the grant date.

On May 26, 2023, the Company granted 700,000 stock options to consultants. Each stock option entitles the holder to purchase one common share for \$0.10 until May 26, 2028. The options vested on the grant date.

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

Issue date	March 27, 2023	May 26, 2023
Expiry date	March 27, 2028	May 26, 2028
Number of stock options	1,600,000	700,000
Exercise price	\$0.10	\$0.10
Share price	\$0.04	\$0.04
Risk-free interest rate	3.02%	3.57%
Expected volatility based on historical volatility	100%	100%
Expected life	5 years	5 years
Expected dividend yield	0%	0%
Fair value	\$40,000	\$17,650
Fair value per stock option	\$0.025	\$0.025

6. 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 Potosí, 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 has not yet been registered in the Mining Registry. Once the MPC is registered, the MPC includes three stages of development: 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 would be required to expend US\$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 mineral 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, illegal artisanal or small-scale miners, aboriginal claims, and non-compliance with regulatory and environmental requirements. If the Company does not have title to its mineral properties, there will be adverse consequences to the Company and its business prospects.

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7. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 23% (2023 - 23%) to the net loss for the year. The reasons for the difference are as follows:

Provision for income taxes

	2024	2023
	\$	\$
Expected income tax (recovery) based on statutory rate	(185,427)	(500,352)
Increase (decrease) resulting from:		
Stock-based compensation	2,243	13,260
Share issue costs and other	—	319,052
Effect of foreign tax rates and expired losses	18,184	(2,960)
Change in deferred tax assets not recorded	165,000	171,000
Deferred income tax recovery	—	—

Deferred income tax balances

The Company's deferred income tax assets are as follows:

	2024	2023
	\$	\$
Non-capital loss carryforward	622,000	481,000
Exploration and development costs	79,000	46,000
Share issue costs	17,000	26,000
	718,000	553,000
Benefit of deferred tax assets not recorded	(718,000)	(553,000)
	—	—

Due to losses incurred in the current year and expected future operating results, management determined that it is unlikely that the deferred income tax assets will be realized. Accordingly, the future income tax assets have not been recorded.

Losses carried forward

At September 30, 2024, the Company had non-capital loss carryforwards in Canada which expire as follows:

	\$
2038	41,000
2039	471,000
2040	93,000
2041	157,000
2042	129,000
2043	427,000
2044	345,000
	1,663,000

At September 30, 2024, the Company had non-capital loss carryforwards in Bolivia which expire as follows:

	\$
2025	133,000
2026	120,000
2027	212,000
2028	148,000
2029	344,000
	957,000

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8. 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 as at September 30, 2024 and September 30, 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.

9. 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.

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 \$370,622 (2023 - \$367,798) 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.

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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\$4,758 (2023 - US\$11,776), accounts payable of US\$169,026 (2023 - US\$174,236). 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 \$22,174 (2023 - \$21,965).

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.

10. Advances payable

	\$
Balance, September 30, 2022	108,898
Advance	20,000
Foreign exchange gain	(859)
Repayment	(128,039)
Balance, September 30, 2023 and 2024	—

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

- a) \$20,000 advanced on December 23, 2022 which was unsecured, non-interest bearing and had no fixed terms of repayment.

11. Loans payable

	\$
Balance, September 30, 2022	185,400
Interest	2,890
Repayment	(188,290)
Balance, September 30, 2023 and 2024	—

On March 31, 2022, the Company received loans payable of \$180,000, including \$60,000 advanced by a director and officer of the Company, which were unsecured, bearing interest at the rate of 6% per annum and due on demand or December 31, 2022 in the event that there was no demand for payment.

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12. 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:

	Years ended September 30,		Outstanding at September 30,	
	2024	2023	2024	2023
	\$	\$		\$
Consulting fees	208,665	172,685	306,238	133,286
Exploration and evaluation	48,596	48,780	—	—
Stock-based compensation	9,750	40,000	—	—
	267,011	261,465	306,238	133,286

See note 5, 10 and 11 for other related party transactions.