

TOTEC RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

SEPTEMBER 30, 2022

(UNAUDITED)

(The accompanying condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements)

TOTEC RESOURCES LTD.

Interim Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at

	September 30, 2022	March 31, 2022
ASSETS		
Current		
Cash	\$ 89,099	\$ 129,931
Receivables	1,067	-
Prepaid expenses	19,098	-
	<u>\$ 109,264</u>	<u>\$ 129,931</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 16,230	\$ 16,774
Shareholders' equity		
Share capital (Note 6)	135,000	130,000
Reserves (Note 6d)	11,761	-
Deficit	<u>(53,727)</u>	<u>(16,843)</u>
	<u>93,034</u>	<u>113,157</u>
	<u>\$ 109,264</u>	<u>\$ 129,931</u>

Nature of business and continuing operations (Note 1)

Subsequent events (Note 12)

Approved on Behalf of the Board on November 29, 2022:

Deepak Varshney, Director

James Walker, Director

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

TOTEC RESOURCES LTD.

Interim Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
EXPENSES				
Office and miscellaneous	\$ 5	\$ -	\$ 60	\$ -
Professional fees (Notes 5, 8)	2,882	-	17,373	-
Regulatory and filing fees	-	-	7,690	-
Share-based payments (Note 6d)	-	-	11,761	-
Loss and comprehensive loss for the period	\$ 2,887	\$ -	\$ 36,884	\$ -
<hr/>				
Basic and diluted loss per common share	\$ 0.09	\$ -	\$ 1.11	\$ -
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Weighted average number of common shares outstanding - basic and diluted	33,344	-	33,344	-

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

TOTEC RESOURCES LTD.

Interim Statement of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital (Note 6)				Total Shareholders' Equity
	Shares	Amount	Reserves	Deficit	
Balance, March 31, 2022	2,600,000	\$ 130,000	\$ -	\$ (16,843)	\$ 113,157
Private Placement (Note 5b)	100,000	\$ 5,000			5,000
Share-based payments (Note 6d)	-	-	11,761	-	11,761
Loss and comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,884)</u>	<u>(36,884)</u>
Balance, September 30, 2022	<u>2,700,000</u>	<u>\$ 135,000</u>	<u>\$ 11,761</u>	<u>\$ (53,727)</u>	<u>\$ 93,034</u>

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

TOTEC RESOURCES LTD.Interim Statement of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Six months ended September 30, 2022	Six months ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	\$ (36,884)	\$ -
Adjustment for item not involving cash:		
Share-based payments	11,761	-
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(1,067)	-
(Increase) decrease in prepaid expenses	(19,098)	-
Increase in accounts payable and accruals	(544)	-
Net cash used in operating activities	<u>(45,832)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share capital	<u>5,000</u>	<u>-</u>
Increase (decrease) in cash for the period	(40,832)	-
Cash, beginning of the period	<u>129,931</u>	<u>-</u>
Cash, end of the period	<u>\$ 89,099</u>	<u>\$ -</u>
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

For the three-month period ended September 30, 2022

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

TOTEC RESOURCES LTD. (the “Company”) was incorporated on January 25, 2022 under the laws of British Columbia and is applying to be a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V” or the “Exchange”) Policy 2.4. The head office is located at Bentall 5, 550 Burrard Street, Suite 1008 | Vancouver, BC, V6C 2B5, and the records and registered office is located at Bentall 5, 550 Burrard Street, Suite 1008 | Vancouver, BC, V6C 2B5.

Since incorporation on January 25, 2022, the Company has had no active business operations. As a CPC, the Company’s business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction (“QT”), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V.

As a CPC, the proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Company. These restrictions will apply until completion of a QT by the Company as defined under the policies of the Exchange.

The Company has an accumulated deficit of \$53,727 as at September 30, 2022. The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

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. To date, COVID-19 has not had an adverse impact on the Company.

2. STATEMENT OF COMPLIANCE

These unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These interim financial statements follow the same accounting policies and methods of application as the Company’s March 31, 2022 annual audited financial statements however do not include all financial information required for full annual financial statement presentation and should be read in conjunction with the annual financial statements for the year ended March 31, 2022.

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

For the three-month period ended September 30, 2022

(Expressed in Canadian dollars)

(Unaudited)

3. BASIS OF PRESENTATION

These interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, the financial statements have been prepared using the accrual basis of accounting except for cash flow information.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical accounting estimates and 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 are discussed below:

Judgements

Going Concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1.

Estimates

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and warrants recorded as marketable securities. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and Company's earnings and equity reserves.

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

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(Unaudited)

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development, and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

5. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the six months period ended September 30, 2022, \$3,000 was due to related parties included in accounts payable and accrued liabilities:

Name of the Key management personnel	Company's Name	Nature of Transaction	Six months period ended September 30, 2022
Deepak Varshney, CEO	Deepak Varshney	Reimbursements	\$ 5
Khalid Naem, CFO	Aterna Advisors Inc.	Accounting fees	3,000

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the six months period ended September 30, 2022, \$Nil was recorded as compensation costs for key management personnel and companies related to them.

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

For the three-month period ended September 30, 2022

(Expressed in Canadian dollars)

(Unaudited)

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at September 30, 2022, the issued share capital was comprised of 2,700,000 common shares. During the six months period ended September 30, 2022, the Company issued 100,000 common shares to a director of the Company at a price of \$0.05 per common share for total proceeds of \$5,000.

(c) Escrowed shares

In connection with the Company's proposed transaction (Note 12), 2,700,000 common shares issued at \$0.05 per share are held in escrow pursuant to the requirements of the Exchange. Twenty five percent of the escrowed common shares will be released from escrow on the issuance of the Final Exchange Bulletin (as defined in the policies of the Exchange) (the "Initial Release") and an additional twenty five percent will be released on each of the dates which are six, twelve and eighteen months following the Initial Release.

All common shares acquired on exercise of stock options granted to directors and officers of the Company prior to completion of the QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

All common shares acquired in the secondary market prior to completion of a QT by a Control Person (as defined in the policies of the Exchange), are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be subject to escrow.

(d) Stock options

The Company maintains a Stock Option Plan (the "Plan") under which it is authorized to grant stock options to directors, officers, employees, technical consultants of the Company and Eligible Charitable Organizations. The Stock Option Plan remains subject to the approval of the Exchange. The maximum numbers of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company's common shares.

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis or 1% of the issued common shares, if the individual or entity is an eligible charitable organization. The term of the stock options will expire not later than 12 months after the optionee ceases to be a director, officer or technical consultant of the Company, subject to any earlier expiry date of such stock option. All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT must be deposited in escrow until the final exchange bulletin relating to a QT is issued.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended September 30, 2022 was based on the loss attributable to common shareholders of \$36,884 and the weighted average number of common shares outstanding of 33,344.

8. PROFESSIONAL FEES

During the six months period ended September 30, 2022, the Company incurred \$17,373 in professional fees during the period, which consists of \$9,500 in accounting and audit fees, \$7,284 in regulatory and filing fees for proposed IPO and \$589 in legal fees.

9. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

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

10. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at September 30, 2022, the Company is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. 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.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2022, the Company has no sources of revenue but has a cash balance of \$89,099 to settle current liabilities of \$16,230. As such, management feels the Company has sufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year. The Company's exposure to liquidity risk is currently negligible.

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

As at September 30, 2022 the Company's financial instruments consist of cash, accounts payable and accrued liabilities. Cash is classified as fair value using Level 1 measurement. Accounts payable and accrued liabilities are classified as amortized cost. The fair value of accounts payable and accrued liabilities approximates its carrying value because of the short-term nature of the instruments.

11. PROPOSED TRANSACTION

The Company is applying to be a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V" or the "Exchange") Policy 2.4 pursuant to which the Company will be completing its initial public offering ("IPO"). On April 19, 2022, the Company entered into an engagement agreement with PI Financial Corp. (the "Agent") in relation to its IPO whereby it proposes to issue to the public 2,500,000 common shares in the case of the Minimum Offering or 4,000,000 common shares in the case of the Maximum Offering at \$0.10 per common share. The Agent will be paid a cash commission equal to 10% of the gross proceeds to the Company and will be issued agent's options to purchase 250,000 common shares of the Company in the case of the Minimum Offering and 400,000 common shares in the case of Maximum Offering at \$0.10 per common share for a period of 60 months from the day the common shares of the Company are listed on the Exchange. The Company is also required to reimburse the Agent's estimated expenses, legal fees, disbursements and taxes, and a corporate finance fee of \$15,000 plus GST, related to the Offering. The purpose of the IPO is to provide the Company with funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction.

12. SUBSEQUENT EVENTS

There are no subsequent events.