

TOTEC RESOURCES LTD.
(A Capital Pool Company)

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

For the six months ended September 30, 2023

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor Davidson & Company LLP has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim condensed financial statements by an entity's auditor.

November 21, 2023

TOTEC RESOURCES LTD.

Interim Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at

	September 30, 2023	March 31, 2023
ASSETS		
Current		
Cash and cash equivalents	\$ 250,026	\$ 353,879
Receivables	11,699	5,051
	<u>\$ 261,725</u>	<u>\$ 358,930</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 5,186	\$ 66,006
Shareholders' equity		
Share capital (Note 6)	351,604	351,604
Reserves	37,691	37,691
Deficit	(132,756)	(96,371)
	<u>256,539</u>	<u>292,924</u>
	<u>\$ 261,725</u>	<u>\$ 358,930</u>

Nature of business and continuing operations (Note 1)

Approved on Behalf of the Board on November 21, 2023:

"Deepak Varshney"
Deepak Varshney, Director

"James Walker"
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, 2023	Three months ended September 30, 2022	Six months ended September 30, 2023	Six months ended September 30, 2022
EXPENSES				
Office and miscellaneous	\$ 3,223	\$ 5	\$ 4,803	\$ 60
Professional fees (Note 5)	5,132	2,882	11,662	17,373
Regulatory and filing fees	2,655	-	6,841	7,690
Rent and administration charges	7,500	-	15,000	-
Share-based payments	-	-	-	11,761
	<u>18,510</u>	<u>2,887</u>	<u>38,306</u>	<u>36,884</u>
Interest Income	<u>(1,921)</u>	<u>-</u>	<u>(1,921)</u>	<u>-</u>
Loss and comprehensive loss for the period	\$ 16,589	\$ 2,887	\$ 36,385	\$ 36,884
<hr/>				
Basic and diluted loss per common share	\$ 0.00	\$ 0.09	\$ 0.01	\$ 1.11
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Weighted average number of common shares outstanding - basic and diluted	3,426,000	33,344	3,426,000	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	100,000	5,000	-	-	5,000
Share-based payments	-	-	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>
Balance, March 31, 2023	6,126,000	\$ 351,604	\$ 37,691	\$ (96,371)	\$ 292,924
Loss and comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,385)</u>	<u>(36,385)</u>
Balance, September 30, 2023	<u>6,126,000</u>	<u>\$ 351,604</u>	<u>\$ 37,691</u>	<u>\$ (132,756)</u>	<u>\$ 256,539</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, 2023	Six months ended September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the period	\$ (36,385)	\$ (36,884)
Adjustment for item not involving cash:		
Share-based payments	-	11,761
Changes in non-cash working capital items:		
Increase in accounts receivable	(6,648)	(1,067)
Increase in prepaid expenses	-	(19,098)
Decrease in accounts payable and accruals	<u>(60,820)</u>	<u>(544)</u>
Net cash used in operating activities	<u>(103,853)</u>	<u>(45,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share capital	<u>-</u>	<u>5,000</u>
Net cash provided in financing activities	<u>-</u>	<u>5,000</u>
Decrease in cash for the period	(103,853)	(40,832)
Cash, beginning of the period	<u>353,879</u>	<u>129,931</u>
Cash, end of the period	\$ 250,026	\$ 89,099
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

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

TOTEC RESOURCES LTD.

Notes to the Interim Financial Statements

For the six months ended September 30, 2023

(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. The Company was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("Exchange") Policy 2.4 on March 10, 2023. The head office and registered records office is located at Bentall 5, 550 Burrard Street, Suite 1008, Vancouver, BC, V6C 2B5.

On March 10, 2023, the Company completed its initial public offering (the "Offering") and issued 3,426,000 common shares for gross proceeds of \$342,600 pursuant to the Offering. The common shares commenced trading on the Exchange on March 14, 2023, under the trading symbol "TOTC.P".

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 \$132,756 as at September 30, 2023. The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs and finance any business acquisition. The Company will require additional financing to accomplish its long-term strategic objectives. 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.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic from March 2020, and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and its effect on the Company's business or ability to raise funds. So far, the Company has had minimal or no impact due to these issues.

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.

2. STATEMENT OF COMPLIANCE

These unaudited interim financial statements have been prepared in accordance with 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, 2023 annual audited financial statements however do not include all financial information required for full annual financial statement

TOTEC RESOURCES LTD.

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(Expressed in Canadian dollars)

(Unaudited)

presentation and should be read in conjunction with the annual financial statements for the year ended March 31, 2023.

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. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim 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 assessed 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.

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Deferred tax assets and liabilities

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

5. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures paid or payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

Name of the Key management personnel	Company's Name	Nature of Transaction	Six months ended September 30, 2023	Six months ended September 30, 2022
Khalid Naeem, CFO	Aterna Advisors Inc.	Accounting fees	\$ 7,000	\$ 3,000
Deepak Varshney, CEO	-	Reimbursements	\$5	\$5

Accounts payable included \$5 (2022: \$5) owed to directors and officers of the Company for operating expenses paid on behalf of the Company during the six months ended September 30, 2023.

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at September 30, 2023, the issued share capital was comprised of 6,126,000 common shares.

During the year ended March 31, 2023, 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. The Company also issued 3,426,000 common shares at \$0.10 per share as a result of its initial public offering for proceeds of \$342,600.

As at September 30, 2022, the issued share capital was comprised of 2,700,000 common shares.

(c) Escrowed shares

As at September 30, 2023, 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

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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.

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.

During the year ended March 31, 2023, the Company granted 260,000 incentive stock options to directors valued at \$11,761 using the Black-Scholes option pricing model assuming a life expectancy of ten years, a risk-free interest rate of 3.51%, a forfeiture rate of nil, and volatility of 100.00%. These incentive stock options were granted on June 13, 2022, and expire on June 12, 2032.

	Number	Weighted Average Exercise Price
Outstanding, March 31, 2022	-	-
Granted	602,600	\$ 0.08

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(Unaudited)

Outstanding, September 30, 2023 and March 31, 2023	602,600	\$ 0.08
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The following stock options were outstanding as at September 30, 2023:

	Number of options outstanding	Exercise Price	Expiry Date	Remaining contractual life (years)
Director's Stock Options	260,000	\$0.05	June 13, 2032	8.71
Agents' Stock Options	342,600	\$0.10	March 10, 2028	4.45

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended September 30, 2023, was based on the loss attributable to common shareholders of \$36,385 (2022 – \$36,884) and the weighted average number of common shares outstanding of 3,426,000 (2022 – 33,344).

The calculation of basic and diluted loss per share for the three months ended September 30, 2023, was based on the loss attributable to common shareholders of \$16,589 (2022 – \$2,887) and the weighted average number of common shares outstanding of 3,426,000 (2022 – 33,344).

8. 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.

9. 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:

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:

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(Expressed in Canadian dollars)

(Unaudited)

(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, 2023, 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

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company intends to settle these with funds from its positive working capital position. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. The risk to the going concern assumption is outlined in Note 1.

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.

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(Expressed in Canadian dollars)

(Unaudited)

As at September 30, 2023 the Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities which are classified as amortized cost. The fair value approximates at the carrying value because of the short-term nature of the instruments.