

# **United Hunter Oil & Gas Corp.**

## **Condensed Interim Financial Statements**

**September 30, 2021**

(expressed in Canadian dollars)

(unaudited)

### **Management's Comments on Unaudited Condensed Interim Financial Statements**

These unaudited condensed interim financial statements of United Hunter Oil & Gas Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

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

# United Hunter Oil & Gas Corp.

## Statements of Financial Position

(expressed in Canadian dollars)

(unaudited)

	Notes	As at September 30, 2021 \$	As at December 31, 2020 \$
<b>Assets</b>			
Current			
Cash		520,741	172,154
Receivables		2,597	4,296
Due from Bocana Resources Ltd.	1 and 5	21,148	20,400
Due from Huiracocha International Service SRL	1 and 6	191,115	-
Prepaid expenses		26,766	10,107
		<u>762,367</u>	<u>206,957</u>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		479,277	432,571
Advance payable	7	2,500	2,500
		<u>481,777</u>	<u>435,071</u>
<b>Shareholders' equity (deficit)</b>			
Share capital	8	10,567,468	10,289,489
Warrants	8	416,670	-
Contributed surplus		2,577,883	2,577,883
Deficit		(13,281,430)	(13,095,486)
		<u>280,590</u>	<u>(228,114)</u>
		<u>762,367</u>	<u>206,957</u>

Going-concern 2

Approved by the Board:

Timothy J. Turner  
Director

Christian Shomber  
Director

# United Hunter Oil & Gas Corp.

## Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2021 \$	2020 \$	2021 \$	2020 \$
<b>Expenses</b>					
Professional fees		3,000	3,000	9,364	20,256
Management fees	11	61,546	51,185	159,137	155,684
General and administrative		4,090	3,553	10,795	9,368
Public company costs		879	1,596	17,584	25,008
Foreign exchange gain		(5,612)	(510)	(10,187)	6,546
Interest income	5	(252)	(125)	(748)	
Gain on settlement of accounts payable		-	(15,495)	-	(15,495)
		<u>63,650</u>	<u>43,205</u>	<u>185,945</u>	<u>201,368</u>
<b>Loss and comprehensive loss</b>		<u>(63,650)</u>	<u>(43,205)</u>	<u>(185,945)</u>	<u>(201,368)</u>
<b>Basic and diluted loss per share</b>		-	-	-	(0.01)
<b>Weighted average number of shares outstanding - basic and diluted</b>		49,066,225	23,648,310	32,948,042	19,551,360

# United Hunter Oil & Gas Corp.

## Statements of Changes in Deficit

(expressed in Canadian dollars)

(unaudited)

	Share capital		Warrants \$	Contributed surplus \$	Deficit \$	Total \$
	Number of shares	Amount \$				
<b>Balance, December 31, 2020</b>	24,755,375	10,289,489	-	2,577,883	(13,095,486)	(228,114)
Private placement of units	12,289,001	737,340	-	-	-	737,340
Fair value of unit warrants	-	(368,670)	368,670	-	-	-
Fair value of finder warrants	-	(48,000)	48,000	-	-	-
Share issue costs	-	(42,691)	-	-	-	(42,691)
Loss	-	-	-	-	(185,945)	(185,945)
<b>Balance, September 30, 2021</b>	<b>37,044,376</b>	<b>10,567,468</b>	<b>416,670</b>	<b>2,577,883</b>	<b>(13,281,430)</b>	<b>280,591</b>
<b>Balance, December 31, 2019</b>	17,480,375	9,933,587	-	2,577,883	(12,837,193)	(325,723)
Private placement	7,275,000	363,750	-	-	-	363,750
Fair value of stock options cancel	-	28,857	-	(28,857)	-	-
Share issue costs	-	(8,947)	-	-	-	(8,947)
Loss	-	-	-	-	(201,368)	(201,368)
<b>Balance, September 30, 2020</b>	<b>24,755,375</b>	<b>10,317,247</b>	<b>-</b>	<b>2,549,026</b>	<b>(13,038,560)</b>	<b>(172,288)</b>

# United Hunter Oil & Gas Corp.

## Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)

	9 months ended September 30,	
	2021	2020
	\$	\$
<b>Cash flow from operating activities</b>		
Loss	(185,945)	(201,368)
Items not affecting cash		
Foreign exchange gain	(10,187)	6,546
Interest income not received	(748)	-
Gain on settlement of accounts payable	-	(15,495)
Changes in non-cash working capital		
Receivables	1,699	889
Prepaid expenses	(16,659)	(5,440)
Accounts payable and accrued liabilities	56,893	51,996
	<u>(154,947)</u>	<u>(162,871)</u>
<b>Cash flow from financing activities</b>		
Private placement of units	737,340	363,750
Share issue costs	(42,691)	(8,947)
Advances	-	2,500
Loan payable	-	(5,000)
	<u>694,649</u>	<u>352,303</u>
<b>Cash flow from investing activities</b>		
Advance to Bocana Resources Ltd	-	(20,000)
Advance to Huiracocha International Service SRL	(191,115)	-
	<u>(191,115)</u>	<u>(20,000)</u>
<b>Net change in cash</b>	348,587	169,432
<b>Cash, beginning of period</b>	172,154	9,669
<b>Cash, end of period</b>	<u>520,742</u>	<u>179,101</u>
<b>Supplementary information</b>		
Interest paid	-	-
Income taxes paid	-	-

191,109

# United Hunter Oil & Gas Corp.

## Notes to Condensed Interim Financial Statements

### September 30, 2021

(expressed in Canadian dollars)  
(unaudited)

#### 1. Nature of operations

United Hunter Oil & Gas Corp. (the "Company") is a public company engaged in the exploration and development of mineral properties. The Company was incorporated under the Business Corporations Act (Ontario) on February 22, 2008 and was continued under the Business Corporations Act (British Columbia) on January 23, 2020. The Company's registered office is located at 400 - 725 Granville Street, Vancouver, BC V7Y 1G5.

#### Amalgamation agreement

On March 26, 2021, the Company signed an amalgamation agreement ("Amalgamation Agreement") with Bocana Resources Ltd. ("Bocana"), which sets forth the terms and conditions of a reverse takeover transaction (the "Amalgamation").

Bocana is a private corporation incorporated under the *Canada Business Corporations Act* and carrying on business as a mineral exploration company focused on the acquisition, exploration and development of mineral properties in Bolivia. Bocana, through its wholly-owned subsidiary, Huiracocha International Service SRL ("Huiracocha"), holds a 100% working interest in the mineral properties known as the Escala Area Concessions located at the Department of Potosí, Sud Lipez Province, Bolivia ("Escala") and has pending additional applications with the Corporación Minera de Bolivia to acquire the mining rights to two additional concession areas, also in the Sud Lipez Province of Bolivia. The Chief Executive Officer, who is also a director of the Company, owns approximately 9.69% of the current and outstanding common shares of Bocana.

Pursuant to the Amalgamation Agreement, Bocana will amalgamate with the Company to form an amalgamated entity ("Resulting Issuer"). Each outstanding Bocana share shall be exchanged for one common share of the Resulting Issuer ("Resulting Issuer Common Share"). Outstanding Bocana warrants shall be exchanged on the same basis. Every 1.6877 outstanding common shares of the Company shall be exchanged for one Resulting Issuer Common Share. The Company's outstanding stock options shall be exchanged on the same basis. Upon completion of the Amalgamation, but prior to the completion of any private placements, or debt settlements after March 26, 2021, the shareholders of the Company will own approximately 14,668,113 Resulting Issuer Common Shares (20.81%) and the shareholders of Bocana will own approximately 50,585,200 Resulting Issuer Common Shares (79.19%).

The Amalgamation is subject to the following conditions:

- a) Bocana completing a private placement of up to 20,000,000 subscription receipts at \$0.10 for gross proceeds of up to \$2,000,000, with each subscription receipt exchangeable into one unit consisting of one Bocana Share and one warrant entitling the holder to purchase one Bocana Share for \$0.10 for 39 months following the closing date of the Amalgamation (completed, see below).
- b) Bocana converting outstanding debts of \$80,084 into 800,840 Bocana Shares.
- c) the Company converting outstanding debts of \$307,886 into 5,131,433 common shares.
- d) approval by the directors of the Company and Bocana.
- e) approval of the TSX Venture Exchange
- f) shareholder approval of the Company and Bocana

In connection with the proposed Amalgamation, the Company advanced a loan \$20,000 to Bocana (see Note 5) and US\$150,000 to Huiracocha (see Note 6).

### **Private placements by Bocana**

On April 1, 2021, the Bocana completed the following private placements:

- a) 19,467,500 subscription receipts at a price of \$0.10 per subscription receipt for gross proceeds of \$1,946,750. Each subscription receipt entitles the holder, without payment of any additional consideration and without further action on the part of the holder, to receive one Bocana Unit, upon the satisfaction of certain escrow release conditions. Each Bocana Unit shall consist of one Bocana Share and one warrant entitling the holder to purchase one Bocana Share for \$0.25 for 39 months following the closing date of the Amalgamation. Upon the closing of the Amalgamation and the release of the proceeds from escrow, Bocana will pay a cash commission of \$95,040 to finders and issue 950,400 finder's warrants entitling the holder purchase one Bocana Unit for \$0.10 for a period of 39 months following the closing date of the Amalgamation.
- b) 4,202,500 Bocana Units at a price of \$0.10 per Bocana Unit for gross proceeds of \$420,250. In connection with the private placement, Bocana paid a cash commission of \$13,280 and issued 132,800 finder's warrants entitling the holder purchase one Bocana Unit for \$0.10 for 39 months following the closing date of the Amalgamation.

### **Private placement by the Company**

Concurrently, on April 1, 2021, the Company completed a private placement of 12,289,001 units at a price of \$0.06 per unit for gross proceeds of \$737,340. Each unit consists of one common share and one warrant entitling the holder to purchase one common share for \$0.15 until April 1, 2024. In connection with the Amalgamation, the units shall be subject to an exchange ratio of 1.6877 units to 1 comparable unit of the Resulting Issuer. In connection with the private placement, the Company paid finder's fees of \$40,584 and issued 676,400 finder's warrants entitling the holder to purchase one unit for \$0.06 until April 1, 2024.

## **2. Going-concern**

These condensed interim financial statements have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business.

The Company does not generate revenue. During the 9 months ended September 30, 2021, the Company recorded a loss of \$185,945 (2020 - \$201,368) and cash flow deficit from operations of \$154,947 (2020 - \$162,871) and as at that date, the Company. The losses and cash flow deficit from operations limit the Company's ability to meet its existing obligations and fund its working capital requirements and the costs to complete and finance the Proposed Transaction, or alternatively, the acquisition, exploration and development of mineral properties. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak ("COVID-19") as a pandemic. In Canada, the Government of Ontario declared an emergency under s7.0.1(1) of the *Emergency Management and Civil Protection Act* on March 17, 2020 with respect to COVID-19. As of the date of these financial statements, the extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.

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. The Company is actively seeking to raise the necessary equity financing, however, the extent to which COVID-19 impacts the Company's results cannot be predicted with certainty. The economic instability as a result of COVID-19 means there can be no assurance that additional equity financing will be available. See Note 1, *Private placements by Bocana* and *Private placement by the Company*.

These 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 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 inappropriate, and these adjustments could be material.

## **3. Basis of presentation**

### **Statement of compliance**

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

The accounting policies used in these condensed interim financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2020.

These condensed interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on November 29, 2021.

#### 4. Significant accounting policy

##### 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. If the residual amount is nominal or negative, the proceeds are allocated on a pro-rata basis based on the respective fair value of the common shares and warrants.

##### 5. Due from Bocana

The amount due from Bocana is unsecured and bears interest at the rate of 5% per annum. Upon the earlier of closing or termination of the Proposed Transaction, the amount will be repayable on such date and terms as the directors of the Company and Bocana may then agree.

	\$
Balance, December 31, 2020	20,400
Interest	748
Balance, September 30, 2021	21,148

##### 6. Due from Huiracocha International Service SRL

The amount due from Huiracocha is unsecured, non-interest bearing and has no fixed terms of repayment.

	\$
Balance, December 31, 2020	—
Advanced	191,109
Foreign exchange	6
Balance, September 30, 2021	191,115

##### 7. Advance payable

The advance payable, due to a company controlled by a shareholder, is unsecured, non-interest bearing and has no fixed terms of repayment.

##### 8. Share capital

###### Authorized

Unlimited number of common shares without par value.  
 Unlimited number of preference shares, issuable in series.

###### Private placement

On April 1, 2021, the Company completed a private placement of 12,289,001 units at a price of \$0.06 per unit for gross proceeds of \$737,340. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for \$0.15 until April 1, 2024. In connection with the Amalgamation, the units shall be subject to an exchange ratio of 1.6877 units to 1 comparable unit of the Resulting Issuer. In connection with the private placement, the Company paid finders' fees of \$40,584 and issued 676,400 finder warrants entitling the holder to purchase one Unit for \$0.06 until April 1, 2021.

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

	<b>Unit warrants</b>	<b>Finder warrants</b>
Issue date	April 1, 2021	April 1, 2021
Expiry date	April 1, 2024	April 1, 2024
Warrants issued	12,289,001	676,400
Exercise price	\$0.15	\$0.06
Share price	\$0.09	\$0.09
Risk-free interest rate	0.48%	0.48%
Expected volatility based on historical volatility	129%	129%
Expected life of warrants	3 years	3 years
Expected dividend yield	0%	0%
Fair value	\$736,000	\$48,000
Fair value per warrant	\$0.06	\$0.07

As the proceeds of the private placement of units was \$737,340 and the fair value of the unit warrants was \$736,000, the residual amount to be allocated to the common shares was nominal, and therefore, proceeds of \$368,670 were allocated on a pro-rata basis to both the common shares and warrants.

### Warrants

A summary of the Company's common share warrants outstanding at September 30, 2021 is presented below:

	<b>Expiry date</b>	<b>Weighted- average exercise price \$</b>	<b>Number of warrants</b>	<b>Fair value of warrants \$</b>
Balance, December 31, 2020		–	–	
Issued				
Unit warrants	April 1, 2024	0.15	12,289,001	368,670
Finder warrants	April 1, 2024	0.06	676,400	48,000
Balance, September 30, 2021		0.15	12,965,401	416,670

### Stock options

On December 3, 2019, the shareholders of the Company approved a new stock option plan. The Company may grant stock options to directors, officers, employees and consultants for up to 3,496,075 stock options, representing 20% of the issued and outstanding common shares on December 3, 2019. The exercise price for stock options will not be less than the closing market price of the common shares on the day immediately before the date of the grant, less any discount permissible under the rules of the TSX Venture Exchange. The maximum term for stock options will be 10 years and the options will vest on the date of grant.

A summary of the Company's stock options outstanding and exercisable at September 30, 2021 is presented below:

	<b>Expiry date</b>	<b>Exercise price \$</b>	<b>Number of stock options</b>
Balance, December 31, 2020 and September 30, 2021	August 20, 2023	0.25	1,200,000

The weighted average remaining contractual life of the outstanding stock options is 1.9 years.

## 9. Determination of fair values

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

#### *Cash, due from Bocana, due from Huiracocha, accounts payable and accrued liabilities and advance payable*

The fair value of cash, due from Bocana, due from Huiracocha, accounts payable and accrued liabilities and advance payable approximates their 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

The Company does not have any financial instruments measured at fair value.

## **10. Financial risk management**

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production 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. Credit risk arises from the Company's cash and amounts due from Bocana and Huiracochoa. The Company's limits its exposure to credit risk on its cash by holding its cash in deposits with a Canadian chartered bank. The Company assessed the credit risk of the amounts due from Bocana and Huiracochoa to be low given the proposed amalgamation with Bocana. See Note 1.

### ***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 intends to meet its current obligations in the following year with funds to be raised through private placements, shares for debt settlements and related party loans. 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. The amounts for accounts payable and accrued liabilities are subject to normal trade terms. As the Company does not generate revenue, the Company's operation is dependent upon the Company's ability to secure equity financing to meet its existing obligation and finance the acquisition, exploration and development of mineral properties. See Note 2.

### ***Market risk***

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

### ***Foreign exchange risk***

Foreign exchange risk is the risk of financial loss to the Company due to a change in foreign exchange rates. The majority of the Company's cash is held in Canadian dollars. Foreign exchange risk arises as the Company makes expenditures denominated in US dollars and has cash of US\$56,963 (December 31, 2020 - US\$3,952), due from Huiracochoa of US\$150,000 (December 31, 2020 - US\$nil) and accounts payable of US\$235,000 (December 31, 2020 - US\$207,226). If the foreign exchange related to the Company's US dollar balances increased or decreased by 10%, with all other variables held constant, the foreign exchange gain (loss) would have increased or decreased by \$3,607 (December 31, 2020 - \$25,881).

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.

### ***Interest rate risk***

Interest rate risk is the risk of financial loss to the Company due to a change in interest rates. The Company's exposure to interest rate risk is limited to due from Bocana and loans payable which bear interest at fixed rates of interest.

**Capital management**

Capital of the Company consists of share capital, contributed surplus 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.

The Company's principal source of capital is from the issue of common shares, advance payable and loans payable. In order to achieve its objectives, the Company intends to raise additional funds as required.

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

**11. Related party transactions****Compensation of key management personnel**

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

	9 months ended September 30, 2021	September 30, 2020	Outstanding at September 30, 2021	Outstanding at December 31, 2020
	\$	\$	\$	\$
Management fees	159,137	155,684	470,513	414,929