

United Hunter Oil & Gas Corp.

Condensed Interim Financial Statements

September 30, 2022

(expressed in Canadian dollars)

(unaudited)

United Hunter Oil & Gas Corp.

Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	September 30, 2022 \$	December 31, 2021 \$
Assets			
Current			
Cash		296,382	382,780
Receivables		1,618	4,270
Due from Bocana Resources Ltd.	1 and 4	22,148	21,400
Due from Huiracocha International Service SRL	1 and 5	-	190,170
Prepaid expenses		28,023	20,967
		<u>348,171</u>	<u>619,587</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	1, 10 and 11	322,208	408,837
Advance payable	1, 6 and 11	2,500	2,500
		<u>324,708</u>	<u>411,337</u>
Shareholders' equity			
Share capital	7	10,641,524	10,641,524
Warrants	7	342,614	342,614
Contributed surplus		2,577,883	2,577,883
Deficit		(13,538,557)	(13,353,771)
		<u>23,463</u>	<u>208,250</u>
		<u>348,171</u>	<u>619,587</u>
Going concern	2		
Subsequent events	11		

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,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Professional fees		3,000	3,000	10,500	9,364
Management fees	10	51,042	61,546	150,040	159,137
General and administrative		4,806	4,090	14,908	10,795
Public company costs		860	879	11,326	17,584
Travel		5,320	-	5,320	-
Gain on settlement of debt		(848)	-	(848)	-
Foreign exchange gain		(7,369)	(5,612)	(5,712)	(10,187)
Interest income	4	(252)	(252)	(748)	(748)
		<u>56,560</u>	<u>63,650</u>	<u>184,786</u>	<u>185,945</u>
Loss and comprehensive loss		(56,560)	(63,650)	(184,786)	(185,945)
Basic and diluted loss per share		-	-	-	-
Weighted average number of shares outstanding - basic and diluted		37,044,376	49,066,225	37,044,376	32,948,042

United Hunter Oil & Gas Corp.

Statements of Changes in Shareholders' Equity (Deficit)

(expressed in Canadian dollars)

(unaudited)

	Share capital		Warrants	Contributed surplus	Deficit	Total
	Number of shares	Amount \$				
Balance, December 31, 2021	37,044,376	10,641,524	342,614	2,577,883	(13,353,771)	208,250
Loss	-	-	-	-	(184,786)	(184,786)
Balance, September 30, 2022	37,044,376	10,641,524	342,614	2,577,883	(13,538,557)	23,463
Balance, December 31, 2020	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)
Balance, September 30, 2021	37,044,376	10,567,468	416,670	2,577,883	(13,281,430)	280,591

United Hunter Oil & Gas Corp.

Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	9 months ended September 30,	
	2022	2021
	\$	\$
Cash flow from operating activities		
Loss	(184,786)	(185,945)
Items not affecting cash		
Gain on settlement of debt	(848)	-
Foreign exchange loss (gain)	1,647	(10,187)
Interest income not received	(748)	(748)
Changes in non-cash working capital		
Receivables	2,652	1,699
Prepaid expenses	(7,056)	(16,659)
Accounts payable and accrued liabilities	(88,374)	56,893
	<u>(277,513)</u>	<u>(154,947)</u>
Cash flow from financing activities		
Private placement of units	-	737,340
Share issue costs	-	(42,691)
	<u>-</u>	<u>694,649</u>
Cash flow from investing activities		
Advance to Huiracocha International Service SRL	-	(191,115)
Repayment from Huiracocha International Service SRL	191,115	-
	<u>191,115</u>	<u>(191,115)</u>
Net increase (decrease) in cash	(86,398)	348,587
Cash, beginning of period	382,780	172,154
Cash, end of period	<u>296,382</u>	<u>520,741</u>
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

United Hunter Oil & Gas Corp.

Notes to Condensed Interim Financial Statements

September 30, 2022

(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") and 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 and warrants shall be exchanged on the same basis.

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 36 months following the closing date of the Amalgamation (completed).
- b) Bocana converting outstanding debts of \$78,919 into 789,190 Bocana Shares (completed on July 6, 2022).
- c) subject to the approval of disinterested shareholders of the Company and TSX Venture Exchange ("TSXV"), the Company converting accounts payable of \$305,386 owing to two officers into 5,089,776 common shares ("Insider Debt Settlement")(see note 11, *Subsequent events*).
- d) subject to the approval of TSXV, the Company converting an advance payable of \$2,500 owing to a shareholder into 41,667 common shares.
- e) approval by the directors of the Company and Bocana (completed on September 30, 2022).
- f) shareholder approval of the Company and Bocana (see note 11, *Subsequent events*).
- g) Resulting Issuer Common Shares have been accepted for listing by the TSXV.
- h) approval of the TSXV.

In connection with the Amalgamation, the Company advanced loans of \$20,000 to Bocana (see note 4) and US\$150,000 to Huiracocha which has been repaid (see note 5).

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. At September 30, 2022, the Company had an accumulated deficit of \$13,538,557 (December 31, 2021 - \$13,353,771) and for the 9 months ended September 30, 2022, the Company recorded a loss of \$184,786 (2021 - \$185,945) and a cash flow deficit from operations of \$277,513 (2021 - \$154,947). The accumulated deficit, 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 Amalgamation, or alternatively, the acquisition, exploration and development of mineral properties.

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 resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

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.

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, 2021.

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, 2021.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on November 28, 2022.

4. Due from Bocana

The amount due from Bocana is unsecured and bears interest at the rate of 5% per annum. Upon closing of the Amalgamation, the amount will be repayable on such date and terms as the directors of the Company and Bocana may then agree, and if, the closing of the Amalgamation does not occur, the amount will be repayable on December 31, 2022 (extended from August 8, 2022).

	\$
Balance, December 31, 2021	21,400
Interest	748
<hr/> Balance, September 30, 2022	<hr/> 22,148

5. Due from Huiracocha International Service SRL

The amount due from Huiracocha was unsecured, earned interest at the rate of 5% per annum and was repaid prior to the due date on August 8, 2022.

	US\$	\$
Balance, December 31, 2021	150,000	190,170
Foreign exchange	-	945
Repayment	(150,000)	(191,115)
<hr/> Balance, September 30, 2022	<hr/> -	<hr/> -

6. 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.

7. Share capital

Authorized

Unlimited number of common shares without par value.

Unlimited number of preference shares, issuable in series.

Warrants

A summary of the Company's common share warrants outstanding at September 30, 2022 is presented below:

	Expiry date	Weighted-average exercise price \$	Number of warrants	Fair value of warrants \$
Issued				
Unit warrants	April 1, 2024	0.15	12,289,001	294,614
Finder warrants	April 1, 2024	0.06	676,400	48,000
Balance, December 31, 2021 and September 30, 2022		0.15	12,965,401	342,614

The weighted average remaining contractual life of the outstanding warrants is 1.5 years.

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, 2022 is presented below:

	Weighted-average exercise price \$	Number of stock options
Balance, December 31, 2021 and September 30, 2022	0.25	1,200,000

Exercise price	Expiry date	Number of stock options outstanding and exercisable
\$0.25	August 20, 2023	1,200,000

The weighted average remaining contractual life of the outstanding stock options is 0.9 years.

See note 11, *Subsequent events*.

8. Determination of fair values

Cash, receivables, due from Bocana, accounts payable and accrued liabilities and advance payable

The fair value of cash, receivables, due from Bocana, 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.

9. 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 amount due from Bocana. 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 amount due from Bocana to be low given the 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\$1,793 (December 31, 2021 - US\$21,525), and accounts payable of US\$117,499 (December 31, 2021 - US\$177,735). 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 \$15,860 (December 31, 2021 - \$787).

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 which bears interest at a fixed rate 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.

10. Related party transactions

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. In addition to transactions already disclosed, the following are transactions with key management personnel:

	9 months ended September 30, 2022	September 30, 2021	Outstanding at September 30, 2022	Outstanding at December 31, 2021
	\$	\$	\$	\$
Management fees	150,040	159,137	327,861	392,137

11. Subsequent events

At their respective annual and special meetings of shareholders held on November 4, 2022, shareholders of the Company and Bocana voted in favour of the resolutions necessary to give effect to the Amalgamation and the disinterested shareholders of the Company approved the Insider Debt Settlement.

Shareholders of the Company also approved a new stock option plan to be effective upon completion of the Amalgamation. Pursuant to the new stock option plan, 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 TSXV policies. The maximum term for stock options will be 10 years and the Board of Directors may determine the vesting period and method of vesting.