

Bocana Resources Ltd.

Consolidated Financial Statements

September 30, 2022 and 2021

(expressed in Canadian dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bocana Resources Ltd.

Opinion

We have audited the consolidated financial statements of Bocana Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and 2021 and the consolidated statements of (income) loss and comprehensive (income) loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2022 and 2021, 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 incurred a net loss of \$316,483 during the year ended September 30, 2022 and has a working capital deficit of \$542,636 at September 30, 2022. 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.

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 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.

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Responsibilities of Management 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.

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.

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 27, 2023
Toronto, Ontario

Bocana Resources Ltd.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

		As at September 30,	
		2022	2021
	Notes	\$	\$
Assets			
Current			
Cash		23,233	246,122
Cash in trust	9	1,963,419	1,946,750
Receivables		8,246	4,710
Other		-	12,498
		<u>1,994,898</u>	<u>2,210,080</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	13	276,486	214,126
Due to United Hunter Oil & Gas Corp.	6	20,000	211,115
Advances payable	7	108,898	63,000
Loans payable	8	185,400	-
Subscription receipt liability	9	1,946,750	1,946,750
		<u>2,537,534</u>	<u>2,434,991</u>
Shareholders' equity			
Share capital	9	5,320,580	5,275,675
Warrants	9	202,200	202,200
Contributed surplus	9	1,100,000	1,100,000
Foreign currency reserve		248,870	295,017
Deficit		(7,414,286)	(7,097,803)
		<u>(542,636)</u>	<u>(224,911)</u>
		<u>1,994,898</u>	<u>2,210,080</u>
Going concern	2		
Subsequent event	1		
Approved by the Board:			
	Timothy J. Turner	David Thompson	
	Director	Director	

Bocana Resources Ltd.

Consolidated Statements of Loss (Income) and Comprehensive Loss (Income)

(expressed in Canadian dollars)

	Years ended September 30,	
	2022	2021
	\$	\$
Expenses		
Professional fees	112,373	81,414
Consulting	13 26,463	34,564
General and administrative	10,329	22,327
Exploration and evaluation	5 211,935	120,137
Travel	671	-
Interest	5,400	1,148
Gain on settlement of advances payable	7 -	(580,229)
Gain on settlement of accounts payable	9 (34,014)	-
Foreign exchange gain	4	1,313
Interest income	(16,678)	-
	<u>316,483</u>	<u>(319,326)</u>
Net (loss) income	(316,483)	319,326
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent years (net of tax)		
Currency translation adjustment	(46,147)	13,607
Comprehensive (loss) income	<u>(362,630)</u>	<u>332,933</u>
Net (loss) income per share-basic and diluted	(0.01)	0.01
Weighted average number of shares outstanding - basic and diluted	56,166,833	53,870,154

Bocana Resources Ltd.
Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Share capital Number of common shares	\$	Units to be issued \$	Warrants \$	Contributed surplus \$	Foreign currency reserve \$	Deficit \$	Total \$
Balance, September 30, 2021	55,980,887	5,275,675	-	202,200	1,100,000	295,017	(7,097,803)	(224,911)
Settlement of accounts payable	789,190	44,905	-	-	-	-	-	44,905
Other comprehensive loss	-	-	-	-	-	(46,147)	-	(46,147)
Net loss	-	-	-	-	-	-	(316,483)	(316,483)
Balance, September 30, 2022	56,770,077	5,320,580	-	202,200	1,100,000	248,870	(7,414,286)	(542,636)
Balance, September 30, 2020	51,098,387	4,949,919	28,000	118,400	1,100,000	281,410	(7,417,129)	(939,400)
Units to be issued	280,000	28,000	(28,000)	-	-	-	-	-
Private placement of units	400,000	40,000	-	-	-	-	-	40,000
Private placement of units	4,202,500	420,250	-	-	-	-	-	420,250
Fair value of unit warrants	-	(191,000)	-	191,000	-	-	-	-
Fair value of finders' warrants	-	(8,200)	-	8,200	-	-	-	-
Share issue costs	-	(78,694)	-	-	-	-	-	(78,694)
Fair value of expired warrants	-	115,400	-	(115,400)	-	-	-	-
Other comprehensive income	-	-	-	-	-	13,607	-	13,607
Net income	-	-	-	-	-	-	319,326	319,326
Balance, September 30, 2021	55,980,887	5,275,675	-	202,200	1,100,000	295,017	(7,097,803)	(224,911)

Bocana Resources Ltd.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Years ended September 30,	
	2022	2021
	\$	\$
Cash provided by (used in)		
Operating activities		
Net (loss) income	(316,483)	319,326
Items not affecting cash flow		
Gain on settlement of advances	-	(580,229)
Gain on settlement of accounts payable	(34,014)	-
Interest not received	(16,669)	-
Interest not paid	5,400	1,148
Changes in non-cash operating working capital		
Receivables	(3,536)	(341)
Prepaid expenses	12,498	(12,498)
Accounts payable and accrued liabilities	97,276	(35,086)
	<u>(255,528)</u>	<u>(307,680)</u>
Investing activities		
Subscription receipts	-	(1,946,750)
Financing activities		
Advances from United Hunter Oil & Gas Corp.	-	192,263
Repayment of advances from United Hunter Oil & Gas Corp.	(188,482)	-
Advances payable	41,121	(34,377)
Loans payable	180,000	-
Private placement of units	-	460,250
Share issue costs	-	(78,694)
Private placement subscription receipts	-	1,946,750
	<u>32,639</u>	<u>2,486,192</u>
Net (decrease) increase in cash	(222,889)	231,762
Cash, beginning of year	246,122	14,360
Cash, end of year	<u>23,233</u>	<u>246,122</u>
Non-cash transactions		
Settlement of advances payable with raw ore	-	580,229
Settlement of accounts payable with common shares	44,905	-
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

Bocana Resources Ltd.

Notes to Consolidated Financial Statements

Years ended September 30, 2022 and 2021

(expressed in Canadian dollars)

1. Nature of operations and subsequent event

Bocana Resources Ltd. (the "Company") is a private company engaged in the acquisition, exploration and development of mineral resources in South America. The Company was incorporated under the *Canada Business Corporation Act* on April 6, 2016. The Company's registered office is located at 800 - 333 7th Avenue S.W., Calgary, AB T2P 2Z1.

Amalgamation agreement

On December 29, 2022, the Company completed its previously announced reverse takeover transaction ("Transaction") pursuant to the terms of an amalgamation agreement dated March 26, 2021, as amended, between the Company and United Hunter Oil & Gas Corp. ("United") (the "Agreement").

The Transaction was completed by way of an amalgamation between the Company and the resulting issuer was renamed Bocana Resources Corp. ("Bocana"). Pursuant to the terms of the Agreement, the outstanding shares, stock options and warrants of United were exchanged for shares, stock options and warrants, respectively, of Bocana on the basis of one Bocana security for every 1.6877 securities of United. Additionally, each holder of a security of the Company was issued one security of Bocana.

In completing the Amalgamation, the following conditions were satisfied:

- a) the Company completed 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 common share and one warrant entitling the holder to purchase one common share for \$0.10 for 36 months following the closing date of the Amalgamation (note 9, *Share capital, Private placement of subscription receipts/2021*).
- b) the Company converted outstanding debts of \$78,919 into 789,190 common shares (note 9, *Share capital, Settlement of accounts payable*).
- c) United converted outstanding debts of \$307,886 into 5,131,433 common shares.
- d) approval by the directors of the Company and United.
- e) approval of the shareholders of the Company and United.
- f) approval of the TSX Venture Exchange.

In accordance with the Agreement, United advanced a loan \$20,000 to the Company and US\$150,000 to its subsidiary, Huiracocha International Service SRL (note 6, *Due to United Hunter Oil & Gas Corp.*).

Upon completion of the Amalgamation, the proceeds of the subscription receipts were released from escrow to Bocana (note 9, *Share capital, Private placement of subscription receipts/2021*).

The Amalgamation resulted in a reverse take-over of United will be accounted for in accordance with reverse take-over accounting that does not constitute a business combination.

At September 30, 2022, the Company had incurred professional fees of \$87,373 in respect of the Amalgamation.

2. Going concern

The Company is in the exploration stage and does not generate revenue. As at September 30, 2022, the Company had a working capital deficit of \$542,636 (2021 - \$224,911) and for the year ended September 30, 2022, Company incurred a loss of \$316,483 (2021 - income of \$319,326 after recording a gain on settlement of advances of \$580,229) and a cashflow deficit from operations of \$255,528 (2021 - \$307,680). The working capital deficit, continuing losses and cashflow deficits limit the Company's ability to fund its operations and the acquisition, exploration and development of its 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.

Bocana Resources Ltd.

Notes to Consolidated Financial Statements

Years ended September 30, 2022 and 2021

(expressed in Canadian dollars)

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 International Financial Reporting 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, 2022.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on January 27, 2023.

Basis of measurement

These 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.

Fair value of warrants

The Company used the Black-Scholes option pricing model in determining the fair value of warrants, which required a number of assumptions to be made, including the risk-free interest rate, expected life and expected share price volatility. See note 9.

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 12.

Bocana Resources Ltd.

Notes to Consolidated Financial Statements

Years ended September 30, 2022 and 2021

(expressed in Canadian dollars)

4. Significant accounting policies

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

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 and receivables which are 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, due to United Hunter Oil and Gas Corp., advances payable, loans payable and subscription receipt liability, 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.

Bocana Resources Ltd.

Notes to Consolidated Financial Statements

Years ended September 30, 2022 and 2021

(expressed in Canadian dollars)

Consolidation

These consolidated financial statements include the accounts of the Company and its 99.94% (2021 - 99.94%) ownership in subsidiary, Inversiones Bocana SA ("Bocana SA") and 100% ownership (2021 - 100%) in subsidiary, Huiracocha International 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. 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, 2022 and 2021, 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 fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Bocana Resources Ltd.

Notes to Consolidated Financial Statements

Years ended September 30, 2022 and 2021

(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, 2022 and 2021.

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.

New accounting standards issued but not yet effective

The following accounting standards have been issued but are not yet effective. They are expected to impact the Company's results for periods ending September 30, 2023, and beyond.

Bocana Resources Ltd.

Notes to Consolidated Financial Statements

Years ended September 30, 2022 and 2021

(expressed in Canadian dollars)

IAS 1 – Presentation of Financial Statements

The IASB has 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.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 3 – Business Combinations

The IASB has issued an amendment to IFRS 3, Business Combinations adding an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. This exception specifies that for some assets and liabilities, an entity applying IFRS 3 should instead refer to IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 9 – Financial Instruments

The IASB has issued an amendment to IFRS 9, Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 8 – Definition of Accountings Estimates

The IASB has issued an amendment to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to introduce 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.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

5. 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 Potosi, 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 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 includes three stages: 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 will be required to expend \$25,290,089 during stage 1. 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.

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Although the Company has taken steps to verify title to the 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, aboriginal claims, and non-compliance with regulatory and environmental requirements.

6. Due to United Hunter Oil & Gas Corp.

Due to United 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 United may then agree.

	\$
Balance, September 30, 2020	20,000
Advance of US\$150,000	191,115
Balance, September 30, 2021	211,115
Repayment of US\$150,000 plus accrued interest	(188,482)
Exchange difference	(2,633)
Balance, September 30, 2022	20,000

One director of the Company is also a director of United Hunter.

7. Advances payable

On October 20, 2020, the Company settled advances of \$572,430 owing to a director and an officer and another Company consultant with raw ore with a fair value of \$1 and the Company recorded a gain of \$572,429 on settlement of the advances payable. In addition, further advances of \$7,800 were cancelled by a consultant and the Company recorded a gain of \$7,800.

At September 30, 2022, advances payable of US\$49,446 (C\$67,776) (2021 - US\$49,446 (C\$63,000)) owing to a director and officer are unsecured, non-interest bearing and have no fixed terms of repayment.

Subsequent to September 30, 2022, the advances payable and accrued interest were repaid.

An additional advance of US\$30,000 (C\$41,122) was received from a director and officer on February 25, 2022 and is unsecured, bears interest at the rate of 6% per annum and is due on demand.

8. Loans payable

	\$
Balance, September 30, 2021	—
Loan advances	180,000
Interest	5,400
Balance, September 30, 2022	185,400

On March 31, 2022, the Company received loans of \$180,000 which are unsecured, bear interest at the rate of 6% per annum and due on demand or December 31, 2022 in the event there is no demand for payment. A director and officer advanced \$60,000 of the loans. Subsequent to September 30, 2022, the loans payable and accrued interest were repaid.

9. Share capital

Authorized

An unlimited number of common shares.

An unlimited number of preferred shares issuable in series.

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Issued

	Number of common shares	\$
Balance, September 30, 2020	51,098,387	4,949,919
Units to be issued	280,000	28,000
Private placement of units	400,000	40,000
Private placement of units	4,202,500	420,250
Fair value of unit warrants	–	(191,000)
Fair value of finder warrants	–	(8,200)
Fair value of expired unit warrants	–	115,400
Share issue costs	–	(78,694)
Balance, September 30, 2021	55,980,887	5,275,675
Settlement of accounts payable	789,190	44,905
Balance, September 30, 2022	56,770,077	5,320,580

There are no preferred shares outstanding.

Units to be issued/2021

On October 2, 2020, the Company issued 280,000 units at \$0.10 per unit in respect of cash of \$28,000 that was received prior to September 30, 2020. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$0.25 until October 2, 2022.

The fair values of the unit warrants were calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

Issue date	October 2, 2020
Expiry date	October 2, 2022
Warrants issued	140,000
Exercise price	\$0.25
Share price	\$0.10
Risk-free interest rate	0.24%
Expected volatility based on historical volatility of comparable companies	100%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	\$4,000
Fair value per warrant	\$0.03

Private placement of units/2021

On October 2, 2020, the Company completed a private placement of 400,000 units at \$0.10 per unit for gross proceeds of \$40,000. Each unit consisted of one common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share for \$0.25 until October 2, 2022.

The fair values of the unit warrants were calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

Issue date	October 2, 2020
Expiry date	October 2, 2022
Warrants issued	200,000
Exercise price	\$0.25
Share price	\$0.10
Risk-free interest rate	0.24%
Expected volatility based on historical volatility of comparable companies	100%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	\$6,000
Fair value per warrant	\$0.03

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Private placement of units /2021

On April 1, 2021, the Company completed the private placement of 4,202,500 Units at a price of \$0.10 per Unit for gross proceeds of \$420,250. Each unit consists of one common share and one warrant entitling the holder to purchase one common share for \$0.25 for 36 months following the closing date of the Amalgamation. In connection with the private placement, the Company paid a cash commission of \$13,280 and issued 132,800 finder's warrants entitling the holder purchase one Unit for \$0.10 until December 29, 2025 (36 months following the closing date of the Amalgamation).

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

	Unit warrants	Finder's warrants
Issue date	April 1, 2021	
Expiry date	December 29, 2025 (36 months following the closing date of the Amalgamation)	
Warrants issued	4,202,500	132,800
Exercise price	\$0.25	\$0.10
Share price	\$0.10	\$0.10
Risk-free interest rate	0.48%	0.48%
Expected volatility based on historical volatility of comparable companies	100%	100%
Expected life of warrants	3 years	3 years
Expected dividend yield	0%	0%
Fair value	\$181,000	\$8,200
Fair value per warrant	\$0.04	\$0.06

Private placement of subscription receipts/2021

On April 1, 2021, the Company completed the 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 has been recorded as cash in trust and an offsetting subscription receipt liability. 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 Unit, upon the satisfaction of certain escrow release conditions. Each unit shall consist of one common share and one warrant entitling the holder to purchase one common share for \$0.25 for 36 months following the closing date of the Amalgamation. Upon the closing of the Amalgamation and the release of the proceeds from escrow, the Company paid a cash commission of \$135,040 to finders and issued 1,146,000 finder's warrants entitling the holder purchase one Unit for \$0.10 until December 29, 2025 (36 months following the closing date of the Amalgamation). At September 30, 2022, cash in trust included accrued interest income of \$16,669.

Settlement of accounts payable

On July 6, 2022, the Company settled accounts payable of \$44,470 owing to an officer in exchange for 444,700 common shares and accounts payable of \$71,228 owing to its legal counsel in exchange for a cash payment of \$36,779 (which was paid on March 26, 2021) and 344,490 common shares. The shares issued were valued using the most recently completed financing by the Company. The settlement resulted in a gain of \$34,014 which was recorded in the consolidated statement of loss.

Warrants

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

	Weighted- average exercise price \$	Number of warrants
Balance, September 30, 2020	0.25	3,759,500
Issued		
Unit warrants	0.25	4,542,500
Finder warrants	0.10	132,800
Expired	0.25	(3,659,500)
Balance, September 30, 2021 and September 30, 2022	0.25	4,775,300

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

Exercise price	Expiry date	Number of warrants
\$0.25 (expired subsequent to September 30, 2022)	October 2, 2022	440,000
\$0.10	December 29, 2025 (36 months from the date	132,800
\$0.25	of the closing of the Amalgamation)	4,202,500
		<hr/> 4,775,300 <hr/>

10. 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, accounts payable and accrued liabilities, due to United Hunter Oil & Gas Corp., advances payable, loans payable and subscription receipts liability

The fair values of cash, accounts payable and accrued liabilities, due to United Hunter Oil & Gas Corp., advances payable, loans payable and subscription receipts liability at September 30, 2022 and September 30, 2021 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.

11. 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.

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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 \$2,537,534 (2021 - \$2,434,991) 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.

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\$6,432 (2021 - US\$99,443), accounts payable of US\$33,346 (2021 - US\$7,428) and advances payable of US\$79,447 (2021 - US\$49,447). 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 \$14,591 (2021 - \$12,175).

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.

12. 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% (2021 - 23%) to the net loss for the year. The reasons for the difference are as follows:

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Provision for income taxes

	2022	2021
	\$	\$
Expected income tax (recovery) expense based on statutory rate	(72,791)	73,445
Increase (decrease) resulting from:		
Share issue costs and other	–	(18,100)
Non-taxable gain on settlement of advances payable	–	(132,942)
Effect of foreign tax rates and expired losses	(4,209)	(2,043)
Change in deferred tax assets not recorded	77,000	79,000
Deferred income tax recovery	–	–

Deferred income tax balances

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

	2022	2021
	\$	\$
Non-capital loss carryforward	370,000	288,000
Share issue costs	12,000	17,000
	382,000	305,000
Benefit of deferred tax assets not recorded	(382,000)	(305,000)
	–	–

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, 2022, 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
	891,000

At September 30, 2022, the Company had non-capital loss carryforwards in Bolivia which expire as follows:

	\$
2038	98,000
2039	98,000
2040	133,000
2041	120,000
2042	212,000
	661,000

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13. 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,	
	2022	2021	2022	2021
	\$	\$		\$
Consulting fees	12,336	11,025	24,297	55,495

See notes 6, 7, and 8 for other related party transactions.