

Longhorn Exploration Corp.

Financial Statements

For the Year Ended August 31, 2022

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Independent Auditor's Report

To the Shareholders of Longhorn Exploration Corp

Opinion

We have audited the financial statements of Longhorn Exploration Corp (the "Company"), which comprise the statements of financial position as at August 31, 2022 and August 31, 2021 and the statements of comprehensive loss, changes in equity and cash flows for the periods then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and August 31, 2021, and its financial performance and its cash flows for the periods 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 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 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 1 to the financial statements which describes the material uncertainty 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:

- Management's Discussion and Analysis

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
December 15, 2022**

LONGHORN EXPLORATION CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at	Note	August 31, 2022	August 31, 2021
ASSETS		\$	\$
Current assets			
Cash		237,234	130,356
Goods and services tax receivable		15,511	-
		252,745	130,356
Exploration and evaluation assets	4	449,286	130,291
TOTAL ASSETS		702,031	260,647
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	29,710	77,671
EQUITY			
Share capital	5	724,130	204,000
Reserves		21,800	-
Accumulated deficit		(73,609)	(21,024)
		672,321	182,976
TOTAL LIABILITIES AND EQUITY		702,031	260,647

The accompanying notes are integral to these financial statements.

Approved on Behalf of the Board of Directors on December 15, 2022.

/s/ Anthony Zelen
Director

/s/ Peter Dyakowski
Director

LONGHORN EXPLORATION CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Share Capital						
	Note	Number of Class A Common Shares	Amount	Reserves	Accumulated Deficit	Total
			\$	\$	\$	\$
Founders shares issued on incorporation (April 27, 2021)		650,000	6,500	-	-	6,500
Private placement	5	3,950,000	197,500	-	-	197,500
Net loss for the period		-	-	-	(21,024)	(21,024)
Balance, August 31, 2021		4,600,000	204,000	-	(21,024)	182,976
Balance, August 31, 2021		4,600,000	204,000	-	(21,024)	182,976
Initial public offering and private placement	5	3,448,000	654,600	-	-	654,600
Finder's fees – cash		-	(46,675)	-	-	(46,675)
Finder's fees – broker warrants		-	(21,800)	21,800	-	-
Other share issuance costs		-	(97,995)	-	-	(97,995)
Flow through share premium		-	(40,000)	-	-	(40,000)
Issued for mineral property option		400,000	72,000	-	-	72,000
Net loss for the year		-	-	-	(52,585)	(52,585)
Balance, August 31, 2022		8,448,000	724,130	21,800	(73,609)	672,321

The accompanying notes are integral to these financial statements.

LONGHORN EXPLORATION CORP.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	For the year ended August 31, 2022	From April 27, 2021 (date of incorporation) to August 31, 2021
		\$	\$
EXPENSES			
Consulting		10,000	-
Office and administrative		3,667	5,774
Professional fees	6	36,314	15,250
Regulatory and filing		42,604	-
		<u>(92,585)</u>	<u>(21,024)</u>
LOSS BEFORE OTHER ITEMS			
Flow-through recovery		40,000	-
		<u>40,000</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(52,585)	(21,024)
<hr/>			
Weighted Average Number of Shares Outstanding		4,353,127	2,879,779
Basic and Diluted Loss Per Share		(0.01)	(0.01)

The accompanying notes are integral to these condensed interim financial statements.

LONGHORN EXPLORATION CORP.**STATEMENTS OF CASH FLOW**

(Expressed in Canadian Dollars)

	For the year ended August 31, 2022	From April 27, 2021 (date of incorporation) to August 31, 2021
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net Loss for the period	(52,585)	(21,024)
Other item:		
Flow-through recovery	(40,000)	-
Changes in non-cash working capital item:		
Goods and services tax receivable	(15,511)	-
Accounts payable and accrued liabilities	(47,961)	15,250
	(156,057)	(5,774)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Mineral property acquisition	(20,000)	(20,000)
Exploration and evaluation expenditures	(226,995)	(47,870)
	(246,995)	(67,870)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	654,600	204,000
Share issuance costs and finder's fees	(144,670)	-
	509,930	204,000
Net increase in cash	106,878	130,356
Cash, beginning of the period	130,356	-
Cash, end of the period	237,234	130,356
Supplemental information:		
Shares issued for mineral property	72,000	-
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	-	62,421
Interest paid	-	-
Income taxes paid	-	-

The accompanying notes are integral to these financial statements.

1. NATURE OF OPERATIONS

Longhorn Exploration Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on April 27, 2021, and is primarily engaging in mineral exploration activities in British Columbia, Canada. On May 9, 2022, the Company completed its initial public offering (“IPO”) and then commenced trading on the TSX Venture Exchange (“TSXV”) on May 12, 2022 under the trading symbol “LEX”. The head office and the principal address of the Company are located at 228 – 1122 Mainland Street, Vancouver, BC V6B 5L1, Canada.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at August 31, 2022, the Company had an accumulated deficit of \$73,609, working capital of \$223,035, had not advanced its mineral properties to commercial production, and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful exercise of its mineral property option agreement, results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These uncertainties may cast a significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with its proceeds from its initial public offering of its shares (Note 5), loans from directors and companies controlled by directors and/or additional private placement of common shares. These financial statements do not include any adjustments that might result from this uncertainty. Such adjustments could be material.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements for the year ended August 31, 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These statements are presented in Canadian Dollars, which is the Company’s functional currency.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements were authorized for issue by the Board of Directors on December 15, 2022.

2. BASIS OF PRESENTATION (continued)

Significant estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgements concerning the future. The Company's management reviews these estimates and judgements on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Significant estimates and judgements about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from estimates and judgements made, relate to, but are not limited to the following:

Ability to continue as a going-concern

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 1), whose subsequent changes could materially impact the validity of such an assessment.

Recoverability of the carrying value of exploration and evaluation assets

Exploration and evaluation assets are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The retention of regulatory permits and licenses, the Company's ability to obtain financing for exploration and development activities and its future plans on the exploration and evaluation assets, current and future metal prices, and market sentiment are all factors considered by the Company.

Mining exploration flow-through expenditures

The Company is required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Differences in judgment between management and regulatory authorities with respect to qualified expenditures may result in disallowed expenditures by the tax authorities. Any amount disallowed may result in the Company's required expenditures not being fulfilled.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluations assets

The Company may hold interests in mineral property interests in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights, and property options. The Company capitalizes payments made in the process of acquiring legal title to these properties. Mineral property interest acquisition costs are recorded at historical cost. Exploration and evaluation expenditures incurred on properties prior to obtaining legal rights to explore the specific area are charged to operations as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying values of exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The carrying value of the exploration and evaluation asset is reviewed for indications of impairment at each reporting date. When impairment indicators exist, the asset's recoverable amount is estimated. If it is determined that the estimated recoverable amount is less than the carrying value of an asset, then a write-down is made with a charge to operations.

An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchase the shares.

At the time of closing a financing involving flow-through shares, the Company allocates proceeds received first to common shares based on the market trading price of the common shares at the time the flow-through shares are priced, and any excess is allocated to flow-through premium liability.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed as exploration and evaluation costs and the flow-through premium, if any, is amortized to profit or loss. At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax expense/liability accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule in accordance with Government of Canada flow-through regulations. When applicable, this flow-through share tax expense is accrued and recorded in profit or loss.

Income taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Rehabilitation provisions

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is determined. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mineral property. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks and the change is recorded to profit and loss. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

As at August 31, 2022, management is not aware of any reportable rehabilitation provisions.

Equity Instruments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued at the fair value of the assets received or the services rendered. If the fair value of the assets received or services rendered cannot be reliably measured, common shares issued for consideration will be valued at their fair value on the date of issuance. Where the Company issued common shares and warrants together as units, value is allocated first to share capital based on the market value of common shares on the date of issue, with any residual value from the proceeds being allocated to the warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortized cost - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

There are no financial assets classified as measured as amortized cost.

Fair value through profit or loss ("FVTPL") - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL. The Company has classified its cash as FVTPL.

Fair value through other comprehensive income ("FVTOCI") - FVTOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest. A financial asset measured at fair value through other comprehensive income is recognized initially at fair value less transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

The Company does not have any financial assets measured at FVTOCI.

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at amortized cost - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's accounts payable and accrued liabilities are financial liabilities measured at amortized cost.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities at FVTPL - A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any financial liabilities measured at FVTPL.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. 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 financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted loss per share is calculated based on the weighted average number of common shares outstanding during the period, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period. For the year ended August 31, 2022, 219,855 (2021 – Nil) warrants were not included in the calculation of diluted loss per share as their inclusion was anti-dilutive.

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets comprise the following accumulated expenditures:

	Fame Project
	\$
Balance at April 27, 2021 (date of incorporation)	-
Acquisition costs	20,000
Airborne survey	90,000
Camp costs	1,662
Geological	10,800
Reports	7,829
Balance at August 31, 2021	130,291
Acquisition costs	92,000
Airborne survey	65,000
Camp costs	73,660
Geological	25,500
Geochemical	42,588
Interpretation/Analysis Reports	20,247
Balance at August 31, 2022	449,286

Fame Project

On May 10, 2021, as amended, the Company entered into a purchase option agreement (“Option Agreement” or “Option”) with Chris Dyakowski (“Optionor”), whereby the Company was granted exclusive rights to acquire 100% of the Optionor’s 11 mining claims located in the Chilcotin, British Columbia, Canada.

In order to exercise the option, the Company must meet the following commitments:

- a. Pay to the Optionor an aggregate of \$300,000 as follows:
 - i. \$20,000 within 60 days after execution of the Option Agreement (paid);
 - ii. \$20,000 within 10 days of listing on a Canadian stock exchange (paid);
 - iii. \$75,000 on or before the 18-month anniversary of listing on a Canadian stock exchange;
 - iv. \$60,000 on or before the 24-month anniversary of listing on a Canadian stock exchange; and
 - v. \$125,000 on or before the 36-month anniversary of listing on a Canadian stock exchange.

- b. Issue to the Optionor an aggregate of 3,000,000 common shares of the Company as follows:
 - i. 400,000 shares within 10 days of listing on a Canadian stock exchange (issued);
 - ii. 600,000 shares on or before the 18-month anniversary of listing on a Canadian stock exchange;
 - iii. 1,000,000 shares on or before the 24-month anniversary of listing on a Canadian stock exchange; and
 - iv. 1,000,000 shares on or before the 36-month anniversary of listing on a Canadian stock exchange.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Incur no less than \$2,000,000 of exploration expenditures as follows:

- i. \$200,000 on or before 12-month anniversary of listing on a Canadian stock exchange (incurred);
- ii. an additional \$600,000 on or before the 24-month anniversary of listing on a Canadian stock exchange; and
- iii. an additional \$1,200,000 on or before the 36-month anniversary of listing on a Canadian stock exchange.

If the Company exercises the Option and acquires 100% rights, title and interest in the claims, the Optionor will be entitled to 2.0% net smelter royalty (one-half of which may be repurchased for \$500,000).

5. SHARE CAPITAL

Authorized:

Unlimited number of fully paid Class A common shares without par value and with voting rights ("Common shares").
Unlimited number of Class B preferred shares (none outstanding).

Issued:

For the year ended August 31, 2022

On May 9, 2022, the Company completed its IPO through the issuance 2,148,000 common shares at a price of \$0.20 per common share and 800,000 flow-through common shares at a price of \$0.25 per flow-through share, for aggregate gross proceeds of \$629,600. \$40,000 was allocated to the flow through premium. The Company's common shares were listed on May 9, 2022 and commenced trading on May 12, 2022. Pursuant to the IPO, the Agent received a cash commission of \$46,675 and an aggregate of 219,855 non-transferable common share purchase warrants (the "Agent's Warrants") entitling the Agent and members of its selling group to purchase 219,855 common shares at \$0.20 per common share at any time until May 9, 2024. The Agent's Warrants were valued at \$21,800 using the Black-Scholes Option Pricing Model.

On October 14, 2021, the Company completed a private placement of 500,000 common shares at \$0.05 per share for total proceeds of \$25,000.

The Company issued 400,000 common shares valued at \$72,000 for exploration and evaluation assets.

From April 27, 2021 (date of incorporation) to August 31, 2021

On incorporation on April 27, 2021, the Company issued 650,000 founders shares at a price of \$0.01 per share for gross proceeds of \$6,500.

Pursuant to a private placement, on June 3, 2021, the Company issued 2,200,000 flow through common shares at a price of \$0.05 per share for gross proceeds of \$110,000. All proceeds were allocated to the share capital. There was \$nil proceeds allocated to the flow through premium.

Pursuant to a private placement, on June 30, 2021, the Company issued 1,600,000 common shares at a price of \$0.05 per share for gross proceeds of \$80,000.

Pursuant to a private placement, on July 7, 2021, the Company issued 150,000 common shares at a price of \$0.05 per share for gross proceeds of \$7,500.

LONGHORN EXPLORATION CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

Warrants

A continuity schedule of warrants is as follows:

	Number of warrants	Weighted average exercise price (\$)
Warrants outstanding, April 27, 2021 (date of incorporation)	-	-
Warrants outstanding, August 31, 2021	-	-
Issued	219,855	0.20
Warrants outstanding, August 31, 2022	219,855	0.20

Details of outstanding warrants at August 31, 2022 are as follows:

Exercise Price	Expiration Date	Number of warrants
\$0.20	May 9, 2024	219,855

As at August 31, 2022, the weighted average remaining contractual life of the warrants was 1.69 years.

6. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel.

	For the nine months ended August 31, 2022	From April 27, 2021 (date of incorporation) to August 31, 2021
	\$	\$
Office and administrative	2,000	-
Professional fees	3,000	5,000

As at August 31, 2022, \$17,209 (August 31, 2021 - \$5,000) was owing to Ryan Cheung, the Chief Financial Officer of the Company, for reimbursable expenses, and professional fees. During the year ended August 31, 2022, \$3,000 in professional fees was charged by the Chief Financial Officer. Balances owed to related parties are unsecured, do not bear interest, and have no fixed terms of payments.

7. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for assets or liabilities that are not based on observable market data.

The fair values of the Company's financial instruments are not materially different from their carrying values due to the short-term maturity nature of the financial instruments. Cash is measured using level 1 hierarchy.

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. The Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash is held in corporate bank accounts available on demand. The Company's accounts payable and accrued liabilities are due within 90 days of August 31, 2022. Liquidity risk has been assessed as being low. The Company is not exposed to significant liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Company is not exposed to significant market risk.

7. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Currency Risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. The Company is not exposed to significant currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Price Risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company is not exposed to significant price risk.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the period. The Company is actively looking to acquire an interest in a business or assets, and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavors and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company is not subject to any externally imposed capital requirements.

8. SEGMENTED INFORMATION

The Company operates in one business segment being the exploration and development of resource properties. All assets of the Company are located in Canada.

LONGHORN EXPLORATION CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022
(Expressed in Canadian Dollars)

9. DEFERRED INCOME TAX

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	August 31, 2022	August 31, 2021
Net loss for the period	(52,585)	(21,024)
Statutory tax rate	27%	27%
Expected income taxes (recovery) at the statutory tax rate	(14,000)	(5,676)
Change in tax assets not recognized	14,000	5,676
Income tax expense (recovery)	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	Expiry date	August 31, 2022	August 31, 2021
		\$	\$
Loss carry-forwards	2041-2042	110,000	29,000
Mineral resources	None	(208,000)	(8,000)
Share issue costs	2043-2046	116,000	-
Net deductible temporary differences		18,000	21,000