

STEARMAN RESOURCES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
THREE MONTHS ENDED NOVEMBER 30, 2022

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of the Company and all information contained in the report have been prepared by and are the responsibility of the Company's management. The Board of Directors has reviewed the condensed interim financial statements and related financial reporting matters.

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

STEARMAN RESOURCES INC.

Condensed Interim Statement of Financial Position

November 30, 2022 and August 31, 2022

(Expressed in Canadian Dollars)

| As at | Note | November 30, 2022 | August 31, 2022 |
|---|-------------|------------------------------|----------------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | 531,708 | 565,758 |
| Receivables | | 5,518 | 2,844 |
| Prepaid expenses | | 17,000 | - |
| | | 554,226 | 568,602 |
| Non-current assets | | | |
| Exploration and evaluation assets | 3 | 16,668 | 5,000 |
| Total assets | | 570,894 | 573,602 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Accounts payable and accrued liabilities | | 102,500 | 13,000 |
| Total liabilities | | 102,500 | 13,000 |
| Shareholders' equity | | | |
| Share capital | 5 | 15,500 | 15,500 |
| Reserves | 5 | 591,645 | 591,645 |
| Deficit | | (138,751) | (46,543) |
| Total shareholders' equity | | 468,394 | 560,602 |
| Total liabilities and shareholders' equity | | 570,894 | 573,602 |

Nature of operations and going concern (Note 1)

Subsequent events (Note 8)

These financial statements were approved by the Board of Directors on January 25, 2023:

*"Steve Mathiesen"**Steve Mathiesen, Director*

*"Howard Milne"**Howard Milne, Director*

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

STEARMAN RESOURCES INC.

Condensed Interim Statement of Loss and Comprehensive Loss

For the three months ended November 30, 2022

(Expressed in Canadian Dollars)

| | 2022 |
|---|------------------|
| | \$ |
| GENERAL AND ADMINISTRATIVE EXPENSES | |
| Bank charges and interest | 51 |
| Professional fees | 94,500 |
| | (94,551) |
| Interest income | 2,343 |
| Net loss and comprehensive loss | (92,208) |
| Loss per share – basic and diluted | (0.03) |
| Weighted average number of common shares outstanding | 3,100,000 |

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

STEARMAN RESOURCES INC.

Condensed Interim Statement of Changes in Shareholders' Equity

For the three months ended November 30, 2022

(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Reserve - Special Warrants | Reserves – Stock Options | Deficit | Total Equity |
|--|-----------------------------|--------------------------|---|---|------------------|-------------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance, March 1, 2022 | - | - | - | - | - | - |
| Issuance of common shares for cash | 3,100,000 | 15,500 | - | - | - | 13,500 |
| Issuance of special warrants for cash | - | - | 568,500 | - | - | 247,500 |
| Issuance of broker warrants | - | - | 8,800 | - | - | 8,800 |
| Warrant issuance costs | - | - | (20,044) | - | - | (20,044) |
| Share-based compensation | - | - | - | 34,389 | - | 34,389 |
| Loss and comprehensive loss | - | - | - | - | (46,543) | (46,543) |
| Balance, August 31, 2022 | 3,100,000 | 15,500 | 557,256 | 34,389 | (46,543) | 560,602 |
| Loss and comprehensive loss | - | - | - | - | (92,208) | (92,208) |
| Balance, November 30, 2022 | 3,100,000 | 15,500 | 557,256 | 34,389 | (138,751) | 468,394 |

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

STEARMAN RESOURCES INC.
Condensed Interim Statement of Cash Flows
For the three months ended November 30, 2022
(Expressed in Canadian Dollars)

| | 2022 |
|--|-----------------|
| | \$ |
| Cash flows used in operating activities: | |
| Net loss | (92,208) |
| Changes in non-cash working capital items: | |
| Receivables | (2,674) |
| Prepaid expenses | (17,000) |
| Accounts payable and accrued liabilities | 89,500 |
| Net cash used in operating activities | (22,382) |
| Investing activities | |
| Exploration and evaluation assets | (11,668) |
| Net cash used in investing activities | (11,668) |
| Increase in cash | (34,050) |
| Cash, beginning | 565,758 |
| Cash, ending | 531,708 |

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

STEARMAN RESOURCES INC.

NOTES TO THE CODENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Stearman Resources Inc. (the "Company") was incorporated in the Province of British Columbia on March 1, 2022 under the Business Corporations Act of British Columbia. The Company is focused on acquisition, exploration, and development of mineral properties in Canada. The Company's business office is located at Suite 170 422 Richards Street, Vancouver BC V6B 2Z4.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at November 30, 2022, the Company is not able to finance day to day activities through operations and has an accumulated deficit of \$138,751. The continuing operations of the Company are dependent upon its ability to obtain sufficient financing and the success of its exploration activities. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and/or issuance of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. SUMMARY SIGNIFICANT ACCOUNTING

Basis of preparation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited condensed interim financial statements, prepared in conformity with accounting policies consistent with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited condensed interim financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2022.

Basis of measurement

These unaudited condensed interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The unaudited condensed interim financial statements are presented in Canadian dollars, unless otherwise noted.

Accounting Standards and Interpretations Issued but Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

STEARMAN RESOURCES INC.

NOTES TO THE CODENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022

(Expressed in Canadian dollars)

3. EXPORATION AND EVALUATION ASSET

On March 11, 2022, the Company entered into an option agreement (the “Agreement”) with J2 Metals Inc. (the “Optionor”) to acquire a 75% interest in the mineral claims of the Miniac Property (the “Property”), located in Quebec, Canada. Pursuant to the Agreement, total consideration consists of the following:

| Date | Number of Shares | Cash Payments | Minimum Expenditures |
|--|-------------------------|----------------------|-----------------------------|
| | | \$ | \$ |
| Agreement Date | - | 5,000(paid) | - |
| Date the Company commences trading on an exchange (“Listing Date”) | 200,000 | 15,000 | - |
| 1st Anniversary of Listing Date | 120,000 | 50,000 | 120,000 |
| 2 nd Anniversary of Listing Date | 120,000 | 100,000 | 200,000 |
| 3rd Anniversary of Listing Date | 120,000 | 110,000 | 200,000 |
| 4th Anniversary of Listing Date | 120,000 | 110,000 | 200,000 |
| 5th Anniversary of Listing Date | 120,000 | 110,000 | 400,000 |
| Total | 800,000 | 500,000 | 1,120,000 |

The requirements of the Company to: (i) make cash payments of \$20,000 to the Optionor on or before the Listing Date; (ii) issue 200,000 shares to the Optionor on the Listing Date; and (iii) incur exploration expenditures in a minimum amount of \$120,000 on the Property on or before the 1st anniversary of the Listing Date, are to be treated as firm commitments.

A continuity of the Company’s exploration and evaluation asset is as follows:

| | November 30, 2022 | August 31, 2022 |
|---|------------------------------|--------------------|
| | \$ | \$ |
| Acquisition costs: | | |
| Balance, beginning of period | 5,000 | - |
| Additions | - | 5,000 |
| Balance, end of period | 5,000 | 5,000 |
| Deferred exploration expenditures: | | |
| Balance, beginning of period | - | - |
| Geological | 10,977 | - |
| Travel | 691 | - |
| Balance, end of period | 11,668 | - |
| Exploration and evaluations assets | 16,668 | 5,000 |

4. RELATED PARTY TRANSACTIONS*Key management compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and corporate officers. There were no remuneration of directors and key management personnel for the three months ended November 30, 2022.

STEARMAN RESOURCES INC.

NOTES TO THE CODENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022
(Expressed in Canadian dollars)

5. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Common Shares

On March 1, 2022, the Company issued 1,800,000 common shares at \$0.005 per share to directors for proceeds of \$9,000.

On March 31, 2022, the Company issued 1,300,000 common shares at \$0.005 per share for proceeds of \$6,500.

Special Warrants

On April 8, 2022, the Company issued 265,000 special warrants at \$0.02 per warrant for proceeds of \$5,300. Each special warrant entitles the holder to acquire one common share of the Company on the date that is the earlier of: (i) eighteen months following the closing of the financing, and (ii) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities. During the period ended August 31, 2022, the finders fees were paid to a finder of 200,000 finder warrants with a fair value of \$4,000. Each finder warrant entitles the holder to acquire one common share of the Company until October 8, 2023.

On May 4, 2022, the Company issued 6,000,000 special unit warrants at \$0.05 per warrant for proceeds of \$300,000. Each special unit warrant entitles the holder to acquire one unit of the Company consisting of one common share of the Company and one share purchase warrant on the date that is the earlier of: (i) four months and a day following the closing of the financing, and (ii) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities. Each share purchase warrant will entitle the holder to purchase, upon exercise thereof, one common share of the Company \$0.10 per share until September 30, 2024.

On May 22, 2022, the Company issued 492,000 special share warrants at \$0.10 per warrant for proceeds of \$49,200. Each special share warrant entitles the holder to acquire one common share of the Company on the date that is the earlier of: (i) eighteen months following the closing of the financing, and (ii) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities.

On May 26, 2022, the Company issued 2,140,000 special share warrants at \$0.10 per warrant for proceeds of \$214,000. Each special share warrant entitles the holder to acquire one common share of the Company on the date that is the earlier of: (i) four months and a day following the closing of the financing, and (ii) the third business day after a receipt is issued for a final prospectus by the securities regulatory authorities. During the period ended August 31, 2022, the finders fees were paid to the finders of \$4,800 cash and 48,000 finder warrants with a fair value of \$4,800. Each finder warrant entitles the holder to acquire one common share of the Company at \$0.10 per share till September 30, 2024.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with Exchange policies, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares issued and outstanding from time to time. Such options are non-transferable and are exercisable at a price per share not below the closing traded price on the day before the date of grant for a period of up to ten years from the date of grant.

STEARMAN RESOURCES INC.

NOTES TO THE CODENSED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022
 (Expressed in Canadian dollars)

5. SHARE CAPITAL - (cont'd)

Stock options – (continued)

A summary of stock options activities are as follows:

| | Number | Weighted average exercise price | Weighted average life (years) |
|--|---------|---------------------------------------|-------------------------------------|
| | | \$ | |
| Outstanding, March 1, 2022 (Incorporation date) | - | - | - |
| Granted | 800,000 | 0.10 | 4.69 |
| Outstanding, August 31, 2022 & November 30, 2022 | 800,000 | 0.10 | 4.69 |
| Exercisable, August 31, 2022 & November 30, 2022 | 800,000 | 0.10 | 4.69 |

During the period ended August 31, 2022, the Company granted 800,000 stock options to the directors of the Company, exercisable at \$0.10 per share till May 9, 2027. The options fully vested upon granting. The fair value of the stock options was \$34,389, calculated using the Black-Scholes Options Pricing Model with assumptions and inputs set out below:

| | August 31, 2022 |
|-------------------------|-----------------|
| Risk-free interest rate | 2.76% |
| Estimated life (years) | 5 |
| Expected volatility | 144%* |
| Expected dividend yield | 0% |
| Forfeiture rate | 0% |

**As the Company's shares are not listed and have no history of trading, the volatility of share prices of other comparable public companies were used to determine the expected volatility.*

6. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

STEARMAN RESOURCES INC.

NOTES TO THE CODENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022
(Expressed in Canadian dollars)

7. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, and currency risk and price risk. The carrying value of the Company's financial instruments approximates their fair value due to their short-term nature. Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs 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 the asset or liability that are not based on observable market data.

The fair values of other financial instruments, which include cash, accounts payable and accrued liabilities, and promissory notes approximate their carrying values due to the relatively short-term maturity of these instruments.

- a) Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.
- b) Credit risk: Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, which is held with a high-credit financial institution and amounts receivable from the Government of Canada. As such, the Company's credit exposure is minimal.
- c) Liquidity risk: Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.
- d) Currency risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange. The Company has minimal exposure to foreign currency transactions during the three months ended November 30, 2022 and accordingly the risk is considered low.

The carrying value of Company's financial assets and liabilities as at November 30, 2022 and August 31, 2022 approximate their fair value due.

8. SUBSEQUENT EVENT

Subsequent to November 30, 2022, the Company filed its final prospectus with respect to issuance of a) 757,000 common shares, issuable for no additional consideration, upon the deemed exercise of 757,000 outstanding special warrants; (b) 6,000,000 units, each unit consisting of one common share and one share purchase warrant, issuable for no additional consideration, upon the deemed exercise of 6,000,000 issued and outstanding special unit warrants; and (c) 2,140,000 common shares, issuable for no additional consideration, upon the deemed exercise of 2,140,000 issued and outstanding special share warrants. All special warrants have now been converted to shares and to warrants, as applicable.

The Company shares were listed on the Canadian Securities Exchange (CSE) and were called for trading on January 24, 2023