TEARLACH RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tearlach Resources Ltd.

Opinion

We have audited the consolidated financial statements of Tearlach Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of comprehensive income (loss), changes in shareholders deficit and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its 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 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 events or conditions that 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 information included in 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. 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.

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 Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

January 28, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

TEARLACH RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian funds)

	September 30, 2020		September 30, 2019	
ASSETS				
Current				
Cash	$	1,684	$	1,373
GST recoverable		804		485
Total current assets		2,488		1,858
Exploration and evaluation assets (Note 4)		17,500		-
TOTAL ASSETS	$	19,988	$	1,858
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5 and 7)	$	48,165	$	27,691
Due to related parties (Note 7)		942		16,145
Loans payable (Note 6)		-		5,185
Promissory notes (Note 6)		-		116,873
Total current liabilities		49,107		165,894
Due to related parties (Note 7)		13,200		-
Loans payable (Note 6)		43,767		-
Promissory notes (Note 6)		127,726		-
TOTAL LIABILITIES		233,800		165,894
SHAREHOLDERS' DEFICIENCY				
Capital stock (Note 9)		10,433,916		10,433,916
Special warrants (Note 9)		4,124,926		4,124,926
Reserves		1,537,056		1,537,056
Deficit		(16,309,710)		(16,259,934)
TOTAL SHAREHOLDERS' DEFICIENCY		(213,812)		(164,036)
	$	19,988	$	1,858

Nature of Operations and Going Concern (Note 1)
Contingencies (Note 10)
Subsequent events (Note 13)

Approved on behalf of the Board: January 28, 2021

"Charles Ross"
Charles Ross, Director

"Raymond Strafehl"
Raymond Strafehl, Director

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

TEARLACH RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian funds)

	Years ended September 30, 2020	2019
GENERAL AND ADMINISTRATIVE EXPENSES		
Foreign exchange loss	$ 53	$ 3,994
Office and general	1,179	7,754
Interest (Note 6 and 8)	13,344	42,677
Management fees (Note 7)	-	30,000
Professional fees	24,392	21,144
Transfer agent and filing fees	10,835	11,733
LOSS BEFORE OTHER ITEMS	(49,803)	(117,302)
OTHER ITEMS		
Gain on settlement of debt (Note 9)	-	1,742,571
Write-off of debt	27	35,042
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (49,776)	$ 1,660,311
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ (0.00)	$ 0.03
WEIGHTED AVERAGE SHARES OUTSTANDING	62,873,557	49,942,755

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

TEARLACH RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(Expressed in Canadian funds)

	Shares Issued	Capital Stock	Shares to be issued	Reserves-Share-based Payments and Other	Special Warrants	Deficit	Total
Balance September 30, 2018	24,187,142	$ 8,499,595	$ 3,500	$ 1,537,056	$ 4,124,926	$ (18,111,995)	$ (3,946,918)
Shares issued for debt (Note 8 and 9)	38,686,415	1,934,321	(3,500)	-	-	191,750	2,122,571
Net income for the year	-	-	-	-	-	1,660,311	1,660,311
Balance September 30, 2019	62,873,557	10,433,916	-	1,537,056	4,124,926	(16,259,934)	(164,036)
Net loss for the year	-	-	-	-	-	(49,776)	(49,776)
Balance September 30, 2020	62,873,557	$ 10,433,916	$ -	$ 1,537,056	$ 4,124,926	$ (16,309,710)	$ (213,812)

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

TEARLACH RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian funds)

	Year ended September 30, 2020	2019
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ (49,776)	$ 1,660,311
Adjustments for items not affecting cash:		
Accrued and unpaid management fees	-	15,000
Accrued interest	13,330	36,305
Gain on settlement of debt	-	(1,742,571)
Write-off of debt	(27)	(35,042)
	(36,473)	(65,997)
Net changes in non-cash working capital items:		
GST recoverable	(319)	1,589
Due to related parties	(2,003)	-
Accounts payable and accrued liabilities	13,001	(13,383)
Net cash used in operating activities	(25,794)	(77,791)
INVESTING ACTIVITIES		
Exploration and evaluation asset	(10,000)	-
Net cash used in investing activities	(10,000)	-
FINANCING ACTIVITIES		
Loan proceeds	36,105	5,100
Promissory notes proceeds	-	54,460
Promissory notes repaid	-	(2,267)
Related party advances	-	20,177
Net cash provided by financing activities	36,105	77,470
INCREASE (DECREASE) IN CASH	311	(321)
CASH – BEGINNING OF YEAR	1,373	1,694
CASH – END OF YEAR	$ 1,684	$ 1,373

Supplemental information with respect to cash flows

Shares issued for debt	$ -	$ 1,934,321
Exploration expenditures included in accounts payable	$ 7,500	$ -

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Tearlach Resources Limited (the "Company") is a British Columbia, Canada incorporated company which has been primarily engaged in the acquisition, exploration and development of mineral and oil and gas properties in Canada and the United States. The Company's head office is at 2300 - 1177 West Hastings Street, Vancouver, B.C., Canada, V6E 2K3. The Company is listed on the NEX Board of the TSX Venture Exchange ("Exchange") under the trading symbol TEA.H.

The consolidated financial statements of the Company are presented in Canadian dollars.

Going Concern

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue its operations and will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern and acquire resource properties is dependent upon the continued financial support from related parties, the ability of the Company to raise equity financing to conduct exploration and development activities. Given the operating losses accumulated in the last number of years, the Company's ability to realize its assets and discharge its liabilities depends on continued support from its directors, the ability to raise further funds to repay debts and to provide working capital and ultimately on generating future profitable operations. These uncertainties cast significant doubt on the ability of the Company to continue operations as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern. At September 30, 2020, the Company had accumulated losses of $16,309,710 (2019 - $16,259,934).

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. Management continues to monitor the situation.

NOTE 2 – BASIS OF PREPARATION

Statement of compliance

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved by the Board of Directors on January 28, 2021.

Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Tearlach Resources (California) Ltd., ("Tearlach California"). All inter-company transactions and balances have been eliminated upon consolidation.

Foreign currency transactions

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

NOTE 2 – BASIS OF PREPARATION (continued)

Foreign currency transactions (continued)
Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the year.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets - mineral
Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Exploration and evaluation assets - oil and gas
The Company follows the full cost method of accounting for its oil and gas operations whereby all cost related to the acquisition of petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits.

The Company reviews the carrying value of its oil and gas properties, which are currently unproven, annually, or when there is a significant change in events or circumstances. The estimate of net realizable value is determined by reference to the project economics, the timing of exploration work, the work programs and the exploration results achieved on the project. Where an impairment occurs, a charge to earnings would be made. Once commercial production is achieved, the Company will apply a ceiling test to ensure that capitalized costs do not exceed total estimated future net revenues from the production of proved reserves less general and administrative expenses, financing costs, site restoration costs and income taxes related to future production. Any reduction in value as a result of the ceiling test will be charged to operations as additional depletion, depreciation, and amortization. The Company has not applied a ceiling test to date because it is in the exploration stage and no proven reserves have been established.

Once in commercial production, capitalized costs of proven reserves and equipment will be depleted using a unit-of-production method based upon estimated proven reserves net of royalties. Unless a significant amount of reserves is involved, proceeds received from the disposition of oil and gas properties are credited to the capitalized costs. In the event of a significant sale of reserves, a proportionate amount of cost and accumulated depletion, based upon the ratio of reserves sold to total reserves, will be removed from the capitalized costs and the resultant profit or loss is taken into income. To date, there has been no commercial production from the property and as a result no depletion has been recorded.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets - oil and gas (continued)

The recoverability of the amounts shown for oil and gas properties is dependent upon the existence of economically recoverable oil reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to bring the reserves into production, and upon future profitable production or proceeds from the disposition of properties. The amounts shown as oil and gas interests represent net costs to date, less proceeds from oil sales received from development programs and impairment provisions.

Provisions

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company had no provisions as at September 30, 2020.

Capital stock

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Costs related to issuances not completed will be recorded as deferred financing costs if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and that value is included in reserves. Warrants that are attached to convertible notes are assigned a value using the proportional method. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

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. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates and Judgments

Significant estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. The Company's management reviews these estimates and underlying assumptions 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.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of useful lives of depreciated and amortized assets, the recoverability of the carrying value of exploration and evaluation assets, assumptions used in determination the share-based payments, the recoverability and measurement of deferred tax assets, decommissioning, restoration and similar liabilities and contingent liabilities.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the classification of expenditures as exploration and evaluation expenditures or operating expenses, the classification of financial instruments and the going concern basis of accounting.

Stock-based compensation

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as stock-based compensation expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to capital stock and the fair value of the options is reclassified from reserves to capital stock.

The Company accounts for the granting of stock options and direct awards of stock to employees, directors and non-employees using the fair value method whereby all awards will be recorded at fair value on the date of grant. Stock based compensation awards are calculated using the Black-Scholes Option Pricing Model. Compensation expense is recognized immediately for past services and pro rata for future services over the options vesting period with a corresponding increase in reserves.

Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby 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 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 financial position reporting date. Deferred tax is not recognized for temporary differences which arise 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.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial Instruments

Financial assets

The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, the classification will depend on the business model in which the investment is held and contractual terms of the cash flows.

The Company classifies its financial assets into one of the following categories as follows:

Amortized cost
The Company classifies its financial assets at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
- 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.

The financial assets are measured at fair value plus directly attributable transaction costs at initial recognition and are subsequently measured at amortized costs using effective interest method less any provisions for impairment.

Fair value through other comprehensive income ("FVTOCI")
The Company classifies its equity investments at FVTOCI for which are not held for trading and the Company has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments. Upon disposal of these equity investments, any balance within the other comprehensive income reserve for these equity investments is reclassified to retained earnings/deficit and is not reclassified to profit or loss. In addition, the other comprehensive income reserve for an impaired equity investment is not reclassified to profit or loss.

Fair value through profit or loss ("FVTPL")
The Company classifies the following financial assets at FVTPL:

- equity investments that are held for trading;
- equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income;
- debt investments that do not qualify for measurement at either amortized cost or at FVTOCI; and
- derivative financial instruments.

The Company has classified its cash as FVTPL.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost or FVTPL. Financial liabilities are subsequently measured at amortized cost, except for those at FVTPL such as derivative financial instruments and contingent consideration payable. The FVTPL option can be elected for financial liabilities if:

- it eliminates or significantly reduces an accounting mismatch;
- the financial liability is part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

This irrevocable election is made at initial recognition and these financial liabilities cannot be reclassified out of the category while they are held or issued. Financial liabilities measured at FVTPL will recognize changes in fair value attributable to the Company's own credit risk in other comprehensive income instead of profit or loss, unless this would create an accounting mismatch.

The Company has classified its trade payables, loans and promissory notes and amounts due to related parties at amortized cost.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets which are classified and measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the financial assets.

The criteria used to determine risk of default and to estimate expected credit losses include:

- delinquencies in payments;
- significant financial difficulty of the debtor;
- it becomes probable that the debtor will enter bankruptcy; or
- significant changes in macroeconomic factors that indicate future defaults will vary and measurable changes in estimated future cash flows will result, provided that such information is observable and available without undue cost or effort.

Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets (continued)
The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). This generally results in the Company evaluating its non-financial assets on an exploration asset by exploration asset basis.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in the consolidated statement of comprehensive income (loss).

Leases
Effective October 1, 2019, the Company adopted IFRS 16, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The adoption of IFRS 16 had no impact on the financial statements as the Company had no leases as at October 1, 2019 and September 30, 2020.

NOTE 4 – EXPLORATION AND EVALUATION ASSETS

On June 12, 2020, the Company entered into an option agreement with Origen Resources Inc. ("Origen") to acquire a 75% interest in the Bonanza Mountain gold and copper project (the "Project") located in Grand Forks, B.C. Under the terms of the option agreement, the Company may earn a 75% interest in the Project by:

(a) Paying an aggregate of $210,000 cash and issuing 500,000 shares to Origen over a three-year period as follows:

- i) $10,000 upon signing; (paid)
- ii) $25,000 and issuing 100,000 shares within fifteen business days of Exchange approval and acceptance of the 43-101 report ("Exchange Approval Date");
- iii) $50,000 and issuing 100,000 shares on or before the later of twelve (12) months after the Exchange Approval Date or September 30, 2021; and
- iv) $50,000 and issuing 100,000 shares on or before the second anniversary of the Exchange Approval Date.
- v) $75,000 and issuing 200,000 shares on the third anniversary of the Exchange Approval Date.

(b) Incurring $500,000 in exploration expenditures as follows:

- i) $100,000 on or before the later of twelve months after the Exchange Approval Date or September 30, 2021 ($7,500 incurred to September 30, 2020);
- ii) $400,000 on or before the third anniversary of the Exchange Approval Date.
- iii) Any excess exploration expenditures will be cumulative and can carry forward to future years or in the event of a shortfall of exploration expenditures, the Company can pay Origen in cash or the Company's shares at Origen's election.

Upon exercise of the option, Origen will be granted a 1.5% net smelter royalty ("NSR") on the property, of which the Company can purchase 1.0% of the NSR for $1,000,000 within one year of commencement of commercial production.

The Company received Exchange approval on January 7, 2021.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	September 30, 2020		September 30, 2019	
Trade payables	$	38,165	$	11,391
Accruals		10,000		16,300
Total	$	48,165	$	27,691

NOTE 6 – LOANS AND PROMISSORY NOTES

During the year ended September 30, 2019, the Company received loan advances from a third party in the amount of $5,100. The unsecured loan is payable on demand and bears interest at a rate of 10% per annum. During the year ended September, 2020, the Company entered into an amended loan agreement to extend the repayment date of the loan to June 30, 2022. All other terms remained the same. During the year ended September 30, 2020, the Company received further advances of $36,105 and recorded $2,477 (2019 - $85) as interest expense on the loan. At September 30, 2020, the principal amount of loan is $41,205 and accrued interest is $2,562.

During the year ended September 30, 2018, the Company received a promissory note and cash advances of $51,500. The note is issued to a company controlled by a director. The note is payable on demand and bears interest at a rate of 10% per annum. During the year ended September 30, 2019, the Company received further advances of $54,460. During the year ended September 30, 2020, the Company entered into an amended loan agreement to extend the repayment date of the loan to June 30, 2022. During the year ended September 30, 2020, the Company recorded $10,853 (2019 –$10,913) as interest expense on the promissory note. At September 30, 2020, the principal amount of loan is $105,960 and accrued interest is $21,766.

On March 20, 2018, the Company issued a promissory note to a third party totalling $2,150. The note is payable on demand and bears interest at a rate of 10% per annum. During the year ended September 30, 2019, the Company recorded $55 as interest expense and the promissory note was repaid in full.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, the Company entered into the following transactions with related parties:

a) The Company incurred management fees of $nil to a company controlled by the Chief Financial Officer ("CFO") of the Company (2019 - $30,000).
b) The Company entered into an agreement with a company controlled by the CFO to defer settlement of outstanding fee of $13,200 to June 30, 2022.
c) Promissory note advances totalling $nil were received from a company controlled by the CFO of the Company (2019 – $2,322). The promissory note bore interest at 8% per annum. Interest of $nil (2019 - $3,374) was accrued on the promissory note.
d) On January 30, 2019, payables of $654,009 to the CFO and a company controlled by the CFO of the Company were assigned to third parties and were settled with 6,540,090 common shares at $0.05 per share for a fair value of $327,005, resulting in a gain on settlement which was allocated on the statement of comprehensive income (loss) (Note 9).
e) On January 30, 2019, loans payable totalling of $383,500 due to the CFO's spouse was settled with 3,835,000 common shares at $0.05 per share for a fair value of $191,750, resulting in a gain on settlement which was allocated to deficit as it was to a related party (Note 9).

Amounts owing to related parties were as follows:

	September 30, 2020		September 30, 2019	
CFO and companies controlled by the CFO for management fees and expenses				
Current liabilities	$	942	$	16,145
Non-current liabilities [(1)]		13,200		-
	$	14,142	$	16,145

[(1)] Due on June 30, 2022.

NOTE 7 - RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable at September 30, 2020 is $48 (September 30, 2019 - $3,132) due to company with a common director. Unless otherwise noted, related party amounts are unsecured, bear no interest and have no fixed terms of repayment. Amounts owing to the CFO were secured by a general security agreement on the assets of the Company.

NOTE 8 - CONVERTIBLE NOTES

On September 6, 2012, the Company issued $2,025,000 in convertible notes. Each note holder has the right to convert the principal amount of the notes into common shares of the Company at a rate of $0.10 per common share and a detachable, transferable warrant to purchase common shares at $0.10 per share for five years. The notes have an interest rate of 8% per annum (calculated semi-annually) and have a maturity date of five years from closing. Interest will be convertible at the market price of the securities at the time of conversion. The Company's liabilities under the notes are secured by a first charge over the assets of the Company.

The Company classified the notes into debt and equity components based on the residual method. The debt component of $1,549,268 was calculated as the present value of the required interest and principal payment that would have been applicable to non-convertible debt using a market rate of 15% per annum. An amount of $237,866 representing the estimated value of the right of conversion was included in shareholders' equity as the equity component of convertible notes. An amount of $237,866 representing the estimated value of the warrants was included in shareholders' equity as warrant reserves.

On September 6, 2017, the convertible option of the convertible notes expired unexercised. The amount of $237,866 was reclassified from equity component of convertible notes to reserves, and the amount of $237,866 representing the estimated value of the warrants was reclassified from warrant reserves to other reserves.

During the year ended September 30, 2019, the Company recorded interest expense of $27,075 on the notes.

On January 30, 2019, the convertible notes principal amount of $2,025,000 and accumulated interest of $1,009,505 were settled with 30,345,060 common shares at $0.05 per share for a fair value of $1,517,253 (Note 9).

NOTE 9 – CAPITAL STOCK

Common shares

Authorized: unlimited common shares without par value
unlimited preferred shares without par value

On January 30, 2019, the Company issued 38,651,415 shares at $0.05 per share for a fair value of $1,934,321 to settle debt of $3,868,641, resulting in a gain on settlement of $1,934,321. Of this amount $191,750 was allocated to deficit as it was to a related party and $1,742,571 was allocated to gain on settlement of debt on the statement of comprehensive income (loss).

Stock Option Plan

In July 2019 the Exchange approved a stock option plan (the '2019 Plan'). Any options granted under the 2019 Plan vest according to the terms deemed appropriate by the directors of the Company and that are in compliance with Exchange policy. The number of common shares allowed under the Plan, together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding common shares of the Company. The maximum number of common shares which may be issued pursuant to options granted under the 2019 Plan is 5,944,272.

NOTE 9 – CAPITAL STOCK- (continued)

Stock Options

There are no stock options outstanding at September 30, 2020 and 2019.

Warrants

The Company had no warrants outstanding at September 30, 2020 and 2019.

Special Warrants

The Company has 1,309,500 special warrants outstanding (September 30, 2019 – 1,309,500). Each special warrant may be converted into one common share of the Company at no additional cost, subject to certain limitations if as a result of such conversion the special warrant holder would own 10% or more of the shares of the Company. The special warrants have no expiry date.

Reserves

Reserves include share-based payment, share purchase warrant and other reserves. The share-based payment reserve represents the fair value of stock options until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital. The warrant reserve represents the fair value of warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. Upon expiry, both share-based payment and warrant reserves are moved to other reserves.

NOTE 10 – CONTINGENCIES

The Company recognizes liabilities for contingencies when it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Legal proceedings in which the Company is involved are summarized below.

Tearlach vs Western States International (“WSI”)

On December 11, 2008 the Company commenced legal proceedings in the Supreme Court of British Columbia against WSI and G&O of Monrovia, California (the “Defendants”), alleging numerous breaches in a contract between the Company and the Defendants which contract was entered into on April 21, 2006. The Company has obtained a default judgement in the amount of $18,043,692 against WSI and G&O.

Claim for expenses

WSI, G&O and United Pacific Energy Corporation filed an action against the Company, Tearlach California and two of its directors and officers. The Company filed a defence in the action and also filed a cross complaint. On February 1, 2011 the Company obtained a complete dismissal of the action and also obtained judgement in the amount of $18,724,902 on the cross complaint. The judgement has survived various motions and appeals (up to the California Supreme Court) and, as of September 30, 2020 and 2019, remained outstanding in the amount of $27,307,575, including accrued interest and costs.

NOTE 11 - FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company’s financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments at September 30, 2020 are summarized below. The Board of Directors reviews with management the principal risks affecting the Company and the systems that have been put in place to manage these risks.

Management of Industry Risk
The Company is engaged primarily in mineral exploration and oil and gas development 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.

Financial risk factors
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.

The carrying values of cash is determined using level one of the fair value hierarchy. The carrying value of accounts payable and accrued liabilities, promissory notes, and amount due to related parties approximate their fair value because of the short-term nature of these instruments.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counter-party’s inability to fulfil its payment of liabilities. The credit risk exposure on cash is limited to its carrying amounts at the date of the statements of financial position. The Company’s credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to cash is minimal.

Liquidity risk
Liquidity risk arises from the Company’s general and capital financing needs. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company’s liquidity risk is high due to its working capital deficit. As at September 30, 2020, the Company had a cash balance of $1,684 (2019 - $1,373) to settle current liabilities of $49,107 (2019 - $165,894). All of the Company’s financial liabilities are subject to normal trade terms.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest rate risk
The Company has cash balances and no variable rate debt. The Company’s current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk
The Company’s functional currency is the Canadian dollar. The Company is exposed to foreign currency risk on fluctuations related to accounts payable and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant. The Company manages its exposure to these risks by monitoring its financial instruments, if any, dominated in US dollars. The Company does not engage in any form of derivative or hedging instruments to reduce its foreign currency risk.

NOTE 11 – FINANCIAL RISK AND CAPITAL MANAGEMENT - (continued)

(c) Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil, nonferrous metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Capital management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure for its projects for the benefit of its stakeholders, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. The Company includes the components of shareholders' equity in its management of capital.

As at September 30, 2020, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash. The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

Due to the Company's net loss, the continuation of the Company is dependent upon its ability to attain profitable operations and to generate cash flow and/or to raise equity capital through the sale of its securities, or secure additional exploration funding through option or joint venture agreements on its exploration and evaluation assets, or through the sale of capital assets or exploration and evaluation assets. In order to obtain financing sufficient to continue operations, the Company will continue to seek private placement funding, and joint venture partners and/or exploration funding for its properties. There were no changes in the Company's approach to capital management during the year ended September 30, 2020.

NOTE 12 – DEFERRED INCOME TAX

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate statutory income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2020	2019
Loss before income taxes	$ (49,776)	$ 1,660,311
Corporate statutory tax rate	27%	27%
Expected tax expense (recovery)	(13,440)	448,284
Increase (decrease) resulting from:		
Difference in tax rates in foreign jurisdiction	(164)	3,300
Unrecognized items for tax purposes	7	(484,266)
Change in unrecognized deferred tax asset	37,918	106,573
Effect of change in foreign exchange rates	(24,322)	(73,891)
Deferred income tax provision (recovery)	$ -	$ -

NOTE 12 – DEFERRED INCOME TAX (continued)

The Company's tax-effected deferred income tax assets and liabilities are made up as follows:

	2020	2019
Deferred income tax assets (liabilities)		
Non-capital losses carried forward	$ 4,567,757	$ 4,529,839
Capital losses carried forward	93,567	93,567
Resource property tax pools in excess of carrying value of properties	302,444	302,444
Equipment	938	938
	4,964,706	4,926,788
Unrecognized deferred tax asset		
Deferred tax asset opening	(4,926,788)	(4,820,215)
Change in deferred tax asset	(37,918)	(106,573)
Unrecognized deferred tax asset, closing	(4,964,706)	(4,926,788)
Net deferred tax asset (liability)	$ -	$ -

The Company has Canadian non-capital loss carry forwards of approximately $4,396,000 (2019 - $4,348,000) and US net operating loss carry forwards of approximately US$6,449,000 (2019 – US$6,448,000) which can be applied to reduce future taxable income in Canada and the US respectively, and expiring as follows:

Year of Expiry	Canada (Cdn $)	United States (US$)
2026	387,045	-
2027	358,766	5,155,381
2028	377,911	-
2029	395,293	108,603
2030	238,004	121,632
2031	235,331	498,498
2032	400,998	176,932
2033	612,055	67,585
2034	204,881	73,672
2035	255,815	84,705
2036	212,149	78,436
2037	268,174	64,011
2038	292,059	15,655
2039	109,087	3,182
2040	48,414	954
	$ 4,395,982	$ 6,449,248

In addition, the Company has Canadian exploration and development expenditures of approximately $1,137,662 (2019 - $1,120,162) and capital loss carry-forwards of approximately $693,091 (2019 - $693,091) which may be available to reduce future taxable income. Both the exploration and development expenditures and the capital losses can be carried forward indefinitely.

The Company's California subsidiary has United States resource pools of US$739,188 (2019 - US$739,188) which can be carried forward indefinitely and which may be available to reduce future taxable income.

Due to the uncertainty of realization of these loss carry-forwards and resource tax pools, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the deferred tax assets resulting from these items.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2020:

a) The Company completed a private placement consisting of 550,000 shares for gross proceeds of $55,000 at $0.10 per share.

b) The Company completed a non-brokered private placement of convertible debentures in the principal amount of $250,000. The debentures will mature two years from the date of issue and bear interest at the rate of 5% per annum payable on maturity. The debenture shareholders may convert at any time, all or a portion of the convertible debenture principal into common shares of the Company at a price of $0.10 per common share. The convertible debentures are secured by a general security agreement against the Company's assets.

c) The Company paid $25,000 and issued 100,000 shares to Origen Resources Inc. in connection with the option agreement of Bonanza Property (Note 4).