TEARLACH RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2021

(Expressed in Canadian dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

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

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

		Unaudited June 30, 2021		Audited September 30, 2020
ASSETS				
Current				
Cash	$	211,789	$	1,684
GST recoverable		752		804
Prepaid expense		3,026		-
Total current assets		215,567		2,488
Exploration and evaluation assets (Note 3)		50,500		17,500
TOTAL ASSETS	$	266,067	$	19,988
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current Liabilities				
Accounts payable and accrued liabilities (Note 4 and 6)	$	6,723	$	48,165
Due to related parties (Note 6)		15,326		942
Loans payable (Note 5)		46,852		-
Promissory notes (Note 5)		135,654		-
Total current liabilities		204,555		49,107
Due to related parties (Note 6)		-		13,200
Loans payable (Note 5)		-		43,767
Promissory notes (Note 5)		-		127,726
Convertible debentures (Note 7)		238,322		-
TOTAL LIABILITIES		442,877		233,800
SHAREHOLDERS' DEFICIENCY				
Capital stock (Note 8)		10,496,916		10,433,916
Equity portion of convertible debentures (Note 7)		25,034		-
Special warrants (Note 8)		4,124,926		4,124,926
Reserves		1,537,056		1,537,056
Deficit		(16,360,742)		(16,309,710)
TOTAL SHAREHOLDERS' DEFICIENCY		(176,810)		(213,812)
	$	266,067	$	19,988

Nature of Operations and Going Concern (Note 1)
Contingencies (Note 9)
Subsequent events (Note 11)

Approved on behalf of the Board: August 30, 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
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian funds)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
GENERAL AND ADMINISTRATIVE EXPENSES				
Foreign exchange (gain) loss	$ (29)	$ (94)	$ (3)	$ 98
Office and general	354	303	1,304	884
Interest (Note 5 and 7)	9,904	3,379	24,369	9,632
Professional fees	2,500	2,506	8,622	7,623
Transfer agent and filing fees	5,370	1,852	16,740	8,335
LOSS BEFORE OTHER ITEMS	(18,099)	(7,946)	(51,032)	(26,572)
OTHER ITEMS				
Write-off of debt	-	-	-	26
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (18,099)	$ (7,946)	$ (51,032)	$ (26,546)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING	63,523,557	62,873,557	63,328,869	62,873,557

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

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

	Shares Issued	Capital Stock	Equity portion of convertible debentures	Reserves-Share-based Payments and Other	Special Warrants	Deficit	Total
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 period	-	-	-	-	-	(26,546)	(26,546)
Balance June 30, 2020	62,873,557	10,433,916	-	1,537,056	4,124,926	(16,286,480)	(190,582)
Balance September 30, 2020	62,873,557	10,433,916	-	1,537,056	4,124,926	(16,309,710)	(213,812)
Shares issued for cash (Note 8)	550,000	55,000	-	-	-	-	55,000
Shares issued for property acquisition	100,000	8,000	-	-	-	-	8,000
Convertible debentures issued (Note 7)	-	-	25,034	-	-	-	25,034
Net loss for the period	-	-	-	-	-	(51,032)	(51,032)
Balance June 30, 2021	63,523,557	$ 10,496,916	$ 25,034	$ 1,537,056	$ 4,124,926	$ (16,360,742)	$ (176,810)

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

TEARLACH RESOURCES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian funds)

	Nine months ended June 30, 2021	Nine months ended June 30, 2020
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the period	$ (51,032)	$ (26,546)
Adjustments for items not affecting cash:		
Accrued interest	17,691	9,617
Accretion on convertible debentures	6,678	-
Write-off of debt	-	(26)
	(26,663)	(16,955)
Net changes in non-cash working capital items:		
GST recoverable	52	260
Due to related parties	1,184	(2,027)
Prepaid expenses	(3,026)	-
Accounts payable and accrued liabilities	(33,942)	(2,775)
Net cash used in operating activities	(62,395)	(21,497)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(32,500)	(10,000)
Net cash used in investing activities	(32,500)	(10,000)
FINANCING ACTIVITIES		
Loan proceeds	-	32,005
Convertible debentures issued	250,000	-
Shares issued for cash	55,000	-
Net cash provided by financing activities	305,000	32,005
INCREASE (DECREASE) IN CASH	210,105	508
CASH – BEGINNING OF PERIOD	1,684	1,373
CASH – END OF PERIOD	$ 211,789	$ 1,881

Supplemental information with respect to cash flows

	2021	2020
Equity portion of convertible debentures	$ 25,034	$ -
Shares for property acquisition	$ 8,000	$ -

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 Tier 2 of the TSX Venture Exchange ("Exchange") under the trading symbol TEA.

The condensed interim 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 June 30, 2021, the Company had accumulated losses of $16,360,742 (September 30, 2020 - $16,309,710).

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 condensed interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent 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 interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2020, which have been prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors on August 30, 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 of the audited consolidated financial statements for the year ended September 30, 2020. 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.

(Unaudited – Expressed in Canadian Funds)

NOTE 2 – BASIS OF PREPARATION (continued)

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*.

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 period.

NOTE 3 – 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 (paid) and issuing 100,000 shares (issued) 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 June 30, 2021);
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 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	June 30, 2021	September 30, 2020
Trade payables	$ 6,723	$ 38,165
Accruals	-	10,000
Total	$ 6,723	$ 48,165

(Unaudited – Expressed in Canadian Funds)

NOTE 5 – 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. During the three and nine months ended June 30, 2021, the Company recorded $1,028 and $3,085 (2020 - $736 and $1,436) as interest expense on the loan. At June 30, 2021, the principal amount of loan is $41,205 and accrued interest is $5,647.

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 three and nine months ended June 30, 2021, the Company recorded $2,643 and $7,928 (2020 – $2,643 and $8,182) as interest expense on the promissory note. At June 30, 2021, the principal amount of loan is $105,960 and accrued interest is $29,695.

NOTE 6 - RELATED PARTY TRANSACTIONS

There were no transactions with the related parties during the three and nine months ended June 30, 2021.

During the year ended September 30, 2020, 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.

Amounts owing to related parties were as follows:

	June 30, 2021	September 30, 2020
CFO and companies controlled by the CFO for management fees and expenses		
Current liabilities	$ 15,326	$ 942
Non-current liabilities [1]	-	13,200
	$ 15,326	$ 14,142

[1] Due on June 30, 2022.

Included in accounts payable at June 30, 2021 is $nil (September 30, 2020 - $48) 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 7 - CONVERTIBLE NOTES

On December 18, 2020, the Company issued $250,000 in convertible notes. Each note holder has the right to convert the principal amount of the notes into units of the Company at a rate of $0.10 per unit, with each unit consisting of one common share of the Company and one transferable warrant to a purchase common share at $0.10 per share for a period of two years from the conversion date. The notes have a maturity date of two years from closing and have an interest rate of 5% per annum payable at maturity. The convertible debentures are secured by a general security agreement against the Company's assets.

The Company classified the notes into debt and equity components based on the residual method. The debt component of $224,966 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 10% per annum. An amount of $25,034 representing the estimated value of the right of conversion was included in shareholders' equity as the equity component of convertible notes.

During the three and nine months ended June 30, 2021, the Company recorded interest expense of $3,116 and $6,678 (2020 - $nil and $nil) on the notes. An additional $3,116 and $6,678 (2020 - $nil and $nil) was recorded as interest expense and accreted back to the carrying value of the notes.

NOTE 8 – CAPITAL STOCK

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

On January 5, 2021, the Company 100,000 shares with fair value of $8,000 in connection with the option agreement of Bonanza Property. *(Note 3)*

On December 18, 2020, the Company completed a private placement consisting of 550,000 shares for gross proceeds of $55,000 at $0.10 per share.

Stock Option Plan
In December 2006 the Exchange approved a stock option plan (the '2006 Plan'). Any options granted under the 2006 Plan vest according to the terms deemed appropriate by the directors of the Company and that are in compliance with Exchange policy, or, upon Exchange approval, will vest immediately in the event of a change of control of the Company or takeover bid. 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 20% 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 was 248,195 or such additional amounts as may be approved from time to time by shareholders of the Company. At the Company's annual general meeting on June 26, 2008 the shareholders approved an increase in the number of options which may be granted to 342,978. The Plan was accepted by the exchange on March 30, 2009.

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.

Stock Options
There are no stock options outstanding at June 30, 2021 and September 30, 2020.

Warrants
The Company had no warrants outstanding at June 30, 2021 and September 30, 2020.

Special Warrants
The Company has 1,309,500 special warrants outstanding (September 30, 2020 – 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 9 – 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 June 30, 2021 and September 30, 2020, remained outstanding in the amount of $27,307,575, including accrued interest and costs.

NOTE 10 - 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 June 30, 2021 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. As at June 30, 2021, the Company had a cash balance of $211,789 (September 30, 2020 - $1,684) to settle current liabilities of $204,555 (September 30, 2020 - $49,107). All of the Company's financial liabilities are subject to normal trade terms.

NOTE 10 – FINANCIAL RISK AND CAPITAL MANAGEMENT - (continued)

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.

(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 June 30, 2021, 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 period ended June 30, 2021.