

TEARLACH RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2022

(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, 2022	Audited September 30, 2021
ASSETS		
Current		
Cash	\$ 124,171	\$ 206,427
GST recoverable	2,365	629
Prepaid expense	6,700	1,318
Total current assets	133,236	208,374
Exploration and evaluation assets (Note3)	20,973	-
TOTAL ASSETS	\$ 154,209	\$ 208,374
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 5,841	\$ 20,444
Due to related parties (Note 6)	13,358	15,976
Loans payable (Note 5)	50,969	47,887
Promissory notes (Note 5)	146,247	138,322
Convertible debentures (Note 7)	257,452	-
Total current liabilities	473,867	222,629
Convertible debentures (Note 7)	-	233,294
TOTAL LIABILITIES	473,867	455,923
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 8)	10,494,478	10,494,478
Equity portion of convertible debentures (Note 7)	42,060	42,060
Special warrants (Note 8)	4,124,926	4,124,926
Reserves	1,537,056	1,537,056
Deficit	(16,518,178)	(16,446,069)
TOTAL SHAREHOLDERS' DEFICIENCY	(319,658)	(247,549)
	\$ 154,209	\$ 208,374

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

Approved on behalf of the Board: August 25, 2022

“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,		Nine months ended June 30,	
	2022	2021	2022	2021
GENERAL AND ADMINISTRATIVE EXPENSES				
Foreign exchange loss	\$ 62	\$ (29)	\$ 153	\$ (3)
Office and general	105	354	1,451	1,304
Interest (Note 5 and 7)	12,299	9,904	35,165	24,369
Professional fees	7,261	2,500	19,933	8,622
Property Examination Cost	-	-	7,897	-
Transfer agent and filing fees	689	5,370	7,510	16,740
LOSS BEFORE OTHER ITEMS	(20,416)	(18,099)	(72,109)	(51,032)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (20,416)	\$ (18,099)	\$ (72,109)	\$ (51,032)
BASIC AND DILUTED LOSS PER SHARE				
	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING	63,523,557	63,523,557	63,523,557	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, 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)
Balance September 30, 2021	63,523,557	10,494,478	42,060	1,537,056	4,124,926	(16,446,069)	(247,549)
Net loss for the period	-	-	-	-	-	(72,109)	(72,109)
Balance June 30, 2022	63,523,557	\$ 10,494,478	\$ 42,060	\$ 1,537,056	\$ 4,124,926	\$ (16,518,178)	\$ (319,658)

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,	
	2022	2021
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (72,109)	\$ (51,032)
Adjustments for items not affecting cash:		
Accrued interest	19,946	17,691
Accretion on convertible debentures	15,219	6,678
	(36,944)	(26,663)
Net changes in non-cash working capital items:		
GST recoverable	(1,736)	52
Due to related parties	(2,618)	1,184
Prepaid expenses	(5,382)	(3,026)
Accounts payable and accrued liabilities	(14,603)	(33,942)
Net cash used in operating activities	(61,283)	(62,395)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(20,973)	(32,500)
Net cash used in investing activities	(20,973)	(32,500)
FINANCING ACTIVITIES		
Convertible debentures issued	-	250,000
Shares issued for cash less share issue cost	-	55,000
Net cash provided by financing activities	-	305,000
(DECREASE) INCREASE IN CASH	(82,256)	210,105
CASH – BEGINNING OF PERIOD	206,427	1,684
CASH – END OF PERIOD	\$ 124,171	\$ 211,789
Supplemental information with respect to cash flows		
Equity portion of convertible debentures	\$ -	\$ 25,034
Exploration expenditures included in accounts payable	\$ -	\$ -
Shares for property acquisition		\$ 8,000

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

TEARLACH RESOURCES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2022
(Unaudited – Expressed in Canadian Funds)

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, 2022, the Company had accumulated losses of \$16,518,178 (September 30, 2021 - \$16,446,069).

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, have 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, 2021, which have been prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors on August 25, 2022.

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, 2021. 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.

TEARLACH RESOURCES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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

Savant East Project

On January 21, 2022, the Company entered into an option agreement to acquire a 100% interest in the Savant East project. (the “Project”) located in Ontario. Under the terms of the option agreement, the Company may earn a 100% interest in the Project by paying an aggregate of \$97,000 cash (\$16,000 paid) over a three-year period.

The project is subject to a 1.5% net smelter royalty (“NSR”) on the property, of which the Company can purchase 0.5% of the NSR for \$500,000.

During the period ended June 30, 2022, the Company incurred exploration expenses of \$4,973 on the Savant East Project.

Bonanza Mountain Project

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 expending \$500,000 in exploration expenditures (\$7,500 incurred), paying an aggregate of \$210,000 cash (\$35,000 paid) and issuing 500,000 shares (100,000 shares) to Origen over a three-year period.

During the period ended, the Company relinquished its rights to the Bonanza Property. The Company recorded an impairment of exploration and evaluation assets of \$50,500 during the year ended September 30, 2021.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were comprised of the following:

	June 30, 2022	September 30, 2021
Trade payables	\$ 5,841	\$ 5,444
Accruals	\$ -	\$ 15,000
Total	\$ 5,841	\$ 20,444

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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, 2022, the Company recorded \$1,027 and \$3,082 (2021 - \$1,028 and \$3,085) as interest expense on the loan. On June 30, 2022, the principal amount of the loan is \$41,205 and accrued interest is \$9,764 (September 30, 2021: \$41,205 and \$6,682, respectively). On June 30, 2022 the Company agreed with lender to extend the repayment date of the loan to December 18, 2022.

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 six months ended June 30, 2022, the Company recorded \$2,642 and \$7,925 (2021 - \$2,643 and \$7,928) as interest expense on the promissory note. On June 30, 2022, the principal amount of the loan is \$105,960 and accrued interest is \$40,287 (September 30, 2021: \$105,960 and \$32,362, respectively). On June 30, 2022 the Company agreed with lender to extend the repayment date of the promissory note to December 18, 2022.

NOTE 6 - RELATED PARTY TRANSACTIONS

There were no transactions with the related parties during the period ended June 30, 2022.

Amounts owing to related parties were as follows:

	June 30, 2022	September 30, 2021
CFO and companies controlled by the CFO for management fees and expenses		
Current liabilities	\$ 13,358	\$ 15,976
	\$ 13,358	\$ 15,976

Included in accounts payable at June 30, 2022, is \$39 (September 30, 2021 – \$41) from a 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 \$207,940 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 \$42,060, 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, 2022, the Company recorded interest expense of \$3,151 and \$8,939 (2021 - \$3,116 and \$6,678) on the notes. An additional \$5,479 and \$15,219 (2021 - \$4,997 and \$9,774) were recorded as interest expense and accreted back to the carrying value of the notes.

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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 the 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. The Company recorded share issue costs of \$2,438.

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, 2022, and September 30, 2021.

Warrants

The Company had no warrants outstanding at June 30, 2022, and September 30, 2021.

Special Warrants

The Company has 1,309,500 special warrants outstanding (September 30, 2021 – 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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 a 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, 2022, and September 30, 2021, 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, 2022, 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 amounts 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, 2022, the Company had a cash balance of \$124,171 (September 30, 2021 - \$206,427) to settle current liabilities of \$473,867 (September 30, 2021 - \$222,629). All of the Company’s financial liabilities are subject to normal trade terms.

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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, 2022, 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, 2022.

NOTE 11 – SUBSEQUENT EVENTS

On August 22, 2022, the Company entered into an option agreement to acquire 100% of the Ferland Project, comprised of 6 mining claims in Ontario (the "Project"). Under the terms of the option agreement, the Company may earn a 100% interest in the Project by:

Paying an aggregate of \$92,000 cash over a three-year period as follows:

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- i) \$15,000 upon signing; (paid)
- ii) \$18,000 on the first anniversary of signing the option agreement;
- iii) \$24,000 on the second anniversary of signing the option agreement and
- iv) \$35,000 on the third anniversary of signing the option agreement and.

Upon exercise of the option, the Vendors will be granted a 1.5% net smelter royalty ("NSR") on the property, of which the Company can purchase 0.5% of the NSR for \$500,000 at any time.