REGAL RESOURCES INC.
RESPONSIBLE EXPLORATION & DEVELOPMENT

Interim Consolidated Financial Statements

For the Three and Nine Months Ended April 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

INDEX

Regal Resources Inc.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at April 30, 2021 and July 31, 2020
(Expressed in Canadian Dollars)

	Note	April 30, 2021 $	July 31, 2020 $
			(audited)
ASSETS			
Current			
Cash		69,720	-
Sales tax receivables		58,213	45,770
Loan receivable	5	198,011	190,511
Prepaid expenses		6,207	6,207
		332,151	242,488
Non-current			
Mineral property interests	3	671,634	671,634
		671,634	671,634
		1,003,785	914,122
LIABILITIES			
Current			
Trade and other payables	6	1,470,569	1,244,582
Due to related parties	10	145,949	145,949
Loans payable	8	1,406,662	1,196,069
Convertible debenture	7	900,000	900,000
		3,923,180	3,486,600
DEFICIT			
Share capital	9	5,375,547	5,375,547
Reserves		1,998,208	1,998,208
Deficit		(10,293,150)	(9,946,233)
		(2,919,395)	(2,572,478)
		1,003,785	914,122

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Matt Sauder ", Director *"Martin Carsky"*, Director

– See Accompanying Notes –

Regal Resources Inc.
INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the Three and Nine Months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

		Three Months ended April 30,		Nine Months ended April 30,	
	Note	**2021 $**	**2020 $**	**2021 $**	**2020 $**
Expenses					
Depreciation and impairment	4		133	-	399
Finance costs	7, 8	89,708	72,137	241,052	217,168
Foreign exchange (gain) loss		(11,180)	-	(11,180)	-
Interest income	5	(2,500)	(2,500)	(7,500)	(7,500)
Investor relations		245	220	1,592	580
Management fees	10	-	12,600	-	37,800
Office and miscellaneous		28	131	267	2,069
Professional fees		53,427	8,277	117,148	82,579
Regulatory fees		762	787	5,538	2,713
		(130,490)	(91,785)	(346,917)	(335,808)
Net loss and comprehensive loss for year		(130,490)	(91,785)	(346,917)	(335,808)
Basic and diluted loss per share		(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding		48,521,958	48,521,958	48,521,958	48,521,958

- See Accompanying Notes -

Regal Resources Inc.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT
For the Three and Nine Months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Reserves $	Deficit $	Total Equity $
Balance at July 31, 2020	**48,521,958**	**5,375,547**	**1,998,208**	**(9,946,233)**	**(2,572,478)**
Net loss	-	-	-	(103,425)	(103,425)
Balance at November 30, 2020	**48,521,958**	**5,375,547**	**1,998,208**	**(10,049,65**	**(2,675,903)**
Net loss	-	-	-	(113,002)	(113,002)
Balance at January 31, 2021	**48,521,958**	**5,375,547**	**1,998,208**	**(10,162,66**	**(2,788,905)**
Net loss	-	-	-	(130,490)	(130,490)
Balance at April 30, 2021	**48,521,958**	**5,375,547**	**1,998,208**	**(10,293,15**	**(2,919,395)**

	Number of Shares	Share Capital $	Reserves $	Deficit $	Total Equity $
Balance at July 31, 2019	**48,521,958**	**5,375,547**	**1,998,208**	**(9,446,813)**	**(2,073,058)**
Net loss	-	-	-	(123,242)	(123,242)
Balance at November 30, 2019	**48,521,958**	**5,375,547**	**1,998,208**	**(9,570,055)**	**(2,196,300)**
Net loss	-	-	-	(120,781)	(120,781)
Balance at January 31, 2020	**48,521,958**	**5,375,547**	**1,998,208**	**(9,690,836)**	**(2,317,081)**
Net loss	-	-	-	(91,785)	(91,785)
Balance at April 30, 2020	**48,521,958**	**5,375,547**	**1,998,208**	**(9,782,621)**	**(2,408,866)**

- See Accompanying Notes -

Regal Resources Inc.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months ended April 30, 2021 and 2020
(Expressed in Canadian Dollars)

	April 30, 2021 $	April 30, 2020 $
OPERATING ACTIVITIES:		
Net loss for the year	(346,917)	(335,808)
Items not involving cash:		
Depreciation and impairment	-	399
Accrued interest income	(7,500)	(7,500)
Accrued interest expense	241,052	217,168
Foreign exchange on loan payable	(2,238)	-
Changes in non-cash working capital:		
Receivables	(12,443)	(12,272)
Accounts payable and accrued liabilities	(15,065)	(37,879)
Due to related parties	-	90,000
Net cash used in operating activities	(143,111)	(85,892)
INVESTING ACTIVITY:		
Net cash provided by investing activity	-	-
FINANCING ACTIVITY:		
(Repayment) to loan payable	(15,000)	-
Proceeds from loan payable	227.831	96,054
Net cash provided by financing activity	212,831	96,054
Increase (decrease) in cash	69,720	10,162
Cash (bank indebtedness) at beginning of year	-	(9,838)
Cash (bank indebtedness) at end of year	69,720	324
Supplemental cash flow information:		
Interest paid (note 8)	9,894	30,000

- See Accompanying Notes –

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Regal Resources Inc. (the "Company") was incorporated under the *Business Corporations Act* of British Columbia on January 24, 2006 and maintains its head office and registered office at 1406 – 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3. The Company is engaged in the acquisition, exploration and development of its mineral properties, located in Arizona, USA. The Company was suspended from trading on the Canadian Securities Exchange on April 25, 2016 and trading has not been reinstated to date.

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their development and establish future profitable operations or realize proceeds from their sale.

The following table is the reported net loss for nine months ended April 30, 2021, and 2020, and accumulated deficit and working capital at the respective dates.

	April 30, 2021 $	April 30, 2020 $
Net Loss	(346,917)	(335,808)
Deficit	(10,293,150)	(9,782,621)
Working capital deficit	(3,591,029)	(3,082,120)

The Company has sustained losses from operations and has an ongoing requirement for capital investment for its mineral property interests; these conditions cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent primarily upon its ability to obtain necessary financing from the issuance of shares, borrowing or from other sources. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

On August 6, 2020 the Company held its Annual General Meeting of Shareholders (the "Meeting"). At the Meeting the following individuals were appointed to the Company's board of directors: Matthew Sauder; Martin Carsky; Derek Daly; Tony Louie; Drew Brass.

Following the Meeting the Board of Directors approved the following appointments for the ensuing year: Matthew Sauder – Chairman of the Board, member of the Audit Committee and President and Chief Executive Officer; Derek Daly - Chief Financial Officer and member of the Audit Committee; and Martin Carsky – Chair of the Audit Committee.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak has caused staff shortages, reduced consumer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments. There may be potential difficulties in accessing the Company's exploration and evaluation projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim consolidated financial statements for the nine months ended April 30, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued the International Accounting Standards Board. The interim consolidated financial statements are prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these interim consolidated financial statements are prepared using the accrual basis of accounting, except for cash flow information. All financial information is presented in Canadian dollars, the Company's functional currency, unless otherwise stated.

Approval of interim consolidated financial statements

The interim consolidated financial statements of the Company were authorized for issue by the Board of Directors on June 28, 2021.

Basis of consolidation

The interim consolidated financial statements include the accounts of the Company and subsidiaries the Company controls, Regal Resources USA, Inc and Arizona Standard LLC. All significant intercompany balances and transactions were eliminated upon consolidation.

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

Significant accounting estimates and judgments

The preparation of these interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported expenses during the periods. Actual outcomes could differ from these estimates.

Critical accounting judgments

Significant judgments made by management in the application of IFRS during the preparation of the interim consolidated financial statements and estimates with a risk of material adjustment are as follows:

(a) Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management's strategic planning. Should those judgements prove to be inaccurate, management's continued use of the going concern assumptions may be inappropriate.

(b) Impairment assessment

At each financial position reporting date, the carrying amounts of the Company's long-term assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting estimates and judgments (continued)

Critical accounting judgments (continued)

(c) Recoverability of loan receivable

The recoverable amount of the loan receivable is determined through the credit evaluations of the borrower and the history of non-payment. The Company assesses the provision for potential write-offs of loan receivable and the recoverable amount is estimated in order to determine the extent of the write-off, if any.

While management believes these judgments and estimates are reasonable, actual results could differ from those estimates and could impact future results of comprehensive loss and cash flows. The estimates and underlying assumptions are reviewed on an ongoing basis.

Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the date of the consolidated statement of financial position;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding depreciation, which is translated at the same rate as the related asset), at the rates of exchange at the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

Equipment

Equipment is carried at cost, less accumulated depreciation and impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated over the estimated useful life of the assets using the declining-balance method at an annual rate of 30% for equipment.

Mineral property interests

The Company defers all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the interest for an amount exceeding the deferred costs, provision is made for the impairment in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral property interests (continued)

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Impairment of mineral property interests

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral property interests is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value of money and the risks specific to the asset.

The Company has determined that no impairment of mineral property interests is applicable.

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of estimated costs is capitalized by increasing the carrying amount of related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The Company has determined that no rehabilitation provision is applicable.

Share-based payments

The Company accounts for share-based payments using a fair value-based method with respect to all share-based payments measured and recognized, to directors, employees and non-employees.

For directors and employees, the fair value of the options is measured at grant date using the Black-Scholes option pricing model. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

The fair value of the options is accrued and charged either to operations or mineral interests, with the offset credit to reserves. For directors and employees, the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (continued)

The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

- Exercise price
- Expected life of the award
- Forfeiture rate
- Current market price of the underlying shares
- Risk-free interest rate
- Expected volatility

Income taxes

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous periods.

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets

Loss per share

Basic income (loss) per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income (loss) per share is computed using the treasury stock method, under which the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised.

Financial instruments

Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value, net of transaction costs that are directly attributable to its acquisition, except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial Assets (continued)

De-recognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVOCI remain within accumulated other comprehensive income (loss).

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

3. MINERAL PROPERTY INTERESTS - Patagonia Property, Santa Cruz County, Arizona

The Company entered into an option agreement with MinQuest Inc. ("MinQuest") (the "Agreement") dated January 11, 2010 to acquire certain mining claims known as the Patagonia Property, located in Santa Cruz County, Arizona. MinQuest Inc. is a private company in which a former director owns 50%. On November 17, 2011, MinQuest signed an amendment to the option agreement with the Company on the Patagonia Property whereby the work commitment schedule is extended by approximately 18 months. On February 1, 2012, the Company entered into a definitive agreement (the "Purchase Agreement") with MinQuest to acquire all of the claims comprising the Patagonia (Sunnyside) project.

3. MINERAL PROPERTY INTERESTS (continued)

Under the terms of the Purchase Agreement, in consideration for the Patagonia Property, the Company will pay to MinQuest the sum of US$800,000, of which US$100,000 (paid) was forwarded as a non-refundable deposit within three business days of signing the Purchase Agreement, and US$400,000 (paid) as a non-refundable deposit within three business days of April 30, 2012 and the remaining US$300,000 (paid) shall be paid at the closing date on May 31, 2012 On April 30, 2012, MinQuest signed an amendment to the Purchase Agreement with the Company to extend the closing date to July 31, 2012.

In consideration for the extension of the closing date, the Company paid US$400,000 to be applied to the non-refundable deposit, issued 50,000 common shares of the Company and paid the remainder of US$300,000 by July 31, 2012.

The Purchase Agreement also provides that MinQuest retain a 1.5% royalty on the net smelter returns ("NSR") from the Property, which can be converted at MinQuest's election into common shares of the Company in certain circumstances Further, the Purchase Agreement provides that MinQuest will assign its rights and obligations under an agreement among MinQuest, Russell Corn and Brian Corn pertaining to certain claims (the "Corn Claims"), which form part of the Property MinQuest has also agreed to assist the Company in negotiating the purchase of the Corn Claims, for which the Company will be responsible for $100,000 of the purchase price If such purchase is successful within 90 days of the closing of the transactions contemplated by the Purchase Agreement, MinQuest shall also receive a 1.5% royalty on the NSR from the Corn Claims.

The option payments assumed by the Company are as follows:
(i) US$10,000 on or before December 5, 2011 (paid);
(ii) US$20,000 on or before December 5, 2012 (paid);
(iii) US$30,000 on or before December 5, 2013 (paid)
(iv) US$40,000 on or before December 5, 2014; (paid)
(v) US$40,000 on or before December 5, 2015; (paid)
(vi) US$40,000 on or before December 5, 2016; and (paid)
(vii) US$200,000 on or before December 5, 2017. (paid by Barksdale Capital Corp.)

On August 10, 2017, the Company entered into an arm's length definitive agreement (the "Sunnyside Agreement") with Barksdale Capital Corp. ("Barksdale") to sell, by way of option (the "Option"), up to 67.5% of the Sunnyside Property located in Santa Cruz County, Arizona. Through a Limited Liability Company Operating Agreement ("LLC Agreement"), the Company and Barksdale incorporated Arizona Standard LLC ("Arizona LLC") whereby the Company will contribute the Sunnyside project to Arizona LLC and Barksdale will conduct exploration on the Sunnyside property. The Option is exercisable in two stages with Barksdale entitled to acquire an initial 51% interest in the Sunnyside Property upon making payments totaling $2,950,000 cash, and the issuance of 10,100,000 common shares to the Company, and cumulative expenditures of $6,000,000 on the property during the first two years of the Option (following receipt of all required governmental permits). Upon acquiring an initial 51% interest in the Sunnyside Property, Barksdale will be entitled to increase its interest to 67.5% upon payment of an additional $550,000 cash, the issuance of 4,900,000 common shares to the Company, and the expenditure of an additional $6,000,000 on the property within a further two-year period.

The Company received cash payment in the totaling amount of $750,000 during the year ended July 31, 2018 and received 1,250,000 common shares of Barksdale in April 2018 . The 1,250,000 common shares of Barksdale had a fair value of $975,000 based on the market value of Barksdale shares on the date received.

(Expressed in Canadian Dollars)

3. MINERAL PROPERTY INTERESTS (Continued)

In October 2017, pursuant to the Option agreement, Barksdale holds 3,850,000 shares in escrow which will be cancelled and returned to treasury if Barksdale determined not to proceed with the Option after completing its initial exploration of the Sunnyside Property. The shares held in escrow will be released to Regal once Barksdale has obtained all required government permits.

From August 1, 2017 to April 30, 2021, the Company had the following exploration activity:

	Patagonia $
Balance, April 30, 2021, July 31, 2020 and 2019	671,634

Realization of assets

The investment in and expenditures on mineral property interests comprise substantially all of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to mineral property interests
Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	Office equipment $
Cost	
Balance at July 31, 2019 and 2020	8,045
Accumulated Amortization	
Balance at July 31, 2019	6,026
Depreciation expense	2,019
Balance at July 31, 2020	8,045
Depreciation expense and impairment	-
Balance at April 30, 2021	8,045
Carrying Amounts	
July 31, 2020	-
April 30, 2021	-

5. LOAN RECEIVABLE

On July 12, 2011, the Company loaned $100,000 to the Company's CEO at the time. The terms were for three and one-half months with simple interest of 10% per annum. The following table is a summary of the loan receivable:

Balance, July 31, 2020	$	190,511
Interest income		7,500
Balance, April 30, 2021	$	198,011

6. TRADE AND OTHER PAYABLES

Trade and other payables for the Company are comprised of the following:

	Note	April 30, 2021 $	July 31, 2020 $
Trade payables		202,797	205,050
Interest payable	9	754,628	616,830
Interest payable related parties	11,8	498,395	406,610
Advance payable		14,749	16,092
Total		1,470,569	1,244,582

All trade and other payables for the Company are expected to be paid within the next 12 months.

7. CONVERTIBLE DEBENTURE

On August 29, 2012, the Company borrowed $900,000 by issuing a convertible debenture to a relative of the former CEO and director of the Company (the "Debenture"). The Debenture bears interest at 12% per annum, payable quarterly, for a term of three years, convertible in whole or in part by the holder into units of the Company at the conversion price of $0.10 per unit, each unit to be comprised of one common share of the Company and one non-transferable warrant exercisable for a period of two years from the date of conversion at an exercise price of $0.20 per share. The Debenture had a maturity date of August 29, 2015. As that date has passed, the loan is in default. The Company may pay the principal sum under the Debenture in whole or in part, together with all

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURE (continued)

interest accrued and unpaid to the date of payment, at any time without notice, bonus or penalty. The Debenture was secured by a floating charge security interest in all of the Company's present and after acquired personal property, and a first fixed charge against the Company's mineral property interest. During the year ended July 31, 2018, the Company paid $100,000 to the Debenture holder to release the security of the Debenture against the mineral property interests which is recorded in finance costs. The Debenture is transferable and assignable by the lender. The Debenture holder may accelerate repayment of up to $150,000 on 30 days' notice.

On initial recognition, the Company allocated the proceeds of the compound financial instruments between the liability component and the equity component using the residual value method. The liability component was measured at fair value. Fair value is based on the market price of the debentures, or if no market price exists, fair value is determined by discounting the cash flows using a discount rate for a similar instrument with no conversion feature, which management has estimated to be 20%. The residual value was allocated to the equity component in reserves.

	Face Value $	Equity Portion $	Liability Portion $
Convertible debenture	900,000	139,859	760,141

The carrying value of the liability portion of the convertible debenture is as follows:

Balance, July 31, 2020 and April 30, 2021	$	900,000

The interest expense recorded in finance costs during the three and nine months ended April 30, 2021 were $26,334 and $80,778, respectively. The interest expense recorded in finance costs during the three and nine months ended April 30, 2020 were $26,630 and $81,074, respectively.

Interest payable included in trade and other payables is as follows:

	April 30, 2021 $	July 30, 2020 $
Interest payable	484,919	404,141

On August 10, 2020, the Company received notice from the holder of the Convertible Debenture that the holder wished to convert the entire amount of the debenture plus all accrued interest into shares of the Company. Subsequent to the period covered by this report the holder petitioned the British Columbia Securities Commission to allow a partial revocation of the current cease trade order to permit the issuance of shares to settle the outstanding balance. Refer to Subsequent Events.

8. LOANS PAYABLE

Loan payable consists of the following loans:

		April 30, 2021 $	July 31, 2020 $
May and August 2016 Loan	(1)	1,000,000	1,000,000
August 2016 Loan	(2)	-	15,000
February 2017 Loan	(3)	35,000	35,000
May 2017 Loan	(4)	24,570	26,807
January 2020 and March 2021 Loan	(5)	347,092	119,262
Total		1,406,662	1,196,069

(Expressed in Canadian Dollars)

8. LOANS PAYABLE (Continued)

Interest and financing costs recorded in three and nine months ended April 30, 2021 and 2020 is as follows:

		Three Months ended April 30,		**Nine Months ended April 30,**	
		2021	**2020**	**2021**	**2020**
		$	**$**	**$**	**$**
May and August 2016 Loan	(1)	56,428	41,679	141,637	126,888
August 2016 Loan	(2)	281	619	1,546	1,883
February 2017 Loan	(3)	1,024	1,036	3,141	3,153
May 2017 Loan	(4)	899	1,018	2,901	3,015
January 2020 and March 2021 Loan	(5)	4,742	1,155	11,049	1,155
Total		63,299	45,507	160,274	136,094

(1) May and August 2016 Loan

On May 30, 2016 and August 29, 2016, the Company entered into unsecured loans with a third party in the amounts of $350,000 and $650,000, respectively. The loans bear interest at 12% per annum, compound annually on the basis of a 365-day calendar year, was due for repayment in 12 months and 6 months, respectively. Currently, the loans are in default as the Company did not make any cash payments for interest and principal.

Interest payable included in trade and other payables and the principal outstanding as at each period-end are as follows:

	April 30, 2021	**July 31, 2020**
	$	**$**
Interest payable	719,708	578,071
Loan payable	1,000,000	1,000,000

(2) August 2016 Loan

On August 25, 2016, the Company entered into an unsecured loan with a third party in the amount of $15,000. The loan bears interest at 12% per annum and compounds annually on the basis of a 365-day calendar year, and was due for repayment in 12 months. The Company made cash payment to interest and principal during the period ended April 30, 2021.

Interest payable included in trade and other payables and the principal outstanding as at each period-end are as follows:

	April 30, 2021	**July 31, 2020**
	$	**$**
Interest payable	-	8,422
Loan payable	-	15,000

(3) February 2017 Loan

On February 8, 2017, the Company entered into an unsecured loan with a third party in the amount of $35,000. The loan bears interest at 12% per annum and compounds annually on the basis of a 365-day calendar year, and was due for repayment in 12 months. Currently, the loan is in default as the Company did make any cash payment to interest and principal.

(Expressed in Canadian Dollars)

8. LOANS PAYABLE (Continued)

(3) February 2017 Loan (continued)

Interest payable included in trade and other payables and the principal outstanding as at each period-end are as follows:

	April 30, 2021 **$**	**July 31, 2020** **$**
Interest payable	17,720	14,579
Loan payable	35,000	35,000

(4) May 2017 Loan

On May 1, 2017, the Company entered into an unsecured loan with a third party in the amount of USD $20,000. The loan bears interest at 15% per annum, was due for repayment in 6 months, and the Company will issue USD $2,000 worth of stock at $0.10 per share as a bonus. The loan is in default as the Company did make any cash payment to interest and principal and the bonus shares have not been issued.

Interest payable included in trade and other payables and the principal outstanding as at each period-end are as follows:

	April 30, 2021 **$**	**July 31, 2020** **$**
Interest payable	17,199	15,758
Loan payable	24,570	26,807

(5) January 2020 and March 2021 Loan

A company controlled by Matthew Sauder, a director and officer of the Company provided funds to be used for ongoing expenditures incurred in connection with the expenses incurred in the normal course, preparation of financial statements, the engagement of the Company's auditor, legal fees, and other activities related or incidental to the investigating the removal of the 2015 CTO. The advances provided by Mr. Sauder bear interest at a rate of 5% per annum from the date of each advance and are payable on demand, with no security. On October 13, 2020, the Company and a company controlled by Matthew Sauder, an officer and director of the Company (the "Lender") entered into a Loan Agreement (the "Loan") with respect to prior advanced funds up to the date of the agreement (the January 2020 loan proceeds) of approximately $145,000 and an additional amount of $100,000 deposited to the Company's corporate bank account. Under the terms of the Loan, the principal amount shall accrue interest at a rate of 6% per annum, calculated and compounded monthly. The Loan and any and all accrued interest is due on demand and may be repaid in whole or in part by the Company without bonus or penalty. The Loan advanced and all interest accrued thereon shall be secured by a general security agreement dated as of the date of the Loan, with such amendments, modifications or supplements as the parties may agree to from time to time, whereby the Company will grant to the Lender a security interest in all of the Company's personal property, as out in the Security Agreement, evidencing the liability of the Company with respect to the Loan.

Accrued interest is due on demand and may be repaid in whole or in part by the Company without bonus or penalty. The Loan advanced and all interest accrued thereon shall be secured by a general security agreement dated as of the date of the Loan, with such amendments, modifications or supplements as the parties may agree to from time to time, whereby the Company will grant to the Lender a security interest in all of the Company's personal property, as set out in the Security Agreement, evidencing the liability of the Company with respect to the Loan.

(Expressed in Canadian Dollars)

8. LOANS PAYABLE (Continued)

(5) January 2020 and March 2021 Loan

Interest payable included in trade and other payables and the principal outstanding as at each year-end are as follows:

	April 30, 2021 $	July 31, 2020 $
Interest payable	13,476	2,469
Loan payable	347,092	119,262

9. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Issued

No shares were issued during the periods ended April 30, 2021 and 2020.

Stock options

On April 9, 2013, the Company adopted a new stock option incentive plan that reserves for issuance a maximum of 6,972,627 common shares in the capital of the Company (which was 20% of the Company's currently then issued and outstanding common shares) for exercise of incentive stock options granted to persons eligible under and governed by the 2013 Plan (the "Plan"). The Company's prior 10% rolling stock option plan was concurrently terminated and all options outstanding under the prior plan are now governed by the Plan.

Under the Plan, the exercise price of any stock option granted may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less discount permitted by the policies of the Exchange. The options can be granted for a maximum of ten years and vesting is determined by the Board of Directors at the time of the grant.

A summary of the Company's stock options and changes during the fiscal years are as follows:

	April 30, 2021		July 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	200,000	$0.15	820,000	$0.15
Expired	(200,000)	$0.15	(620,000)	$0.15
Closing balance	-	-	200,000	$0.15

A summary of the stock options outstanding is as follows:

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

Stock options (continued)

		April 30, 2021			July 31, 2020		
Grant Date Fair Value	Expiry Date	Number Of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$0.052	September 8, 2020	-	-	-	200,000	$0.15	0.11

All stock options have expired unexercised.

10. RELATED PARTY TRANSACTIONS

Key management compensation

The following related party transactions are in addition to those disclosed elsewhere in these consolidated financial statements:

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include all directors and officers. Key management compensation comprises:

	Three Months ended April 30,		Nine Months ended April 30,	
	2021 $	2020 $	2021 $	2020 $
Management fees	-	12,600	-	37,800

During the fiscal year ended July 31, 2020, the Company paid or accrued fees for the former CEO and director based on compensation of $50,000 per year for management services. There were no further fees incurred from the former director and CEO after July 31, 2020.

As at April 30, 2021 and July 31, 2020, the following amounts were included in trades and other payables owing to those directors and (former) officers for management fees and expense reimbursements.

	April 30, 2021 $	July 31, 2020 $
Included in trade and other payables:		
Interest payable on convertible debenture (Note 7) [1]	484,919	404,141
Interest payable on loan payable (Note 8(5)) [2]	13,476	2,469
Fees payable to former Director and Officer	27,500	27,500
Total	525,895	434,100
Included in trade and other payables:		
loan payable (Note 8(5))	347,092	119,262
Included in due to related parties:		
Due to CEO and director [2]	143,444	143,444
Due to entity controlled by director [3]	2,505	2,505
Total	145,949	145,949

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (continued)

[1] Interest accrued on the convertible debenture due to a family member of the former CEO and former director (Note 7).
[2] Interest accrued on the loan payable due to a director and officer of the Company (Note 8(5)).
[3] TAC Gold Corp., an entity controlled by a former director of the Company, advanced $2,505 to the Company for working capital purposes. These amounts are interest-free and payable on demand.

The amounts due to related parties are unsecured, without interest or specified terms of repayment.

11. SEGMENTED INFORMATION

The Company has one industry segment, the exploration and development of mineral property interests, and operates in two geographic segments, Canada and the USA. As at each year end, mineral property interests are held in the USA as below:

April 30, 2021	July 31, 2020
$671,634	$671,634

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The carrying values of loan receivable, bank indebtedness, trade and other payables, loans payable, convertible debenture, and due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

The fair value of loan receivable approximates its carrying value, as the loan bears interest at the market rate of interest.

Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and loan receivable.

The loan receivable of $198,011 (July 30, 2020 - $190,511) is due from an officer of the Company. Management has determined there is no credit risk under the expected credit loss model.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to mitigating liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company has a working capital deficit at April 30, 2021 of $3,591,029 and July 31, 2020 of $3,239,112, respectively and will be required to generate additional funding to meet its contractual financial liabilities. As at April 30, 2021 and July 31, 2020, all of the Company's financial liabilities are due within one year.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(i) Interest rate risk

The Company is exposed to interest rate risk on the loan receivable with interest rate set at 10%, loans payable with interest rates from 12% – 15%, and on the convertible debenture with interest rate set at 12%.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars). The Company does not manage currency risk through hedging or other currency management tools.

The Company's net exposure to foreign currency risk is as follows:

	April 30, 2021 $	July 31, 2020 $
Accounts payable	(63,508)	(63,508)
Total exposure to currency risk	(63,508)	(63,508)
Canadian dollar equivalent	(83,195)	(83,195)
Estimated fluctuations in FX	10%	10%
Estimated impact on Company's net loss and comprehensive loss	8,320	8,320

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

There is no change to the Company's approach to risk management during the years.

13. CAPITAL MANAGEMENT

The Company is an exploration stage company and currently does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget to manage its costs and commitments.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements.

13. CAPITAL MANAGEMENT (Continued)

There have been no changes to the Company's approach to capital management during the nine months ended April 30, 2021.

The Company's capital management objective is to maximize investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving this objective requires management to consider the underlying nature of exploration activities, availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the nine months ended April 30, 2021.

14. SUBSEQUENT EVENTS

Purchase Agreement – Barksdale

The Company has entered into a definitive share purchase agreement dated May 11,2021 (the "**Purchase Agreement**") with Barksdale Resources Corp. ("**Barksdale**"),whereby Barksdale will consolidate a 100% interest in the Sunnyside project, located in Santa Cruz County, Arizona, USA (the "**Transaction**"), through the acquisition, by way of share purchase, of Regal Resources USA, Inc. ("**Regal USA**"),a wholly-owned subsidiary of Regal. Total consideration for the Transaction consists of the following:

(i) issuance of up to 18,150,000 common shares of Barksdale ("**Consideration Shares**");

(ii) release of 3,850,000 common shares of Barksdale (the "**Escrow Shares**") that have been held in escrow pursuant to the existing option agreement and related contribution agreement, both dated August 10, 2077, between the Company's wholly-owned subsidiary, Arizona Standard (US) Corp. ("**BarksdaleUSA**"), and Regal USA (collectively the "**2017 Option Agreement**");

(iii) acquisition and forgiveness of up to $4,000,000 of Regal's existing debt facilities ("**Debt Acquisition**"); and

(iv) future payments by Barksdale of the amount equal to the US Federal FIRPTA payable by Regal on the amount by which the total agreed present value of the Consideration Shares and the amounts acquired under the Debt Acquisition exceeds the total of $3,900,000, on behalf of Regal.

Upon completion of the Transaction, Barksdale will own a 100% interest in and exercise full control over the Sunnyside project and have eliminated all further work commitments as well as share and cash payments contained in the 2017 Option Agreement.

The Transaction is subject to, inter alia, TSX Venture Exchange approval as well as approval by Regal's shareholders.

Special Meeting of Shareholders

The Company has announced a special meeting (the "Meeting") of the shareholders (the "Shareholders") of Regal Resources Inc. (the "Company") to be held in virtual format (https://us02web.zoom.us/j/89877133301) on Wednesday, July 7, 2021, at 10:00 a.m. (Pacific Time) for the following purposes:

1. to consider, and if deemed advisable, to approve, with or without variation, a special resolution approving the aforementioned share purchase transaction entered into between the Company, Regal Resources USA, Inc. and Barksdale, as more particularly described in the Management Information Circular;

14. SUBSEQUENT EVENTS (Continued)

2. to consider, and if deemed advisable, to approve, with or without variation, a special resolution approving the return of capital and corresponding reduction of stated capital and the distribution of the Barksdale Shares, as more particularly described in the Management Information Circular; and

3. to transact such other business as may properly be put before the Meeting.

BCSC Hearing for partial CTO by Debentureholder

The British Columbia Securities Commission ("BCSC") has ruled in favor of an application by a debentureholder (the "Debentureholder") to have the cease trade order ("CTO") issued by the BCSC partially revoked to permit the conversion of the debenture (Note 7 above) and interest into common shares (the "Debenture Shares") and non-transferable warrants ("Debenture Warrants" and together with the Debenture Shares, the "Debenture Units") of the Company at a conversion price of $0.10 per Debenture Unit. Upon issuance, each Debenture Warrant is exercisable by the Debentureholder for a period of two years upon payment of the exercise price of $0.20 per common share. Subsequent to the BCSC's ruling, the Debentureholder has made demand for the Debenture Units to be issued. The Company expects to comply with this demand and as a result will issue approximately 14.5 million Debenture Units to the Debentureholder in respect of the conversion of approximately $1.45 million in Debenture principal and interest (the "Conversion Amount").

The Company has evaluated subsequent events from the balance sheet date through the date that the financial statements were issued and determined that there are no additional subsequent events to disclose.