



RUGBY MINING LIMITED

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2021 and 2020
(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

RUGBY MINING LIMITED

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim 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 of the Company have been prepared by and are the responsibility of the Company's management.

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

Vancouver, Canada

July 27, 2021

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

| | | | May 31, 2021 | | February 28, 2021 |
|---|--|----|-----------------|-----------|----------------------|
| Assets | | | | | |
| Current | | | | | |
| | | \$ | 466,377 | \$ | 306,924 |
| | | | 50,963 | | 26,536 |
| Total current assets | | | 517,340 | | 333,460 |
| Non-Current | | | | | |
| | | \$ | 38,908 | \$ | 48,097 |
| | | | 66,075 | | 66,075 |
| Total assets | | | 622,323 | \$ | 447,632 |
| Liabilities | | | | | |
| Current | | | | | |
| | | \$ | 46,092 | \$ | 58,644 |
| | | | 5,683 | | 6,486 |
| | | | 27,560 | | 28,636 |
| Total current liabilities | | | 79,335 | | 93,766 |
| Non-Current | | | | | |
| | | \$ | 40,000 | | 40,000 |
| | | | 11,854 | | 19,818 |
| Total liabilities | | | 131,189 | | 153,584 |
| Shareholders' Equity | | | | | |
| | | \$ | 24,993,388 | | 24,451,430 |
| | | | 6,740,031 | | 6,672,774 |
| | | | (31,139,396) | | (30,732,301) |
| | | | (102,889) | | (97,855) |
| Total shareholders' equity | | | 491,134 | | 294,048 |
| Total liabilities and shareholders' equity | | | 622,323 | \$ | 447,632 |

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 14)

Approved on behalf of the Board:

Robert Reynolds
..... Director

Merfyn Roberts
..... Director

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

| For the three months ended May 31, | Notes | 2021 | 2020 |
|---|--------------|--------------------|-------------------|
| Expenses | | | |
| Accounting, audit and professional fees | | 37,957 | 30,753 |
| Administrative | 8 | 117,848 | 59,244 |
| Bank charges | | 1,324 | 1,242 |
| Depreciation of right-of-use assets | 5 | 7,044 | - |
| Directors' fees | 8 | 43,974 | 8,246 |
| Foreign exchange (gain) loss | | (378) | 98 |
| Insurance | | 9,589 | 9,243 |
| Interest on lease liability | 5 | 506 | - |
| Mineral property exploration expenditures | 4 & 8 | 173,687 | 107,076 |
| Shareholder communications | | 7,147 | 19,223 |
| Stock exchange and filing fees | | 3,915 | - |
| Transfer agent | | 1,090 | 532 |
| Travel | | 3,394 | 523 |
| | | 407,097 | 236,180 |
| Income | | | |
| Interest income | | \$ (2) | \$ (13) |
| Net loss for the period | | 407,095 | 236,167 |
| Other comprehensive (gain) loss | | 5,034 | (26) |
| Comprehensive loss for the period | | \$ 412,129 | \$ 236,141 |
| Basic & diluted loss per common share | | \$ 0.004 | \$ 0.003 |
| Weighted average number of common shares outstanding | | 107,993,498 | 93,769,878 |

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| For the three months ended, | Notes | May 31, 2021 | May 31, 2020 |
|---|--------------|---------------------|---------------------|
| Operating Activities | | | |
| Net loss for the period | | \$ (407,095) | \$ (236,167) |
| Items not requiring an outlay of cash: | | | |
| Share based payments | 8 | 82,465 | 22,270 |
| Depreciation of right-of-use-assets | 5 | 7,044 | - |
| Interest expense on lease liability | 5 | 506 | - |
| | | (317,080) | (213,897) |
| Changes in non-cash working capital | | | |
| Accounts receivable and prepaids | | (24,427) | 9,554 |
| Accounts payable and accrued liabilities | | (12,552) | 13,210 |
| Due to related parties | | (803) | (7,510) |
| Cash outflows used in operating activities | | (354,862) | (198,643) |
| Financing Activities | | | |
| Loan payable | 6 | - | 40,000 |
| Lease liability payments | 5 | (7,379) | - |
| Shares issued for cash | 7 | 533,000 | - |
| Share issue costs | 7 | (6,250) | - |
| Cash flows provided by financing activities | | 519,371 | 40,000 |
| Effect of foreign exchange rate change on cash | | (5,056) | 26 |
| Net (decrease) increase in cash and cash equivalents | | 159,453 | (158,617) |
| Cash and cash equivalents - beginning of period | | 306,924 | 443,897 |
| Cash and cash equivalents - end of period | | \$ 466,377 | \$ 285,280 |

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

| | Issued Share Capital | | Contributed Surplus | Deficit | Accumulated Other Comprehensive (Loss) Gain | Total Shareholders' Equity |
|--|----------------------|----------------------|---------------------|------------------------|---|----------------------------|
| | Number of Shares | Amount | | | | |
| Balance at February 29, 2020 | 93,769,878 | \$ 23,715,804 | \$ 6,523,510 | \$ (29,640,335) | \$ (95,895) | \$ 503,084 |
| - Share-based payments recognized | - | - | 22,270 | - | - | 22,270 |
| - Other comprehensive loss | - | - | - | - | 26 | 26 |
| - Net loss for the period | - | - | - | (236,167) | - | (236,167) |
| Balance at May 31, 2020 | 93,769,878 | \$ 23,715,804 | \$ 6,545,780 | \$ (29,876,502) | \$ (95,869) | \$ 289,213 |
| - Equity financing | 8,937,142 | 625,600 | - | - | - | 625,600 |
| - Share issue costs | - | (13,325) | - | - | - | (13,325) |
| - Shares issued for Mabuhay (Motherlode) property option | 253,326 | 30,399 | - | - | - | 30,399 |
| - Options exercised | 600,000 | 54,000 | - | - | - | 54,000 |
| - Contributed surplus allocated on exercise of options | - | 38,952 | (38,952) | - | - | - |
| - Share-based payments recognized | - | - | 165,946 | - | - | 165,946 |
| - Other comprehensive loss | - | - | - | - | (1,986) | (1,986) |
| - Net loss for the period | - | - | - | (855,799) | - | (855,799) |
| Balance at February 28, 2021 | 103,560,346 | \$ 24,451,430 | \$ 6,672,774 | \$ (30,732,301) | \$ (97,855) | \$ 294,048 |
| - Equity financing | 5,150,000 | 515,000 | - | - | - | 515,000 |
| - Share issue costs | - | (6,250) | - | - | - | (6,250) |
| - Options exercised | 300,000 | 18,000 | - | - | - | 18,000 |
| - Contributed surplus allocated on exercise of options | - | 15,208 | (15,208) | - | - | - |
| - Share-based payments recognized | - | - | 82,465 | - | - | 82,465 |
| - Other comprehensive loss | - | - | - | - | (5,034) | (5,034) |
| - Net loss for the period | - | - | - | (407,095) | - | (407,095) |
| Balance at May 31, 2021 | 109,010,346 | \$ 24,993,388 | \$ 6,740,031 | \$ (31,139,396) | \$ (102,889) | \$ 491,134 |

RUGBY MINING LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MAY 31, 2021 AND 2020
(UNAUDITED)

1. Nature of Operations and Going Concern

Rugby Mining Limited (“Rugby” or the “Company”) is an exploration stage company incorporated under the laws of British Columbia, Canada and together with its subsidiaries, it is engaged in the acquisition and exploration of mineral properties located in Australia, Argentina, Colombia, and the Philippines.

The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of such properties, and the profitable production from or disposition of such properties.

These unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. The Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to maintain its mineral interests (see Note 4) and overhead requirements. The Company has incurred operating losses since inception. As at May 31, 2021, the Company had an accumulated deficit of \$31,139,396 (February 28, 2021 - \$30,732,301) and working capital of \$438,005 (February 28, 2021 - \$239,694). In addition, if the Company is to advance or develop its projects, it will be necessary to obtain additional financing. Although management has been successful in the past in raising capital, there are no assurances that the Company will be successful raising capital in the future. The Company plans to raise additional equity in order to obtain funding to meet on-going expenditures.

If the going concern assumption was not appropriate for these Interim Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

The Company has its primary listing on the TSX Venture Exchange (the “TSX-V”) under the symbol “RUG”. The Company’s head office is located at 810 - 789 West Pender Street, Vancouver, BC, Canada, V6C 1H2.

COVID-19

In March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 has had a significant impact on businesses and people through the restrictions put in place by governments of most countries regarding travel, business operations, social distancing and quarantine orders. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company’s financial position cannot be reasonably estimated at this time. COVID-19 could adversely impact the Company’s ability to raise financing for exploration or operating costs due to uncertain capital markets, country risk factors, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company’s business and financial condition.

2. Basis of Preparation

These Interim Financial Statements have been prepared in compliance with IFRS as issued by the International Accounting Standards Board applicable to the preparation of the interim financial statements, including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. Accordingly, the accounting policies followed by the Company are set out in Note 3 of the audited consolidated financial statements for the year ended February 28, 2021, and have been consistently followed in the preparation of these Interim Financial Statements. These Interim Financial Statements do not include all the information and note disclosure required by IFRS for annual financial statements, and therefore, should be read in conjunction with the audited consolidated financial statements for the year ended February 28, 2021.

These Interim Financial Statements were approved and authorized by the Audit Committee of the Board of Directors for issue on July 27, 2021.

RUGBY MINING LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MAY 31, 2021 AND 2020
(UNAUDITED)

3. Significant Accounting Policies

The details of Rugby's accounting policies are presented in Note 3 of its audited consolidated financial statements for the year ended February 28, 2021 and have been consistently followed in the preparation of these Interim Financial Statements.

4. Mineral Properties – Acquisition and Exploration Costs

a) Acquisition Costs - Colombia Properties

| | |
|--|------------------|
| <i>Cost</i> | |
| As at February 29, 2020 | \$ 66,075 |
| Balance as at February 28, 2021 | \$ 66,075 |
| As at March 1, 2021 | \$ 66,075 |
| Balance as at May 31, 2021 | \$ 66,075 |

b) Exploration Costs

The tables below show the Company's exploration and evaluation expenditures for the three month periods ended May 31, 2021 and 2020.

| Three Months Ended May 31, 2021 | | | | | | | |
|--|-----------------------|------------|-----------|----------|------------------|------------|-----------|
| | Generative & Other | Georgetown | El Zanjón | Cobrasco | Colombia Gold | Motherlode | Total |
| Assays | \$ - | \$ - | \$ 31,598 | \$ - | \$ - | \$ - | \$ 31,598 |
| Field camp | - | - | 8,105 | - | - | 4,024 | 12,129 |
| Geological* | 292 | - | 54,494 | 1,394 | 4,976 | 656 | 61,812 |
| Legal | - | - | - | 1,163 | 230 | - | 1,393 |
| Office operations | - | - | - | 1,091 | 1,978 | - | 3,069 |
| Tenement fees and option payments | - | 36,452 | - | - | - | - | 36,452 |
| Travel | - | - | - | - | - | 1,264 | 1,264 |
| Wages and benefits | - | - | - | 5,636 | 16,907 | 3,427 | 25,970 |
| Exploration and evaluation costs | \$ 292 | \$ 36,452 | \$94,197 | \$9,284 | \$24,091 | \$9,371 | \$173,687 |

* Includes share based compensation

| Three Months Ended May 31, 2020 | | | | | | | |
|--|-----------------------|-----------|-----------|------------------|------------|-----------|--|
| | Generative & Other | El Zanjón | Cobrasco | Colombia Gold | Motherlode | Total | |
| Assays | \$ - | \$ 695 | \$ - | \$ 4,956 | \$ - | \$ 5,651 | |
| Drilling | - | - | - | - | - | - | |
| Field camp | 98 | - | - | - | 5,806 | 5,904 | |
| Geological* | 1,424 | 5,304 | 1,971 | 7,341 | 33,842 | 49,882 | |
| Legal | - | - | 2,820 | 9 | - | 2,829 | |
| Office operations | - | - | 986 | 2,662 | - | 3,648 | |
| Travel | - | - | - | 5,072 | 2,074 | 7,146 | |
| Wages and benefits | 55 | - | 5,771 | 17,312 | 8,878 | 32,016 | |
| Exploration and evaluation costs | \$1,577 | \$ 5,999 | \$ 11,548 | \$ 37,352 | \$ 50,600 | \$107,076 | |

* Includes share based compensation

RUGBY MINING LIMITED
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FOR THE THREE MONTH PERIOD ENDED MAY 31, 2021 AND 2020
(UNAUDITED)

4. Mineral Properties – Acquisition and Exploration Costs (Continued)

Motherlode Gold Copper Project, Philippines

Motherlode (formerly the Mindanao Motherlode Gold Mine) is located in the center of the broader Mabuhay project area. On October 5, 2010, the Company announced it had entered into agreements with Pelican Resources Limited (“Pelican”), an ASX listed company, and All-Acacia Resources Inc. (“All-Acacia”), a Philippine company over the Mabuhay project in the Philippines. The agreement with Pelican and its Philippine subsidiary, SunPacific Resources Philippines, Inc. (“SunPacific”), together with the agreement with All-Acacia (collectively, the “Mabuhay Agreement”) grant the Company the right and option (“Mabuhay Option”) to earn an 80% interest in the Mabuhay project. Pursuant to the terms of the Mabuhay Agreement, the Company paid signature fees totaling US\$70,000.

In April 2016, the Company purchased all of Pelican and Sun Pacific’s residual interest in Mabuhay for A\$10,000 and consequently, they have no remaining interest in Mabuhay.

As a result of a Philippine government moratorium on the granting of new Mineral Production Sharing Agreements (“MPSA”) pending legislation enacting a revised revenue sharing scheme, the Company along with All-Acacia signed an amended Mabuhay Agreement (the “Amended Mabuhay Agreement”) to allow for the conversion of the MPSA Application to an Exploration Permit Application (“EPA”). In January 2019, the Company received final approval of the Exploration Permit (“EP”).

The Company and All-Acacia negotiated a further amendment to the option agreement (the “Second Amendment to the Mabuhay Agreement”), signed in September 2020, which modified the quantum and timing of the staged payments (see below). Rugby will pay All-Acacia in either shares (subject to TSX-V approval) or in cash, subject to All-Acacia’s right to elect to receive up to 50% in cash.

Pursuant to the Second Amendment to the Mabuhay Agreement, in order to maintain its option, the Company is required to make the following staged payments totaling US\$250,000 and a final payment of US\$175,000 to All-Acacia:

- (i) US\$50,000 by March 26, 2019 (paid by issuing 365,000 common shares valued at \$65,700);
- (ii) US\$50,000 by March 20, 2020 (paid in September 2020, by issuing 253,326 common shares valued at US\$25,000 (\$30,399) and US\$25,000 (\$33,000) in cash);
- (iii) US\$50,000 by March 20, 2021, payable in cash or shares (see amendment below)*;
- (iv) US\$50,000 by March 20, 2022, payable in cash or shares (see amendment below)*;
- (v) US\$50,000 by March 20, 2023, payable in cash or shares (see amendment below)*; and
- (vi) a final payment of US\$175,000, payable in cash or shares* within 30 days from the grant and registration of a mineral agreement allowing for development of a mine.

** The payment terms provide for payment of up to 50% in cash at All-Acacia’s option.*

The Company negotiated a further amendment to the option agreement with All-Acacia which delays for additional 12 months staged payments (iii), (iv) and (v). Due to the current COVID-19 restrictions in the Philippines, the amendment has not been formally finalized yet.

Additionally, the Company is required to incur the following staged expenditures totaling US\$4.5 million over six years and complete a pre-feasibility study to earn its interest and exercise its Mabuhay Option:

- (i) US\$250,000 by March 20, 2020 (incurred);
- (ii) US\$500,000 by March 20, 2021 (incurred);
- (iii) US\$750,000 by March 20, 2022;
- (iv) US\$1,000,000 by March 20, 2023;
- (v) US\$1,000,000 by March 20, 2024; and
- (vi) US\$1,000,000 by March 20, 2025.

RUGBY MINING LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

4. Mineral Properties – Acquisition and Exploration Costs (Continued)

Upon the exercise of the Mabuhay Option, All-Acacia and the Company have agreed to form a joint venture with respect to the development of and conduct of mining operations on the property and on each anniversary date thereafter, the Company must pay an additional US\$200,000 to All-Acacia towards All-Acacia's pro-rata share of expenditures until commencement of production from the Mabuhay project.

Colombia Gold Projects

Regional Applications, Colombia

On June 1, 2016, Rugby announced that it had acquired an extensive portfolio of both granted exploration concessions and applications in Colombia together with an extensive geological database. Under the terms of the agreement, Rugby acquired 100% of the rights to the portfolio of mineral properties and geological database for nominal cash consideration.

Tantalus

In February, 2020, the Company entered into an agreement to acquire the Tantalus gold silver project, located in the Bucaramanga gold belt in Colombia and paid the vendor approximately \$16,000. Tantalus is currently in the application stage and pursuant to the agreement, Rugby will pay the vendor approximately \$37,000 upon title being granted and transferred to Rugby. The vendor will retain a 1% NSR which can be purchased at prices ranging between US\$1,300,000 and US\$5,000,000.

Cobrasco Copper Project, Colombia

The Cobrasco concession, which is subject to a 1% net smelter royalty ("NSR"), was acquired in April 2013. In November 2017 the Company filed an application for Forestry Extraction as part of the process to allow drilling. Additional information was submitted in August 2018 at the request of the authorities. However, on April 29, 2019, Rugby announced that its drilling permit application for the Cobrasco project had been denied by the Forestry Department, a division within the Colombian Ministry of the Environment.

El Zanjon Gold and Silver Project, Argentina

On July 31, 2019, the Company announced that it had entered into an option agreement to earn up to 100% of the El Zanjon Gold and Silver Project ("El Zanjon") in Santa Cruz Province, Argentina. The project covers approximately 600 square kilometres ("km") within the Deseado Massif gold and silver district.

Pursuant to the terms of the option agreement, the Company paid \$15,000 on July 26, 2019 and \$15,000 on July 10, 2020 and will be required to make further annual tenure payments totaling \$15,000 each. The vendors will retain a 2% NSR. In order to earn 100% of El Zanjon, Rugby will have the option to incur staged exploration expenditures totaling \$3.65 million over 6 years including completing studies to pre-feasibility standards as follows:

- (i) \$100,000 by January 17, 2021 (Stage 1) (incurred);
- (ii) \$250,000 by January 17, 2022 (Stage 2);
- (iii) \$500,000 by January 17, 2023 (Stage 3);
- (iv) \$800,000 by January 17, 2024 (Stage 4); and
- (v) \$2,000,000 by July 17, 2025 (Stage 5).

RUGBY MINING LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. Mineral Properties – Acquisition and Exploration Costs (Continued)

The Otway Project, Australia

On June 1, 2016, Rugby announced that it had acquired a 100% interest in the Otway project, for a nominal cash consideration plus a 2% NSR. The Otway project, which covers prospective areas for copper and gold mineralization in the northwest of Western Australia, comprises two contiguous exploration licences covering 134 square km.

On May 28, 2020, the Company announced the signing of an Option Agreement (“Agreement”) with Calidus Resources Limited (“Calidus”) under which Calidus can earn an interest of up to 70% in the Otway project. Highlights of the Agreement:

- Within 12 months of the Agreement, Calidus will spend A\$200,000, including 1,200 metres (“m”) of drilling;
- Within 30 months of the Agreement, Calidus has the option to spend a further A\$500,000, including a minimum 3,000 m of drilling to earn 50%; and
- Within 48 months of the Agreement, Calidus has the option to spend an additional A\$500,000, including a further 3,000 m of drilling and issue A\$250,000 worth of Calidus shares to the Company at the completion of the spend using a 10-day Volume Weighted Average Price to earn a 70% interest in Otway.

Georgetown Project, Australia

On April 13, 2021, the Company announced that it had been granted three exploration permits totaling 849 square km covering extensive gold occurrences in the Georgetown region in North Queensland, Australia. The three exploration permits form Rugby’s Georgetown Project. The region has had a long history of mining, particularly for gold, with over 1,000 mines, prospects and mineral occurrences identified within the district.

5. Right-of-use asset and liability

In November 2020, the Company entered into a lease agreement for office space in Sydney, Australia. The ROU asset for this office is being amortized on a straight-line basis until the end of the lease term in November 2022. The lease payments were discounted using a discount rate of 4.5% per annum which represents the Company’s incremental borrowing rate. The continuity of the ROU asset and lease liability for the three month period ended May 31, 2021 is as follows:

| | |
|---|---------------|
| Right-of-use assets | \$ |
| Value of ROU asset as at March 1, 2021 | 48,097 |
| Addition of ROU asset during the period | - |
| Depreciation | (7,044) |
| Foreign exchange | (2,145) |
| Value of ROU asset as at May 31, 2021 | <u>38,908</u> |
| Lease liability | \$ |
| Value of lease liability as at March 1, 2021 | 48,454 |
| Addition to lease liability during the period | - |
| Interest on lease liability | 506 |
| Lease payments | (7,379) |
| Foreign exchange | (2,167) |
| Lease liability as at May 31, 2021 | <u>39,414</u> |
| Current portion | 27,560 |
| Non-current portion | <u>11,854</u> |
| | <u>39,414</u> |

RUGBY MINING LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

5. Right-of-use asset and liability (Continued)

The future minimum lease payments as of May 31, 2021 were as follows:

| | |
|---|---------------|
| | \$ |
| 2022 | 28,770 |
| 2023 | 11,988 |
| Less: interest payments | (1,378) |
| Foreign exchange | 34 |
| Present value of minimum lease payments | <u>39,414</u> |

6. Loan Payable

In May 2020, the Company received \$40,000 related to the Canada Emergency Business Account (CEBA) loan. CEBA is an interest-free loan launched by the Government of Canada to ensure that businesses have access to capital during the COVID-19 pandemic and can only be used to pay non-deferrable operating expenses. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000).

7. Share Capital

The authorized share capital of the Company is an unlimited number of common shares without par value.

Issuances - period ended May 2021

On March 16, 2021, the Company completed a non-brokered private placement financing consisting of 5,150,000 units (the "Units") at a price of \$0.10 per Unit for gross proceeds of \$515,000. Each Unit consisted of one (1) common share and one half (0.5) common share purchase warrant (a "Half Warrant"). Each full warrant (two (2) Half Warrants together) entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of \$0.20 for a period of one year from the closing date. The Company paid \$6,250 as finder's fees in connection with the financing which was charged to share capital.

During the month of March 2021, the Company issued 300,000 common shares upon the exercise of options at a price of \$0.06 per share for total proceeds of \$18,000.

8. Stock Option Plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: The aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan, which was approved by shareholders on November 26, 2020, may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. At May 31, 2021 the maximum number of options issuable under the Plan was 20,712,069. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the grant date, less the maximum discount permitted by TSX-V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant however certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

The following is a summary of the changes in share options during the three month period ended May 31, 2021 and the year ended February 28, 2021:

RUGBY MINING LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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8. Stock Option Plan (Continued)

| | May 31, 2021 | | February 28, 2021 | |
|--|--------------|---------------------------------|-------------------|---------------------------------|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Options outstanding, beginning of period | 11,250,000 | \$0.11 | 11,650,000 | \$0.15 |
| Granted | - | - | 5,270,000 | 0.10 |
| Exercised | (300,000) | 0.06 | (600,000) | 0.09 |
| Cancelled | - | - | (2,215,000) | 0.32 |
| Expired | - | - | (2,855,000) | 0.10 |
| Options outstanding, end of period | 10,950,000* | \$0.11 | 11,250,000 | \$0.11 |

*See Note 14 for options expired/cancelled subsequently

There were 300,000 (2020 – nil) options exercised during the period at a weighted average price of \$0.06 (2020 - \$nil) and the weighted average price at the time of trading was \$0.09 (2020 - \$nil).

The weighted average fair value at the measurement date of the 5,270,000 options granted by the Company during the year ended February 28, 2021 of \$331,322 (February 29, 2020 – \$116,744) was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

| | February 28, 2021 |
|----------------------------|-------------------|
| Expected annual volatility | 117.8%-118% |
| Risk-free interest rate | 0.41%-0.44% |
| Expected life | 5 years |
| Expected dividend yield | 0% |

Share-based compensation for the three month period ended:

| | May 31, 2021 | May 31, 2020 |
|--|--------------|--------------|
| From stock options granted in the year ended February 28, 2021 | \$ 75,928 | \$ - |
| From stock options granted in prior years | 6,537 | 22,270 |
| Total | \$ 82,465 | \$ 22,270 |

The following table summarizes information about the stock options outstanding and exercisable at May 31, 2021:

| Range of Prices (\$) | Outstanding Options | | | Exercisable Options | | |
|----------------------|---------------------|---|---------------------------------|---------------------|---|---------------------------------|
| | Number | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price | Number | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price |
| 0.10 - 0.24 | 10,850,000 | 3.54 | 0.11 | 6,060,000 | 2.84 | 0.11 |
| 0.25 - 0.50 | 100,000 | 0.01 | 0.30 | - | - | - |
| | 10,950,000 | 3.51 | \$ 0.11 | 6,060,000 | 2.84 | \$ 0.11 |

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8. Stock Option Plan (Continued)

Share-based compensation recognized on options vesting during the three month periods ended May 31, 2021 and 2020 has been allocated to contributed surplus and expensed as follows:

| Three months ended May 31, | 2021 | 2020 |
|---|----------|----------|
| Administrative | \$35,978 | \$4,448 |
| Directors' fees | 43,974 | 8,245 |
| Mineral property exploration expenditures | 2,513 | 9,577 |
| Total | \$82,465 | \$22,270 |

9. Restricted Share Unit / Deferred Share Unit Plan ("RSU / DSU Plan")

On November 29, 2018, the Company's disinterested shareholders approved the adoption of a RSU/DSU Plan. The Plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, officers, consultants and directors by granting equity-based compensation incentives, in addition to the Company's stock option plan. The maximum number of shares made available for issuance from treasury under the RSU/DSU Plan, subject to certain adjustments described in the RSU/DSU Plan, shall not exceed 1,151,000 shares, provided, however, that the number of shares reserved for issuance from treasury under the RSU/DSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed 20% of the number of shares then issued and outstanding.

Restricted share units

RSUs granted pursuant to this Plan will be used to compensate participants for their individual performance based achievements and are intended to supplement stock option awards in this specific respect.

As at May 31, 2021, no RSU's have been granted.

Deferred share units

DSUs granted pursuant to this Plan will be used as a means of reducing the cash payable by the Company in respect of director compensable amounts. In so doing, the interests of directors will become more closely aligned with those of the Company and its shareholders.

As at May 31, 2021, no DSU's have been granted.

10. Warrants

No warrants were exercised during the quarter ended May 31, 2021 (May 31, 2020 - nil).

At May 31, 2021, the Company had an aggregate of 21,562,142 outstanding warrants (February 28, 2021 – 18,987,142) to acquire common shares as follows:

| Outstanding | Exercisable | Exercise Price | Expiry Date |
|-------------|-------------|----------------|------------------|
| 10,050,000 | 10,050,000 | \$ 0.17 | October 30, 2021 |
| 8,937,142 | 8,937,142 | \$ 0.12 | July 23, 2022 |
| 2,575,000 | 2,575,000 | \$ 0.20 | March 17, 2022 |
| 21,562,142 | 21,562,142 | | |

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11. Related Party Transactions

During the three month period ended May 31, 2021, a total of \$nil (2020 – \$6,425) was paid or accrued for office rental to a company controlled by a director of the Company. Amounts due to related parties as at May 31, 2021 of \$5,683 (February 28, 2021 – \$6,486) are for reimbursable expenses incurred on behalf of the Company and are non-interest bearing and due on demand.

The total of \$nil (2020 - \$6,425) incurred for the three month period ended May 31, 2021 was paid or accrued to Rogo Investments Pty Ltd., a company controlled by a director of the Company for office rental fees.

12. Executive Compensation

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel of the Company include executive officers and the board of directors.

The following compensation has been provided to key management personnel for the three month periods ended May 31, 2021 and 2020:

| Three months ended May 31, | 2021 | 2020 |
|----------------------------|-------------------|------------------|
| Compensation - cash | \$ 48,000 | \$ 20,000 |
| Share-based payments | 70,028 | 10,186 |
| Total | \$ 118,028 | \$ 30,186 |

13. Segmented Information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development. The Company's net assets and net losses by geographic regions are as follows:

| May 31, 2021 | Canada | Australia | Argentina | Colombia | Philippines | Total |
|---------------------------------|------------------|-----------------|-------------|------------------|------------------|-------------------|
| Cash and cash equivalents | \$423,141 | \$ 17,102 | \$ - | \$ 25,775 | \$ 359 | \$ 466,377 |
| Amounts receivable and prepaids | 42,127 | 6,392 | - | 1,921 | 523 | 50,963 |
| Right-of-use asset | - | 38,908 | - | - | - | 38,908 |
| Mineral properties | - | - | - | 66,075 | - | 66,075 |
| Total Assets | 465,268 | 62,402 | - | 93,771 | 882 | 622,323 |
| Total Liabilities | (67,800) | (46,425) | - | (14,951) | (2,013) | (131,189) |
| | \$397,468 | \$15,977 | \$ - | \$ 78,820 | (\$1,131) | \$ 491,134 |

Three Months Ended May 31, 2021

| | | | | | | |
|---|-------------------|------------------|------------------|-----------------|-----------------|------------------|
| Mineral property exploration expenditures | \$ 292 | \$ 36,452 | \$ 94,197 | \$33,375 | \$9,371 | \$173,687 |
| Net loss | \$ 187,658 | \$ 60,931 | \$ 94,197 | \$48,315 | \$15,994 | \$407,095 |

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13. Segmented Information (Continued)

| May 31, 2020 | Canada | Australia | Argentina | Colombia | Philippines | Total |
|---------------------------------|-----------|-----------|-----------|-----------|-------------|------------|
| Cash and cash equivalents | \$217,936 | \$ 27,314 | \$ - | \$ 38,561 | \$ 1,469 | \$ 285,280 |
| Amounts receivable and prepaids | 34,003 | 4,471 | - | 6,654 | 1,386 | 46,514 |
| Mineral properties | - | - | - | 66,075 | - | 66,075 |
| Total Assets | 251,939 | 31,785 | - | 111,290 | 2,855 | 397,869 |
| Total Liabilities | (51,421) | (168) | - | (17,067) | - | (68,656) |
| | \$200,518 | \$31,617 | \$ - | \$ 94,223 | \$ 2,855 | \$ 329,213 |

| Three Months Ended May 31, 2020 | | | | | | |
|---|-----------|----------|----------|----------|----------|-----------|
| Mineral property exploration expenditures | \$ 1,424 | \$ 153 | \$ 5,999 | \$48,900 | \$50,600 | \$107,076 |
| Net loss | \$ 94,757 | \$ 7,216 | \$ 5,999 | \$68,619 | \$59,576 | \$236,167 |

14. Subsequent Events

Stock Options

On June 5, 2021, 100,000 stock options at a weighted average exercise price of \$0.30 per share expired unexercised.

On July 20, 2021, 400,000 stock options at a weighted average exercise price of \$0.17 per share were voluntarily surrendered and accounted as cancellations.

Proposed transaction

On July 26, 2021, the Company announced that it had entered into a purchase agreement (the "Purchase Agreement") pursuant to which it has agreed, subject to TSX Venture Exchange acceptance, to acquire private Australian company Proximo Resources Pty Ltd ("Proximo"). Proximo owns silver and gold projects in Chile and Argentina, including the drill ready Salvadora silver-copper-gold project.

Pursuant to the Purchase Agreement between Rugby, Proximo, and the shareholders and option holders of Proximo, Rugby will issue 46,000,000 Rugby Shares to acquire 20,387,500 Proximo ordinary shares representing all of the issued shares of Proximo. In addition, Rugby will acquire 8,000,000 Proximo stock options in consideration for 4,000,000 Rugby Shares and 3,500,000 Rugby Options. The Rugby Options will be issued under Rugby's stock option plan. Each Rugby Option will be exercisable to acquire one Rugby common share at a price of \$0.10 per share expiring January 13, 2026. The transaction is at arm's length and no new control persons will be created. The Rugby Shares issued in consideration for the Proximo shares and options will, in addition to the 4 month statutory hold period imposed under applicable securities law, be subject to contractual voluntary escrow, with such Rugby Shares being released from escrow as follows: 25% six months following closing, 25% twelve months following closing, 25% eighteen months following closing and 25% twenty-four months following closing.

The transaction is conditional on, among other matters, TSX Venture Exchange acceptance, Rugby raising a minimum of \$2,500,000, the appointment of 2 Proximo directors to the Board of Directors of Rugby, and the continued accuracy of the representations and warranties contained in the Purchase Agreement.

The transaction is expected to close by August 31, 2021.