



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

**For the six months ended August 31, 2023 and 2022
(Expressed in Canadian Dollars, unless otherwise indicated)**

Unaudited – Prepared by Management

RUGBY RESOURCES LTD.

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

October 27, 2023

RUGBY RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

As at	Note	August 31, 2023 \$	February 28, 2023 \$
Assets			
Current assets			
Cash and cash equivalents		539,586	246,218
Accounts receivable and prepaids		141,560	42,365
Total current assets		681,146	288,583
Non-current assets			
Mineral properties	4	155,625	155,625
Total assets		836,771	444,208
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		136,444	318,662
Due to related parties	11	1,250	95,001
Loan payable	6	40,000	40,000
Total current liabilities		177,694	453,663
Shareholders' equity			
Share capital	7	41,021,331	38,902,354
Contributed surplus		8,231,042	7,631,399
Share subscription received in advance	7	-	40,493
Deficit		(48,431,670)	(46,443,760)
Accumulated other comprehensive income (loss)		(161,626)	(139,941)
Total shareholders' equity		659,077	(9,455)
Total liabilities and shareholders' equity		836,771	444,208

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 RESOURCES LTD.CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Note	Three months ended		Six months ended	
		August 31,		August 31,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Expenses					
Accounting, audit and professional fees		40,939	48,849	74,335	93,229
Administrative	8	158,814	257,521	403,396	467,736
Bank charges		5,375	2,826	8,964	5,639
Depreciation of right-of-use-assets	5	-	6,582	-	13,369
Directors' fees	8	57,150	48,827	126,445	103,245
Foreign exchange (gain)		(1,353)	(5,058)	(5,847)	(984)
Insurance		11,601	12,307	24,272	23,582
Interest on lease liability	5	-	102	-	286
Mineral property exploration expenditures	4 & 8	602,389	984,784	1,295,098	1,776,795
Shareholder communications		6,011	9,914	18,243	22,316
Stock exchange and filing fees		15,541	3,747	25,807	4,169
Transfer agent		2,142	2,042	6,879	5,766
Travel		-	26,102	10,318	59,141
		898,609	1,398,545	1,987,910	2,574,289
Net loss for the period		898,609	1,398,545	1,987,910	2,574,289
Other comprehensive loss (income)					
Foreign currency translation adjustment on:					
Mineral properties	4	-	233,236	-	514,257
Other		13,508	(11,870)	21,685	(7,137)
Comprehensive loss for the period		912,117	1,619,911	2,009,595	3,081,409
Basic & diluted loss per common share from loss					
for the period		0.003	0.007	0.008	0.013
Weighted average number of common shares					
outstanding		249,060,583	202,102,082	243,459,459	197,617,114

RUGBY RESOURCES LTD.CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the six months ended,	Note	August 31, 2023	August 31, 2022
		\$	\$
Operating activities			
Net loss for the period		(1,987,910)	(2,574,289)
Items not requiring an outlay of cash:			
Depreciation of right-of-use-assets	5	-	13,369
Foreign exchange		(5,847)	(984)
Interest expense on lease liability	5	-	286
Share-based payments	8	297,794	225,241
		(1,695,963)	(2,336,377)
Changes in non-cash working capital:			
Accounts receivable and prepaids		(99,195)	(28,074)
Accounts payable and accrued liabilities		(182,218)	117,942
Due to related parties		(93,751)	(78,791)
Cash flows from (used in) operating activities		(2,071,127)	(2,325,300)
Financing Activities			
Exercise of options	7	-	30,000
Exercise of warrants	7	-	1,584,657
Lease liability payments	5	-	(14,005)
Loan proceeds	6	-	64,318
Shares issued for cash (private placement)	7	2,465,396	-
Share issue costs	7	(44,570)	-
Share subscriptions received in advance	7	(40,493)	-
Cash flows from (used in) financing activities		2,380,333	1,664,970
Effect of foreign exchange rate change on cash		(15,838)	8,112
Net increase (decrease) in cash and cash equivalents		293,368	(652,218)
Cash and cash equivalents – beginning of period		246,218	2,122,769
Cash and cash equivalents – end of period		539,586	1,470,551

RUGBY RESOURCES LTD.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)**

	Note	Issued Share Capital			Shares subscriptions received in advance \$	Deficit \$	Accumulated other comprehensive loss \$	Total \$
		Number of shares	Amount \$	Contributed surplus \$				
Balance at February 28, 2022		192,991,753	35,149,347	7,231,982	-	(33,439,453)	162,013	9,103,889
Warrants exercised	7 c)	10,022,142	1,584,657	-	-	-	-	1,584,657
Contributed surplus allocated on exercise of warrants		-	50,000	(50,000)	-	-	-	-
Options exercised	7 d)	300,000	30,000	-	-	-	-	30,000
Contributed surplus allocated on exercise of options		-	107,250	(107,250)	-	-	-	-
Share-based payments recognized	8	-	-	225,241	-	-	-	225,241
Other comprehensive loss		-	-	-	-	-	(507,120)	(507,120)
Net loss for the period		-	-	-	-	(2,574,289)	-	(2,574,289)
Balance at August 31, 2022		203,313,895	36,921,254	7,299,973	-	(36,013,742)	(345,107)	7,862,378
Equity financing – October 18, 2022		20,000,000	2,000,000	-	-	-	-	2,000,000
Share issue costs		-	(18,900)	-	-	-	-	(18,900)
Share-base payments recognized		-	-	331,426	-	-	-	331,426
Share subscriptions received in advance		-	-	-	40,493	-	-	40,493
Other comprehensive loss		-	-	-	-	-	205,166	205,166
Net loss for the period		-	-	-	-	(10,430,018)	-	(10,430,018)
Balance at February 28, 2023		223,313,895	38,902,354	7,631,399	40,493	(46,443,760)	(139,941)	(9,455)
Equity financing – March 20, 2023	7 a)	18,436,614	1,290,563	-	-	-	-	1,290,563
Residual value of warrants – March 20, 2023	7 a)	-	(184,366)	184,366	-	-	-	-
Equity financing – August 3, 2023	7 b)	23,496,667	1,174,833	-	-	-	-	1,174,833
Residual value of warrants – August 3, 2023	7 b)	-	(117,483)	117,483	-	-	-	-
Share issue costs	7 a) b)	-	(44,570)	-	-	-	-	(44,570)
Share subscriptions received in advance		-	-	-	(40,493)	-	-	(40,493)
Share-based payments recognized	8	-	-	297,794	-	-	-	297,794
Other comprehensive loss		-	-	-	-	-	(21,685)	(21,685)
Net loss for the period		-	-	-	-	(1,987,910)	-	(1,987,910)
Balance at August 31, 2023		265,247,176	41,021,331	8,231,042	-	(48,431,670)	(161,626)	659,077

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

1. Nature of Operations and Going Concern

Rugby Resources Ltd. (“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 Colombia, Argentina, Chile, Australia and the Philippines. On August 24, 2022, the Company changed its name from Rugby Mining Limited to Rugby Resources Ltd. 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.

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 as issued by the International Accounting Standards Board (“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 for at least twelve months from August 31, 2023. Several adverse conditions and material uncertainties may 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 August 31, 2023, the Company had an accumulated deficit of \$48,431,670 (February 28, 2023 - \$46,443,760) and working capital of \$503,452 (February 28, 2023 – negative working capital of \$165,080). For the period ended August 31, 2023, the Company had a net loss of \$1,987,910 (2022 - \$2,574,289) and a cash outflow from operations of \$2,071,127 (2022 - \$2,325,300). 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 do additional equity raising, when required, 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 could be material.

Uncertainty is elevated through current economic conditions, geopolitical risks, inflation and rising interest rates.

2. Basis of Preparation

These Interim Financial Statements have been prepared in compliance with IFRS 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 as set out in Note 3 of the audited consolidated financial statements for the year ended February 28, 2023, 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, 2023.

These Interim Financial Statements were approved and authorized by the Audit Committee of the Board of Directors for issue on October 27, 2023.

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(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, 2023.

4. Mineral Properties – Acquisition and Exploration Costs

a) Acquisition Costs

Cost	Gold	Salvadora	Venidero	Total
	Projects (Colombia)	(Chile)	(Argentina)	
	\$	\$	\$	\$
Balance as at February 28, 2022	66,075	7,298,701	89,550	7,454,326
Translation adjustment	-	(514,257)	-	(514,257)
Balance as at August 31, 2022	66,075	6,788,444	89,550	6,940,069
Impairment	-	(6,946,713)	-	(6,946,713)
Translation adjustment	-	162,269	-	162,269
Balance as at February 28 and August 31, 2023	66,075	-	89,550	155,625

Acquisition of Proximo Resources Pty Limited ("Proximo")

On October 27, 2021, the Company announced it had completed the acquisition of Proximo, a private Australian company (the "Acquisition"). Proximo controlled silver and gold projects in Chile and Argentina, including the Salvadora and the Deseado projects.

Pursuant to the terms of the purchase agreement between Rugby, Proximo, the shareholders of Proximo ("Proximo Shareholders") and the holders of stock options of Proximo ("Proximo Optionholders" and collectively with the Proximo Shareholders, the "Sellers"), in consideration for the acquisition of Proximo, Rugby issued to the Sellers an aggregate of 50 million common shares and to the Proximo Optionholders (who became eligible persons to receive options under Rugby's stock option plan upon closing), stock options to acquire up to 3,500,000 common shares at a price of \$0.10 per share until January 13, 2026 (these stock options were subsequently forfeited, see Note 8).

Consideration	\$
Fair value of common shares issued (50,000,000 common shares @ \$0.125 per share)	6,250,000
Fair value of 3,500,000 Rugby options granted @ \$0.10	298,619
Total equity consideration	6,548,619
Transaction costs	190,747
Total consideration	6,739,366

The fair value of the 3,500,000 options granted by the Company was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

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

	October 26, 2021
Expected annual volatility	122.00%
Risk-free interest rate	1.22%
Expected life	4.26 years
Expected dividend yield	0.00%

The Acquisition was accounted for as an asset acquisition. The total consideration was allocated to the assets acquired based on their fair value with the balance of the consideration recorded to mineral properties:

Assets acquired	\$
Cash	23,685
Amounts receivable and prepaids	14,148
Mineral properties:	
Salvadora (Chile)	7,015,296
Venidero (Argentina)	89,550
Altiro-Futuro (Chile)	30,269
Accounts payable and accrued liabilities	(153,391)
Loans	(280,191)
Net assets acquired	6,739,366

b) Exploration Costs

The tables below show the Company's exploration and evaluation expenditures for the six-month periods ended August 31, 2023 and 2022.

Six months ended August 31, 2023						
	Generative & Others	EI Zanjon	Cobrasco	Colombia Gold	Motherlode	Total
	\$	\$	\$	\$	\$	\$
Assays	-	13,633	24,205	-	-	37,838
Environmental	-	2,174	15,779	-	-	17,953
Field camp	-	1,221	129,711	-	6,199	137,131
Geological and geophysics*	-	19,927	164,591	337	-	184,855
Helicopter support	-	-	349,017	-	-	349,017
IVA	5,108	8,192	18,675	-	-	31,975
Legal & title	22,811	-	31,637	-	-	54,448
Office operations	-	-	-	-	150	150
Tenement fees, socialization, access and option payments	10,435	15,000	122,838	-	-	148,273
Travel	-	4,235	42,673	-	2,498	49,406
Wages and benefits	-	-	271,333	7,675	5,044	284,052
Exploration and evaluation costs	38,354	64,382	1,170,459	8,012	13,891	1,295,098

* Includes share based compensation, see Note 8.

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

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

Six months ended August 31, 2022							
	Generative & Others	Salvadora	El Zanjon	Cobrasco	Colombia Gold	Motherlode	Total
	\$	\$	\$	\$	\$	\$	\$
Assays	-	12,741	21,099	7,232	-	-	41,072
Drilling	-	-	-	174,057	-	-	174,057
Environmental	1,942	-	-	10,746	-	-	12,688
Field camp	-	80,087	1,697	206,301	-	8,216	296,301
Geological and geophysics*	-	69,934	23,637	188,494	7,917	1,665	291,647
Helicopter support	-	-	-	311,542	-	-	311,542
IVA	-	35,011	12,513	-	-	-	47,524
Legal & title	33,897	8,655	-	16,560	19,477	-	78,589
Office operations	-	-	-	8,827	-	135	8,962
Tenement fees, socialization, access and option payments	41,490	41,914	15,000	78,483	-	-	176,887
Travel	-	-	21,550	69,259	-	4,366	95,175
Wages and benefits	-	21,852	-	173,738	41,914	4,847	242,351
Exploration and evaluation costs	77,329	270,194	95,496	1,245,239	69,308	19,229	1,776,795

* Includes share based compensation, see Note 8.

Cobrasco Copper Project, Colombia

The Cobrasco concessions, located 100 km southwest of Medellin in the Choco Region of Colombia, cover 3,000 hectares (“ha”) and were purchased in April 2013. They are 100% owned by Rugby subject to a 1% NSR.

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 622 square kilometres (“km”) within the Deseado Massif gold and silver district.

Pursuant to the terms of the option agreement, the Company paid \$15,000 in 2019, 2020, 2021, 2022 and 2023, respectively and will be required to make further annual tenure payments totaling \$15,000 in July each year and will be required to incur staged expenditures of \$3.65 million over 8 years including completing studies to pre-feasibility standards (see below) to earn 100% of El Zanjon. The vendors will retain a 2% NSR.

On September 23, 2021, Rugby and the vendors agreed to add any shortfall in exploration expenditures related to stage (ii) of \$23,631 to stage (iii)*. Subsequent to the year ended February 28, 2023, on April 3, 2023, Rugby negotiated an amendment to the option agreement modifying the quantum and timing of staged exploration expenditures (iii), (iv) and (v).

- (i) \$100,000 by January 17, 2021 (Stage 1) (incurred);
- (ii) \$226,369 by January 17, 2022 (Stage 2) (incurred);
- (iii) \$523,631 by January 17, 2025 (Stage 3)*;
- (iv) \$800,000 by January 17, 2026 (Stage 4); and
- (v) \$2,000,000 by July 17, 2027 (Stage 5).

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(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 US\$50,000 (\$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 (paid in February 2022 by issuing 302,095 common shares valued at US\$50,000 (\$63,440)*;
- (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.*

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:

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

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

- (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 (see amendment below);
- (iv) US\$1,000,000 by March 20, 2023 (see amendment below);
- (v) US\$1,000,000 by March 20, 2024; and
- (vi) US\$1,000,000 by March 20, 2025.

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.

Amendment

The Company negotiated a further amendment to the option agreement with All-Acacia which delays for additional 12 months staged payments and staged expenditures (iii), (iv) and (v). The amendment has not been formally finalized yet. Rugby and All-Acacia have held discussions regarding further delay to payments and exploration expenditures.

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 \$33,000 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.

The Salvadora Silver-Copper-Gold Project, Chile – acquired under the Proximo acquisition

On December 12, 2022, the Company announced the termination of its option on the Salvadora project in Chile. Management assessed impairment indicators for the Company's exploration and evaluation assets and wrote-down the Salvadora project to \$nil upon relinquishing the option agreement to acquire the project due to increased political uncertainties around mineral royalties in Chile, high holding costs and limited scope of the target and recorded an impairment expense of \$6,946,713 for the year ended February 28, 2023.

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

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

Deseado Projects– acquired under the Proximo acquisition

a) The Venidero Project, Argentina

Venidero is an early-stage project, located 60 km south of the Cerro Negro Project in western Santa Cruz Province, Argentina. It is underlain by the same Chon Aike host rocks to those that host the mineralization at Cerro Negro and also has interesting structural complexity with outcropping veins having anomalous gold geochemistry.

b) The Altiro-Futuro Project, Argentina and Chile

The Altiro-Futuro Project, located within the epithermal precious metal vein district of the Deseado Massif in Santa Cruz Province, Argentina and Patagonia, Southern Chile. Due to its lack of potential, Rugby relinquished the property, wrote-down the project to \$nil and recorded an impairment expense of \$30,269 for the year ended February 28, 2022.

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.

On September 1, 2022, Rugby signed an Earn-in and JV Heads of Agreement (the "HOA") with EMU NL ("EMU") under which EMU can earn an interest of up to 80% in the Georgetown project. EMU may earn a 50% interest in the project by spending not less than A\$750,000 on exploration or development and a further 30% interest by spending a further A\$1,100,000. During the month of July 2023, Rugby and EMU negotiated an amendment to the HOA which delays the timing of exploration or development expenditures for 12 months and, during the month of August 2023, signed a Farm-in and Joint Venture Agreement (the "JVA"). Pursuant to the JVA, the optional earn-in spend rate for first a 50% interest then an 80% interest is as follows:

To earn an initial 50% interest:

- A\$200,000 by August 24, 2024;
- Additional A\$250,000 by August 24, 2025; and
- Additional A\$300,000 by August 24, 2026.

To earn an additional 30% interest for a total 80%:

- A\$500,000 by August 24, 2027; and
- Additional A\$600,000 by August 24, 2028.

Subsequent to the period ended August 31, 2023, Rugby received A\$50,000 as reimbursement for the annual fees of the tenements from EMU.

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

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 was amortized on a straight-line basis until the end of the lease term of November 2022. The lease payments were discounted using a discount rate of 4.5% per annum which represented the Company's incremental borrowing rate. As the lease term ended in November 2022, the continuity of the ROU asset and lease liability is reflected for the year ended February 28, 2023 below:

Right-of-use assets	\$
Value of ROU asset as at February 28, 2022	18,039
Depreciation	(13,369)
Foreign exchange	(266)
Value of ROU asset as at August 31, 2022	4,404
Depreciation	(4,290)
Foreign exchange	(114)
Value of ROU asset as at February 28, 2023	-

Lease liability	\$
Value of lease liability as at February 28, 2022	18,582
Interest on lease liability	286
Lease payments	(14,005)
Foreign exchange	(275)
Lease liability as at August 31, 2022	4,588
Interest on lease liability	23
Lease payments	(4,494)
Foreign exchange	(117)
Lease liability as at February 28, 2023	-

6. Loans 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 January 18, 2024 will result in loan forgiveness of 25% (up to \$10,000).

During the six-month period ended August 31, 2022, the Company received interest-free loans from employees for a total of approximately \$64,318. The Company repaid these loans during the year ended February 28, 2023.

7. Share Capital

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

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

7. Share Capital (Continued)

Issuances - period ended August 2023

- a) On March 20, 2023, the Company completed a non-brokered private placement financing consisting of 18,436,614 units at a price of \$0.07 per unit for gross proceeds of \$1,290,563. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of \$0.18 until March 20, 2025. The residual value of the warrants associated with the unit offering was \$184,366. The Company paid \$21,170 as finder's fees in connection with the financing.
- b) On August 3, 2023, the Company completed a non-brokered private placement financing consisting of 23,496,667 units at a price of \$0.05 per unit for gross proceeds of up to \$1,174,833. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of \$0.15 until August 3, 2025. The residual value of the warrants associated with the unit offering was \$117,483. The Company paid \$23,400 as finder's fees in connection with the financing.

See Note 14 for subsequent issuances.

Issuances - period ended August 2022

- c) During the six-month period ended August 31, 2022, the Company issued a combined total of 10,022,142 common shares upon the exercise of warrants at a weighted average price of \$0.16 per share for total proceeds of \$1,584,657.
- d) On June 1, 2022, through an exercise of options, the Company issued 300,000 common shares at a price of \$0.10 per share for total proceeds of \$30,000.

8. Stock Option Plan

At the Company's Annual General Meeting held on December 8, 2022, the shareholders of the Company approved the renewal of the Company's rolling stock option plan (the "Option Plan"). The essential elements of the Option Plan are as follows. The aggregate number of shares of the Company's capital stock reserved for issuance pursuant to the Option Plan and all other security-based compensation arrangements will represent a maximum of 10% of the total issued and outstanding shares of the Company at the date of the grant. 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 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 six-month period ended August 31, 2023 and the year ended February 28, 2023:

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

8. Stock Option Plan (Continued)

	August 31, 2023		February 28, 2023	
	Options	Weighted Average Exercise Price (\$)	Options	Weighted Average Exercise Price (\$)
Options outstanding, beginning of period	21,280,000	0.13	17,275,000	0.13
Granted	-	-	7,660,000	0.11
Exercised	-	-	(300,000)	0.10
Cancelled	(200,000)	0.16	(200,000)	0.10
Forfeited	(2,075,000)	0.10	(1,525,000)	0.11
Expired	-	-	(1,630,000)	0.10
Options outstanding, end of period	19,005,000	0.13	21,280,000	0.13

The weighted average fair value at the measurement date of the 7,660,000 options granted by the Company during the year ended February 28, 2023 was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

February 28, 2023	
Expected annual volatility	108.50%-114.09%
Risk-free interest rate	3.27%-3.82%
Expected life	5 years
Expected dividend yield	0.00%

During the period ended August 31, 2023, there were 200,000 options cancelled or voluntarily surrendered by option holders (year ended February 28, 2023 – 200,000) and the Company accounted for these as cancellations whereby the unvested balance of the original fair value was immediately expensed in the amount of \$nil (year ended February 28, 2023 - \$nil).

During the period ended August 31, 2023, 2,075,000 options, related to the acquisition of Proximo (see Note 4) with an exercise price of \$0.10 (year ended February 28, 2023 - 1,525,000 options with an exercise price of \$0.11) per share were forfeited.

The following table summarizes information about the stock options outstanding and exercisable at August 31, 2023:

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 - 0.16	16,530,000	3.00	0.11	10,447,500	2.35	0.11
0.17 – 0.22	2,475,000	3.48	0.20	2,425,000	3.49	0.20
	19,005,000	3.07	0.13	12,872,500	2.56	0.12

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

8. Stock Option Plan (Continued)

Share-based compensation recognized on options and RSUs vesting during the three month periods ended August 31, 2023 and 2022 has been allocated to contributed surplus and expensed as follows:

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Administrative	44,504	36,725	99,854	82,488
Directors' fees	57,150	48,828	126,445	103,245
Mineral property exploration expenditures	35,257	28,131	71,495	39,508
Total	136,911	113,684	297,794	225,241

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

On November 29, 2018, the Company's disinterested shareholders approved the adoption of an 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 number of shares reserved for issuance from treasury under the RSU/DSU Plan was 1,151,000 shares (granted subsequently on September 2, 2022). On December 8, 2022, shareholders of the Company approved an amendment to the RSU/DSU Plan whereby the maximum numbers of shares made available for issuance shall not exceed 3,349,708 shares.

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.

On September 2, 2022, the Company granted a total of 1,151,000 RSUs, vesting over a period of three years, to a director and an officer. During the six-month period ended August 31, 2023, the Company recorded \$39,722 in share-based compensation expense with respect to the RSUs based on the fair value at the grant date. The value of RSUs granted is recorded as share based compensation expense in contributed surplus over the vesting period.

Outstanding RSUs	
Outstanding, February 28, 2022	-
Awarded	1,151,000
Outstanding February 28, 2023	1,151,000
Awarded	-
Outstanding August 31, 2023	1,151,000

Subsequent to the period ended August 31, 2023, on September 5, 2023, 383,666 of the granted RSUs vested.

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

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

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 August 31, 2023, no DSUs have been granted.

10. Warrants

Warrants transactions are summarized as follows:

	Outstanding Warrants	Weighted Average Exercise Price (\$)
Outstanding, February 28, 2022	38,004,296	0.17
Exercised	(10,022,142)	0.16
Expired	(6,225,000)	0.13
Outstanding August 31, 2022	21,757,154	0.19
Issued	10,000,000	0.18
Expired	(5,050,000)	0.17
Outstanding February 28, 2023	26,707,154	0.19
Issued	41,933,281	0.16
Expired	(16,707,154)	0.20
Outstanding August 31, 2023	51,933,281	0.17

During the year ended February 28, 2023, the Company issued a combined total of 10,022,142 common shares upon the exercise of warrants at a weighted average price of \$0.16 per share for total proceeds of \$1,584,657 and during the same period, a combined total of 11,275,000 warrants at a weighted average exercise price of \$0.15 per common share, expired unexercised.

In connection with a private placement completed on March 20, 2023, the Company issued 18,436,614 warrants at an exercise price of \$0.18 until March 20, 2025, and in connection with a private placement completed on August 3, 2023, Rugby issued 23,496,667 warrants at an exercise price of \$0.15 until August 3, 2025. On April 26, 2023, 16,707,154 warrants with an exercise price of \$0.20 per common share, expired unexercised.

As at August 31, 2023, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price (\$)	Exercisable
October 18, 2023	10,000,000	0.18	10,000,000
March 20, 2025	18,436,614	0.18	18,436,614
August 3, 2025	23,496,667	0.15	23,496,667
	51,933,281		51,933,281

See Note 14 for warrants that expired subsequently.

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

11. Related Party Transactions

During the six-month period ended August 31, 2023, a total of \$4,750 (2022 – \$42,500) was paid or accrued for related party transactions with companies controlled by directors or officers of the Company for consulting fees. Amounts due to related parties as at August 31, 2023 of \$1,250 (February 28, 2023 – \$95,001) are for consulting fees and reimbursable expenses incurred on behalf of the Company and are non-interest bearing and due on demand.

The total of \$4,750 (2022 - \$42,500) incurred for the six-month period ended August 31, 2023 was paid or accrued to Berenvy Pty Ltd., a company controlled by the COO, CTO and director of the Company for consulting 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:

	Three months ended		Six months ended	
	August 31,		August 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Compensation – cash	61,000	124,205	153,750	236,705
Share-based payments	70,089	67,208	155,993	143,044
Total	131,089	191,413	309,743	379,749

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:

August 31, 2023							
	Canada	Chile	Australia	Argentina	Colombia	Philippines	Total
	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	498,977	4,203	8,009	1,858	26,188	351	539,586
Amounts receivable and prepaids	38,621	1,751	5,812	584	92,926	1,866	141,560
Mineral properties	-	-	-	89,550	66,075	-	155,625
Total assets	537,598	5,954	13,821	91,992	185,189	2,217	836,771
Total liabilities	(135,145)	(5,907)	(4,593)	(507)	(31,424)	(118)	(177,694)
	402,453	47	9,228	91,485	153,765	2,099	659,077

Six months ended August 31, 2023							
	Canada	Chile	Australia	Argentina	Colombia	Philippines	Total
	\$	\$	\$	\$	\$	\$	\$
Mineral property exploration expenditures	-	21,395	-	81,341	1,178,471	13,891	1,295,098
Net loss	551,935	31,232	77,930	76,212	1,223,645	26,956	1,987,910

RUGBY RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED AUGUST 31, 2023 AND 2022
(UNAUDITED)

13. Segmented Information (Continued)

February 28, 2023							
	Canada	Chile	Australia	Argentina	Colombia	Philippines	Total
	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	161,972	9,280	20,553	14,469	38,177	1,767	246,218
Amounts receivable and prepaids	28,640	3,733	6,935	861	1,383	813	42,365
Mineral properties	-	-	-	89,550	66,075	-	155,625
Total assets	190,612	13,013	27,488	104,880	105,635	2,580	444,208
Total liabilities	(381,725)	(6,121)	(11,311)	(8,200)	(43,427)	(2,879)	(453,663)
	(191,113)	6,892	16,177	96,680	62,208	(299)	(9,455)

Six months ended August 31, 2022							
	Canada	Chile	Australia	Argentina	Colombia	Philippines	Total
	\$	\$	\$	\$	\$	\$	\$
Mineral property exploration expenditures	-	287,157	45,664	114,134	1,310,611	19,229	1,776,795
Net loss	530,934	311,862	260,625	108,166	1,329,556	33,146	2,574,289

14. Subsequent Events

On September 5, 2023, the Company issued 383,666 common shares valued at \$49,877 for vested RSUs.

On October 18, 2023, 10,000,000 warrants exercisable to acquire common shares of the Company at a price of \$0.18 per common share, expired unexercised.