



RUGBY MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended February 28, 2017
(Expressed in Canadian Dollars)



June 27, 2017

Independent Auditor's Report

To the Shareholders of Rugby Mining Limited

We have audited the accompanying consolidated financial statements of Ruby Mining Limited, which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rugby Mining Limited as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Rugby Mining Limited's ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	February 28, 2017	February 29, 2016
Assets		
Current		
Cash and cash equivalents	\$ 1,484,044	\$ 505,854
Amounts receivable and prepaids	46,723	22,043
	1,530,767	527,897
Mineral properties (Note 6)	156,675	81,400
	\$ 1,687,442	\$ 609,297
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 109,041	\$ 116,935
Due to related parties (Note 10)	38,210	233,466
	147,251	350,401
Shareholders' Equity		
Share capital (Note 7)	18,757,592	15,907,362
Contributed surplus	5,940,880	5,607,930
Deficit	(23,088,724)	(21,190,296)
Accumulated other comprehensive loss	(69,557)	(66,100)
	1,540,191	258,896
	\$ 1,687,442	\$ 609,297

Nature of Operations and Going Concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors on June 27, 2017:

Robert Reynolds
..... Director

Yale Simpson
..... Director

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended,	February 28, 2017		February 29, 2016	
Income				
Interest income	\$	13,802	\$	6,039
Expenses				
Accounting and audit		76,795		113,277
Administrative	(Note 8)	713,318		438,182
Bank charges		8,356		5,580
Directors' fees	(Note 8)	152,962		51,476
Foreign exchange gain		(2,958)		(719)
Insurance		34,584		35,100
Professional fees		15,949		26,091
Mineral property exploration expenditures	(Notes 6 and 8)	838,753		625,320
Shareholder communications		16,720		5,663
Stock exchange and filing fees		19,587		17,009
Transfer agent		6,491		5,246
Travel		31,673		16,514
		1,912,230		1,338,739
Net loss for the year		1,898,428		1,332,700
Other comprehensive loss for the year				
Currency translation adjustment		3,457		34,587
Comprehensive loss for the year	\$	1,901,885	\$	1,367,287
Basic & diluted loss per common share	\$	0.03	\$	0.03
Weighted average number of common shares outstanding		60,163,800		49,174,583

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended,	February 28, 2017	February 29, 2016
Operating Activities		
Net loss for the year	\$ (1,898,428)	\$ (1,332,700)
Items not requiring an outlay of cash:		
Share based payments (Note 8)	332,950	152,131
	(1,565,478)	(1,180,569)
Changes in non-cash working capital		
Amounts receivable and prepaids	(24,680)	(1,699)
Accounts payable and accrued liabilities	122,106	47,048
Due to related parties	(195,256)	213,014
Cash flows from operating activities	(1,663,308)	(922,206)
Investing Activity		
Mineral property acquisition costs	(66,075)	-
Cash used in investing activity	(66,075)	-
Financing Activities		
Shares issued for cash	2,770,000	671,000
Share issue costs	(49,770)	(2,250)
Cash flows from investing activities	2,720,230	668,750
Effect of foreign exchange rate change on cash	(12,657)	(15,987)
Net increase (decrease) in cash and cash equivalents	978,190	(269,443)
Cash and cash equivalents - beginning of year	505,854	775,297
Cash and cash equivalents - end of year	\$ 1,484,044	\$ 505,854

Supplemental disclosure to cash flows (Note 15)

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Share Capital		Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number of Shares	Amount				
Balance at February 28, 2015	46,035,000	\$ 15,238,612	\$ 5,455,799	\$ (19,857,596)	\$ (31,513)	\$ 805,302
- Equity Financing	8,387,500	671,000	-	-	-	671,000
- Share issue costs	-	(2,250)	-	-	-	(2,250)
- Share-based payments recognized	-	-	152,131	-	-	152,131
- Other comprehensive loss	-	-	-	-	(34,587)	(34,587)
- Net loss for the year	-	-	-	(1,332,700)	-	(1,332,700)
Balance at February 29, 2016	54,422,500	\$ 15,907,362	\$ 5,607,930	\$ (21,190,296)	\$ (66,100)	\$ 258,896
- Equity Financing	9,000,000	2,700,000	-	-	-	2,700,000
- Shares for debt	433,333	130,000	-	-	-	130,000
- Warrants exercised	700,000	70,000	-	-	-	70,000
- Share issue costs	-	(49,770)	-	-	-	(49,770)
- Share-based payments recognized	-	-	332,950	-	-	332,950
- Other comprehensive income	-	-	-	-	(3,457)	(3,457)
- Net loss for the year	-	-	-	(1,898,428)	-	(1,898,428)
Balance at February 28, 2017	64,555,833	\$ 18,757,592	\$ 5,940,880	\$ (23,088,724)	\$ (69,557)	\$ 1,540,191

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

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, Colombia, and the Philippines.

The Company is in the exploration stage with its various mineral properties. The continued operations of the Company is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of such properties, and the profitable production from or disposition of such properties.

These financial statements have been prepared in accordance with International Financial Reporting Standards 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 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 (Note 6) and overhead requirements. The Company has incurred operating losses since inception. As at February 28, 2017, the Company had an accumulated deficit of \$23,088,724 (2016 - \$21,190,296) and working capital of \$1,383,516 (2016 - \$177,496). 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 in order to obtain funding required to meet on-going expenditures during the fiscal year.

If the going concern assumption was not appropriate for these 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”). The Company’s head office is located at 1660 - 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention. These consolidated financial statements were approved and authorized by the Board of Directors for issue on June 27, 2017.

3. Changes in Accounting Policy and Disclosures

New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after March 1, 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss, however, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Changes in Accounting Policy and Disclosures (Continued)

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is not early adopting the changes to IFRS 9 and it is in the process of assessing the effect of this standard and its related amendments on its financial statements.

IFRS 15 – Revenue from Contracts with Customers

The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when a performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers.

IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is not early adopting this standard and because it has no revenues at this stage has determined there will be no effect on its financial statements.

IFRS 16 – Leases

The new Leases standard requires lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the effect of this standard on its financial statements.

3. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty

a) Basis of Presentation

These consolidated financial statements include the accounts of the following significant subsidiaries:

	Country of Incorporation	Percentage of Ownership
Sociedad Soratama Sucursal (“Soratama”)	Colombia	100%
Volador Holdings (“Volador”)	Colombia	100%
Volador Colombia S.A.S. (“Volador S.A.S.”)	Colombia	100%
Wallaby Corporation (“Wallaby”)	Philippines	100%
Rugby Pty. Limited	Australia	100%

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

4. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty (Continued)

b) Mineral Property Exploration and Acquisition Expenditures

The Company expenses mineral property exploration expenditures when incurred. When it has established that a mineral deposit is commercially mineable and following a decision to commence development, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

Mineral property acquisition costs are initially capitalized when incurred. The Company assesses the carrying costs for impairment. Impairment losses, if any, are measured as the excess of the carrying amount of the mineral property over its estimated fair value. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

c) Cash and Cash Equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with an initial term to maturity of 90 days or less.

d) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share has not been presented separately as the effect of common shares issuable on the exercise of stock options and share purchase warrants would be anti-dilutive.

e) Share-based Compensation

The Company has adopted an incentive stock option plan. Stock options expire after 5 or 10 years and normally vest over a period of 1 to 2 years (50 - 100% per year) or when certain milestones are met. All share-based awards are measured and recognized using the fair-value method as determined by the Black-Scholes option pricing model. Awards that the Company has the ability to settle with stock are recorded as equity. Share-based compensation expense is recognized over the tranche's vesting period, in earnings or capitalized as appropriate, based on the number of options expected to vest.

f) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in OCI or directly in equity, in which case it is recognized in OCI or in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

4. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty (Continued)

g) Translation of Foreign Currencies

(i) Presentation currency

The consolidated financial statements are presented in Canadian dollars.

(ii) Functional currency

The financial statements of each entity in the Company group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The functional currency of the parent company is the Canadian dollar and the functional currency of its Philippine subsidiary, Wallaby, is the Philippine Peso; and its Colombian subsidiaries, Soratama, Volador and Volador S.A.S., is the Colombian Peso. The financial statements of these subsidiaries (“foreign operations”) are translated into the Canadian dollar presentation currency as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position.
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates).
- All resulting changes are recognized in Other Comprehensive Income (“OCI”) as cumulative translation adjustments.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from conversion of the item from functional to reporting currency are considered to form part of the net investment in the foreign operation and are recognized in OCI.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in OCI related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in OCI related to the subsidiary are reallocated between controlling and non-controlling interests.

(iii) Transactions and balances

Foreign currency transactions are translated into the functional currency of an entity using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity’s functional currency are recognized in the statement of income.

h) Use of Estimates and Judgements

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas of estimates include assumptions used in the accounting for share-based compensation, amortization rates, and contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

4. Summary of Significant Accounting Policies, Judgements and Estimation Uncertainty (Continued)

i) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of cash, accounts receivable, and due from related party, and are included in current assets due to their short-term nature.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include accounts payable and accrued liabilities and amounts due to related parties. Accounts payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Financial liabilities are classified as current liabilities as payment is due within twelve months.

j) Segmented Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief-operating decision maker. The chief operating decision-makers responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management team, who are tasked with making strategic decisions.

5. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay dividends.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Management of Capital (Continued)

The Company's investment policy is to limit investments to guaranteed investment certificates, banker's acceptance notes, investment savings accounts or money market funds with high quality financial institutions in Canada and treasury bills, selected with regards to the expected timing of expenditures from continuing operations.

6. Mineral Properties – Acquisition and Exploration Costs

a) Acquisition Costs – Colombian Properties

Cost

As at February 28, 2015	\$	100,000
Additions		-
Effect of movements in exchange rates		(18,600)
Balance as at February 29, 2016	\$	81,400
As at March 1, 2016	\$	81,400
Additions		66,075
Effect of movements in exchange rates		9,200
Balance as at February 28, 2017	\$	156,675

b) Exploration Costs

The tables below show the Company's exploration and evaluation expenditures for the years ended February 28, 2017 and February 29, 2016.

	Year ended February 28, 2017						Total
	Generative & Other	Cobrasco	Comita	Mabuhay	Colombia Gold		
Assays	\$ 1,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,228
Field camp	-	19,011	-	7,865	62,888	-	89,764
Geological*	50,574	115,061	29,542	3,199	250,662	-	449,038
Legal	2,281	9,737	1,614	7,130	2,187	-	22,949
Tenement fees and option payments	-	-	-	9,323	131,930	-	141,253
Office operations	11,176	13,363	216	232	40,301	-	65,288
Travel	54,002	27,961	193	4,769	38,562	-	125,487
Wages and benefits	1,035	4,119	1,087	24,723	57,144	-	88,108
Government refunds	(144,362)	-	-	-	-	-	(144,362)
Exploration and evaluation costs	\$ (24,066)	\$ 189,252	\$ 32,652	\$ 57,241	\$ 583,674	\$ -	\$ 838,753

* Includes share based compensation as reflected below:

	Year ended February 28, 2017						Total
	Generative & Other	Cobrasco	Comita	Mabuhay	Colombia Gold		
Geological	\$ -	\$ -	\$ -	\$ -	\$ 29,762	\$ -	\$ 29,762
Total	\$ -	\$ -	\$ -	\$ -	\$ 29,762	\$ -	\$ 29,762

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

	Year ended February 29, 2016						Total
	Generative & Other*	Cobrasco	Comita	Mabuhay	Great Northern		
Assays	\$ -	\$ -	\$ -	\$ 1,906	\$ 14,685	\$ 16,591	
Field camp	-	-	-	16,715	35,126	51,841	
Geological*	69,930	16,964	66,276	-	46,093	199,263	
Legal	-	36,832	11,015	11,340	5,427	64,614	
Office operations	-	36,618	18,655	4,244	86,768	146,285	
Travel	2,388	16,291	629	14,076	28,498	61,882	
Wages and benefits	-	7,647	10,116	52,231	14,850	84,844	
Exploration and evaluation costs	\$ 72,318	\$ 114,352	\$ 106,691	\$ 100,512	\$ 231,447	\$ 625,320	

* Includes share based compensation as reflected below:

	Year ended February 29, 2016						Total
	Generative & Other	Cobrasco	Comita	Mabuhay	Great Northern		
Geological	\$ -	\$ 5,485	\$ -	\$ -	\$ -	\$ 5,485	
Total	\$ -	\$ 5,485	\$ -	\$ -	\$ -	\$ 5,485	

Cobrasco Porphyry Copper Gold Project, Colombia

The Cobrasco concession, which is subject to a 1% net smelter royalty (“NSR”), was acquired in April 2013.

Comita Porphyry Copper Project, Colombia

On October 12, 2010, the Company announced it had entered into an option agreement over Comita (the “Comita Agreement”), granting the Company the right to earn up to a 60% indirect interest in the project. The Comita Agreement provides that the mineral title at Comita will be transferred to a new Colombian entity (“Newco”) and grants the Company the right to earn an initial 40% interest in Newco upon completion of certain exploration activities and incurring expenditure commitments, with a further option to earn an additional 20% interest, for a total interest of 60% in Newco.

On May 6, 2014, the Company along with the Comita concession holder, amended the Comita Agreement such that the dates to meet the expenditure and drilling requirements have been extended. In order to earn its interest in Newco, the Company will have to renegotiate the terms of the amended Comita Agreement listed below. In the event that it is unable to renegotiate the terms of the agreement, it will lose its rights to Comita. Under the amended Comita Agreement, the Company can earn the 60% interest in Newco (an effective 60% indirect interest in the Comita project) if it completes the obligations set out in the two options as follows:

Option 1: The Company has until October 20, 2018 to acquire an indirect 40% interest in the Comita project by incurring US\$10.0 million in exploration expenditures which include at least 10,000 m of drilling as follows:

(i) US\$250,000 on or before October 21, 2011, the first anniversary date of the agreement (incurred).

(ii) Thereafter the Company has the option, but not the obligation to incur US\$9.75 million with minimum annual expenditures of US\$250,000 (minimum yearly expenditure requirements have been met to date) until such time as the Comita project is removed from the forestry reserve, following which the minimum annual expenditure increases to US\$1.0 million.

RUGBY MINING LIMITED
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6. Mineral Properties – Acquisition and Exploration Costs (Continued)

Excess expenditure in any given year may be carried forward to the next year, however such carry forward is limited to US\$1.0 million at the end of Option 1. Upon incurring the expenditures set out above, the Company is required to provide the title holder with notice that it has met the requirements to acquire the initial 40% interest in Newco following which the title holder has 90 days to elect to resume management of the Comita project. In the event that the title holder elects to resume management of the Comita project, a joint venture will be formed and dilution provisions will apply. Should the title holder elect not to resume management of the Comita project, the Company will be granted a second option to acquire a further 20% interest in Newco as set out below:

Option 2: Upon the Company being granted the second option it will have 3 years to acquire an additional 20% interest in Newco for a total 60% indirect interest in the project by incurring an additional US\$15.0 million in expenditures, including 20,000 m of drilling with minimum annual expenditures of US\$1.0 million on or before October 20, 2021.

Mabuhay Gold Project, Philippines

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.

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”) as it is anticipated that an Exploration Permit (“EP”) will be granted by the Philippine government earlier than an MPSA. An EP would allow the Company to conduct drilling at Mabuhay. An EPA was submitted to the government in March 2013 and all future payments as defined in the Amended Mabuhay Agreement have been deferred until the EP is approved by the federal authorities.

Under the Amended Mabuhay Agreement, in order to maintain its option, the Company is required to make staged payments totaling US\$250,000 over three years from the grant date of the EP (EP not yet granted), incur staged expenditures totaling US\$4.5 million over six years from the grant date of the EP, and complete a pre-feasibility study to earn its interest and exercise its Mabuhay Option.

In the event that the Company exercises the Mabuhay Option, it will be required to make an additional US\$175,000 payment to All-Acacia within 30 days from the grant and registration with the appropriate Mines and Geosciences Bureau Regional Office of the appropriate mineral agreement (MPSA or Financial and Technical Assistance Agreement) on the property and pay an aggregate of US\$500,000 over three years to SunPacific.

The Company was required to pay Pelican a further US\$5.0 million (the “Royalty Interest”) if commercial production commenced at Mabuhay. In April 2016, the Company purchased all of Pelican’s residual Royalty Interest in Mabuhay for A\$10,000 and consequently, Pelican has no remaining interest in Mabuhay.

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.

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

The Otways Project, Australia

On June 1, 2016, Rugby announced that it had acquired, for a nominal cash consideration plus a 2% NSR, two mineral property concession applications which cover prospective areas for copper and gold mineralization in the NW of Western Australia.

Colombia Gold Projects

a) The El Poma Project and 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. No residual rights to the Colombian properties or database were retained by the former owners.

b) The San Antonio Gold Project, Colombia

On October 19, 2016 the Company announced that it had entered into an option agreement with a private Colombian company to earn a 100% interest, subject to a 1% NSR in the San Antonio Gold Project in Colombia (“San Antonio”).

Pursuant to the option agreement over San Antonio, following completion of a 60 day due diligence period, the Company paid an initial option payment of US\$20,000. In order to maintain its option, the Company is required to make the following payments:

- (i) US\$20,000 by June 9, 2017 (paid – Note 16);
- (ii) US\$40,000 by December 9, 2017;
- (iii) US\$80,000 by December 9, 2018;
- (iv) US\$140,000 by December 9, 2019;
- (v) US\$200,000 by December 9, 2020;
- (vi) A final payment of \$250,000 by December 9, 2021 for an aggregate of US\$750,000 to exercise the option and earn 90% of San Antonio.

Rugby will then have an additional option to acquire the remaining 10% interest in San Antonio by paying US\$1,000,000 in staged payments over two years for a total 100% interest. Rugby also has a right of first refusal to purchase the vendor’s 1% NSR interest.

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7. Share Capital

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

On July 26, 2016, the Company closed a non-brokered Private Placement offering and issued 9,000,000 units (the “Units”) at a price of \$0.30 per Unit for gross proceeds of \$2,700,000. Each Unit consists of one (1) common share and one half (0.5) common share purchase warrant (a “Half Warrant”). The residual value method was used to account for the units and no consideration was allocated to the warrants. Each full warrant (two (2) Half Warrants together) will entitle the holder thereof to purchase one (1) additional common share of the Company for a period of two (2) years from the date of the close at an exercise price of \$0.45 during the first year and \$0.60 in the second year. The Company paid \$49,770 as finder’s fees in connection with a portion of the financing which was charged to share capital.

During the year ended February 28, 2017, the Company issued 700,000 common shares upon exercise of warrants at \$0.10 per share and issued 433,333 common shares to settle accounts payable of \$130,000 with a company controlled by a director of the Company (Notes 10 and 15).

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 24, 2016, may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. At February 28, 2017 the maximum number of options issuable under the Plan was 12,784,500. 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.

A summary of the changes in share options during the years ended February 28, 2017 and February 29, 2016 are as follows:

	February 28, 2017		February 29, 2016	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	7,925,000	\$ 0.12	8,410,000	\$ 0.35
Forfeited/ expired/ cancelled	(400,000)	0.50	(3,910,000)	0.39
Granted	1,950,000	0.27	3,425,000	0.09
Options outstanding, end of period	9,475,000	\$ 0.13	7,925,000	\$ 0.12*

* During the year ended February 29, 2016, the Company re-priced 1,035,000 options priced at \$0.41, to an exercise price of \$0.10; 1,110,000 options priced at \$0.36, to an exercise price of \$0.10; 190,000 options priced at \$0.30 to an exercise price of \$0.10; and 1,950,000 options priced at \$0.18 to an exercise price of \$0.10. The Company recognized \$17,268 in share-based compensation related to vested options from the stock options re-pricing.

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8. Stock Option Plan (Continued)

The following table summarizes information about the stock options outstanding and exercisable at February 28, 2017:

Outstanding Options				Exercisable Options		
Range of Prices (\$)	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
0.01 - 0.09	1,870,000	3.86	\$ 0.08	933,750	3.86	\$ 0.08
0.10 - 0.24	6,105,000	5.31	0.10	4,878,750	5.77	0.10
0.25 - 0.50	1,500,000	4.36	0.34	550,000	4.37	0.35
	9,475,000	4.88	\$ 0.13	6,362,500	5.37	\$ 0.12

Share-based compensation recognized on options vesting during the year amounting to \$332,950 (2016 - \$152,131) has been allocated to contributed surplus. Share-based compensation has been allocated as follows:

	2017	2016
Administrative	\$ 150,226	\$ 95,170
Directors' fees	152,962	51,476
Mineral property exploration expenditures	29,762	5,485
Total	\$ 332,950	\$ 152,131

9. Warrants

During the year ended February 28, 2017, the Company issued 700,000 common shares upon the exercise of warrants at \$0.10 per share for total proceeds of \$70,000. During the year ended February 29, 2016 no warrants were exercised.

At February 28, 2017, the Company had an aggregate of 12,187,500 outstanding warrants (2016 – 8,387,500) to acquire common shares as follows:

- a) 7,687,500 warrants at an exercise price of \$0.11 until October 15, 2017 and thereafter, until exercised, the warrant will increase in exercise price each year on October 15 by \$0.01 to a maximum price of \$0.14 until expiry on October 15, 2020; and
- b) 4,500,000 warrants expiring on July 26, 2018 exercisable at \$0.45 per share if exercised before July 26, 2017 and at \$0.60 per share thereafter until they expire.

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10. Related Party Transactions

- a) During the year ended February 28, 2017, a total of \$271,282 (2016 –\$286,359) was paid or accrued for related party transactions with companies controlled by directors or officers of the Company for mineral property exploration costs, administrative support fees, rent, and consulting fees. Amounts due to directors or officers of the Company of \$20,832 at February 28, 2017 (February 29, 2016 – \$204,576) are non-interest bearing and are due on demand.

Included in the amount of \$271,282 was \$124,992 for the year ended February 28, 2017 paid or accrued (2016 - \$124,992) to Berenvy Pty Ltd., a company controlled by the President & CEO of the Company for consulting fees, \$104,000 (2016 - \$120,000) to Rowen Company Limited, a company controlled by the Chairman of the Company for consulting fees and \$42,290 (2016 - \$41,367) to Rogo Investments Pty Ltd., a company controlled by a director of the Company for office rental fees which are priced at commercial market prices.

On December 14, 2016, the Company issued 433,333 common shares to settle accounts payable of \$130,000 with Rowen Company Limited (Notes 7 and 15).

- b) During the year ended February 28, 2017, the Company shared costs of certain common expenditures including administrative support, office overhead and travel with Exeter Resource Corporation (“Exeter”).

The Company, along with Exeter, incurs certain expenditures for staff, including the salary of the Chief Financial Officer and exploration expenditures on behalf of each other. The net amount paid or accrued by the Company to Exeter during the year ended February 28, 2017 was \$94,456 (2016 - \$100,707). As at February 28, 2017, the Company had amount payable of \$17,378 (February 29, 2016 - \$28,890) to Exeter. The amounts due to Exeter are non-interest bearing and are due on demand.

11. 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 years ended February 28, 2017 and February 29, 2016:

	2017	2016
Compensation - cash	\$ 306,129	\$ 331,679
Share-based payments	169,531	61,329
Total	\$ 475,660	\$ 393,008

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12. Financial Instruments

(a) Fair Value

The carrying amount of amounts receivable, accounts payable and accrued liabilities and due to related parties approximates fair value due to the short term nature of these financial instruments.

(b) Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange currency risk, liquidity and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits the majority of its cash with high credit quality financial institutions in Canada and holds balances in banks in Australia, Colombia and Philippines as required to meet current expenditures. The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Currency risk

The Company operates in Canada, Australia, Colombia and the Philippines and it is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities are denominated in several currencies (mainly Canadian Dollars, US Dollars, Australian Dollars, Colombian Pesos and Philippine Pesos) and are therefore subject to fluctuation against the Canadian Dollar. Such foreign currency balances, which are held in the Company's Colombian, Australian and Philippine subsidiaries, are subject to fluctuations against the Colombian Peso, Australian Dollars and Philippine Peso respectively.

As at February 28, 2017 and February 29, 2016, the Canadian parent company had nominal balances in foreign currencies.

Assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar and Australian dollar against the Canadian dollar would result in an insignificant change in the Company's net loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk mainly arises from the interest rate impact on the cash and cash equivalents. Cash and cash equivalents earn interest based on current market interest rates.

Based on the amount of cash and cash equivalents held at February 28, 2017, and assuming that all other variables remain constant, a 0.5% change in the applicable interest rate would result in an insignificant change in the interest earned by the Company.

Liquidity risk (See Note 1 above)

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company had cash at February 28, 2017 in the amount of \$1,484,044 (February 29, 2016 - \$505,854) in order to meet short-term business requirements.

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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:

February 28, 2017	Canada	Australia	Colombia	Philippines	Total
Cash and cash equivalents	\$ 1,231,557	\$ 33,490	\$ 183,184	\$ 35,813	\$ 1,484,044
Amounts receivable and prepaids	27,867	1,835	17,021	-	46,723
Mineral properties	-	-	156,675	-	156,675
	1,259,424	35,325	356,880	35,813	1,687,442
Current Liabilities	74,290	620	70,745	1,596	147,251
	\$ 1,185,134	\$ 34,705	\$ 286,135	\$ 34,217	\$ 1,540,191
Year Ended February 28, 2017					
Mineral property exploration expenditures	\$ -	\$ (24,066)	\$ 805,578	\$ 57,241	\$ 838,753
Net loss	\$ 843,329	\$ 34,616	\$ 962,895	\$ 57,588	\$ 1,898,428

February 29, 2016	Canada	Australia	Colombia	Philippines	Total
Cash and cash equivalents	\$ 405,026	\$ 61,957	\$ 21,162	\$ 17,709	\$ 505,854
Amounts receivable and prepaids	18,305	2,949	789	-	22,043
Mineral properties	-	-	81,400	-	81,400
	423,331	64,906	103,351	17,709	609,297
Current Liabilities	298,057	41,832	7,998	2,514	350,401
	\$ 125,274	\$ 23,074	\$ 95,353	\$ 15,195	\$ 258,896
Year Ended February 29, 2016					
Mineral property exploration expenditures	\$ -	\$ 231,447	\$ 293,361	\$ 100,512	\$ 625,320
Net loss	\$ 673,836	\$ 213,882	\$ 333,802	\$ 111,180	\$ 1,332,700

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14. Income Taxes

A reconciliation of consolidated income taxes at statutory rates with the reported taxes is as follows:

	<u>2017</u>	<u>2016</u>
Loss before income taxes	\$ 1,898,428	\$ 1,332,700
Combined federal and provincial tax rate	26.00%	26.00%
Income tax recovery based on the above rates	\$ (493,591)	\$ (346,502)
Increase (decrease) due to:		
Non-deductible expenses	86,567	39,554
Losses and temporary differences for which an income tax asset has not been recognized	476,228	334,623
Difference between Canadian and foreign tax rates	(69,204)	(27,675)
Income tax expense	<u>\$ -</u>	<u>\$ -</u>
	<u>2017</u>	<u>2016</u>
Non-capital losses	\$ 1,073,952	\$ 985,262
Tax basis over carrying value of mineral properties	2,681,785	2,624,295
Share issue costs	10,703	3,243
Unrecognized deferred tax asset	<u>\$ 3,766,440</u>	<u>\$ 3,612,800</u>

As at February 28, 2017, the Company has Canadian non-capital losses of approximately \$3,930,000 that may be applied to reduce future taxable income. If not utilized, the non-capital losses expire as follows.

Expiry	Total
2027	\$ 5,000
2028	36,000
2029	225,000
2030	208,000
2031	371,000
2032	598,000
2033	544,000
2034	478,000
2035	619,000
2036	532,000
2037	304,000
	<u>\$ 3,920,000</u>

Tax benefits have not been recorded as it is not considered more likely than not that they will be utilized.

15. Supplemental Disclosure to Cash Flows

On December 14, 2016, the Company issued 433,333 common shares to settle accounts payable of \$130,000 with a company controlled by a director of the Company (Notes 7 and 10).

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16. Subsequent events

In order to maintain its option over the San Antonio Gold Project, on May 22, 2017, the Company paid US\$ 20,000 (see note 6).

On June 8, 2017, the Company granted 1,190,000 stock options to directors, officers, employees and consultants, exercisable at \$0.31 per share expiring on June 8, 2022.