



Consolidated Financial Statements

**For the year ended February 28, 2023
(Expressed in Canadian Dollars)**



Independent auditor's report

To the Shareholders of Rugby Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Rugby Resources Ltd. and its subsidiaries (together, the Company) as at February 28, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at February 28, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended February 28, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Mineral properties impairment indicator assessment</p> <p><i>Refer to note 3 – Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty and note 5 – Mineral properties – Acquisition and Exploration Costs, to the consolidated financial statements.</i></p> <p>The carrying value of mineral properties amounted to \$156 thousand as at February 28, 2023. At each reporting date, management reviews the Company’s mineral properties for indicators of impairment, which requires management to exercise judgment, including but not limited to (i) the Company’s right to explore the mineral properties including whether exploration rights are expected to be renewed, (ii) whether the Company has further plans or budgets for substantive expenditures for the ongoing exploration and evaluation of the mineral properties, (iii) the results of exploration and evaluation activities, and (iv) the likelihood that the carrying value of the mineral properties will be recovered in the future through development or sale of the assets. If indicators of impairment are identified, management would review the carrying values of the applicable mineral properties to determine if their carrying values exceed their fair value.</p> <p>During the year ended February 28, 2023, management wrote down the Salvadora project to \$nil upon relinquishing the option agreement to</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated the reasonableness of management’s assessment of indicators of impairment related to mineral properties, which include the following:<ul style="list-style-type: none">- Obtained, for a sample of exploration rights, by reference to regulatory bodies, evidence to support (i) the right to explore the mining properties and (ii) mining title expiration dates.- Read Board of Directors’ minutes and obtained budget approvals to evidence planned substantive expenditures for the ongoing exploration and evaluation of the mineral properties to assess whether exploration rights are expected to be renewed and to evidence the relinquishment of the option agreement of the Salvadora project.- Assessed the results of exploration and evaluation activities and evaluated whether sufficient data exists to indicate that the carrying value of mineral properties is unlikely to be recovered in full from successful development or sale, based on evidence obtained in other areas of the audit.



Key audit matter	How our audit addressed the key audit matter
<p>acquire the project and recorded an impairment expense of \$6.95 million.</p> <p>We considered this a key audit matter due to (i) the significance of the carrying value of the mineral properties balance and (ii) the judgments made by management in its assessment of indicators of impairment related to mineral properties, which have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.</p>	<ul style="list-style-type: none">- Agreed the amount written down related to the Salvadora project against the historic capitalized acquisition costs.

Other information

Management is responsible for the other information. The other information comprises the Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial



statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eric Talbot.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 28, 2023

RUGBY RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		February 28, 2023	February 28, 2022
Assets			
Current			
	Notes		
		\$	\$
	Cash and cash equivalents	246,218	2,122,769
	Accounts receivable and prepaids	42,365	68,625
Total current assets		288,583	2,191,394
Non-Current			
	Right-of-use asset	6 \$ -	\$ 18,039
	Mineral properties	5 155,625	7,454,326
Total assets		\$ 444,208	\$ 9,663,759
Liabilities			
Current			
	Accounts payable and accrued liabilities	\$ 318,662	\$ 295,293
	Due to related parties	12 95,001	139,507
	Loan payable	7 40,000	66,488
	Lease liability	6 -	18,582
Total current liabilities		453,663	519,870
Non-Current			
	Loan payable	7 -	40,000
Total liabilities		453,663	559,870
Shareholders' Equity			
	Share capital	8 38,902,354	35,149,347
	Contributed surplus	7,631,399	7,231,982
	Share subscriptions received in advance	8 40,493	-
	Deficit	(46,443,760)	(33,439,453)
	Accumulated other comprehensive income/(loss)	(139,941)	162,013
Total shareholders' equity		(9,455)	9,103,889
Total liabilities and shareholders' equity		\$ 444,208	\$ 9,663,759

Nature of Operations and Going Concern (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors on June 28, 2023:

Robert Reynolds
..... Director

Merfyn Roberts
..... Director

RUGBY RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended,	Notes	February 28, 2023	February 28, 2022
Expenses			
Accounting and audit		235,806	207,521
Administrative	9	955,552	597,995
Bank charges		17,215	15,697
Depreciation of right-of-use assets	6	17,778	27,350
Directors' fees	9	230,904	161,306
Foreign exchange (gain) loss		8,221	(17,215)
Impairment of mineral properties	5	6,946,713	30,269
Insurance		48,153	47,462
Interest on lease liability	6	310	1,511
Mineral property exploration expenditures	5	4,328,638	1,491,850
Shareholder communications		40,554	34,195
Stock exchange and filing fees		30,536	38,225
Transfer agent		16,727	11,541
Travel		127,200	59,453
Total Expenses		13,004,307	2,707,160
Income			
Interest income		\$ -	\$ (8)
Net loss for the year		13,004,307	2,707,152
Other comprehensive loss (income) for the year			
Foreign currency translation adjustment on:			
Mineral properties	5	351,988	(283,405)
Other		(50,034)	23,537
Comprehensive loss for the year		\$ 13,306,261	\$ 2,447,284
Basic & diluted loss per common share		\$ 0.06	\$ 0.02
Weighted average number of common shares outstanding		207,679,075	137,339,838

RUGBY RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended,	Notes	February 28, 2023	February 28, 2022
Operating Activities			
Net loss for the year		\$ (13,004,307)	\$ (2,707,152)
Items not requiring an outlay of cash:			
Depreciation of right-of-use-assets	6	17,778	27,350
Foreign exchange		8,221	(17,215)
Impairment of mineral properties	5	6,946,713	30,269
Interest expense on lease liability	6	310	1,511
Share based payments	9	556,667	275,797
Shares issued for mineral property expenditures	5	-	63,440
		(5,474,618)	(2,326,000)
Changes in non-cash working capital:			
Accounts receivable and prepaids		26,260	(27,941)
Accounts payable and accrued liabilities		23,369	71,954
Due to related parties		(44,506)	133,021
Cash outflows from operating activities		(5,469,495)	(2,148,966)
Investing Activities			
Net cash used in acquisition of Proximo Resources	5	-	(167,062)
Cash flows used in investing activities		-	(167,062)
Financing Activities			
Lease liability payments	6	(18,499)	(28,650)
Loan payments	7	(121,878)	(293,887)
Loan proceeds	7	55,390	91,488
Shares issued for cash	8	3,614,657	4,574,517
Share subscriptions received in advance	8	40,493	-
Share issue costs	8	(18,900)	(205,248)
Cash flows from financing activities		3,551,263	4,138,220
Effect of foreign exchange rate change on cash		41,681	(6,347)
Net increase (decrease) in cash and cash equivalents		(1,876,551)	1,815,845
Cash and cash equivalents - beginning of year		2,122,769	306,924
Cash and cash equivalents - end of year		\$ 246,218	\$ 2,122,769

RUGBY RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Issued Share Capital</u>		Contributed Surplus	Share subscriptions received in advance	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number of Shares	Amount					
Balance at February 28, 2021	103,560,346	\$ 24,451,430	\$ 6,672,774	\$ -	\$ (30,732,301)	\$ (97,855)	\$ 294,048
- Equity financing – March 16, 2021	5,150,000	515,000	-	-	-	-	515,000
- Equity financing – October 27, 2021	33,414,312	4,009,717	-	-	-	-	4,009,717
- Share issue costs	-	(205,248)	-	-	-	-	(205,248)
- Options exercised	300,000	18,000	-	-	-	-	18,000
- Contributed surplus allocated on exercise of options	-	15,208	(15,208)	-	-	-	-
- Consideration Shares - Acquisition of Proximo Resources (Note 5)	50,000,000	6,250,000	-	-	-	-	6,250,000
- Fair value of 3,500,000 options – Acquisition of Proximo Resources (Note 5)	-	-	298,619	-	-	-	298,619
- Shares issued for Mabuhay (Motherlode) property option	302,095	63,440	-	-	-	-	63,440
- Warrants exercised	265,000	31,800	-	-	-	-	31,800
- Share-based payments recognized	-	-	275,797	-	-	-	275,797
- Other comprehensive income	-	-	-	-	-	259,868	259,868
- Net loss for the year	-	-	-	-	(2,707,152)	-	(2,707,152)
Balance at February 28, 2022	192,991,753	\$ 35,149,347	\$ 7,231,982	\$ -	\$ (33,439,453)	\$ 162,013	\$ 9,103,889
- Warrants exercised	10,022,142	1,584,657	-	-	-	-	1,584,657
- Contributed surplus allocated on exercise of warrants	-	50,000	(50,000)	-	-	-	-
- Options exercised	300,000	30,000	-	-	-	-	30,000
- Contributed surplus allocated on exercise of options	-	107,250	(107,250)	-	-	-	-
- Equity Financing – October 18, 2022	20,000,000	2,000,000	-	-	-	-	2,000,000
- Share issue costs	-	(18,900)	-	-	-	-	(18,900)
- Share-based payments recognized	-	-	556,667	-	-	-	556,667
- Share subscriptions received	-	-	-	40,493	-	-	40,493
- Other comprehensive loss	-	-	-	-	-	(301,954)	(301,954)
- Net loss for the period	-	-	-	-	(13,004,307)	-	(13,004,307)
Balance at February 28, 2023	223,313,895	\$ 38,902,354	\$ 7,631,399	\$ 40,493	\$ (46,443,760)	\$ (139,941)	\$ (9,455)

RUGBY RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

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 consolidated 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 February 28, 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 5) and overhead requirements. The Company has incurred operating losses since inception. As at February 28, 2023, the Company had an accumulated deficit of \$46,443,760 (2022 - \$33,439,453) and a negative working capital of (\$165,080) (2022 – positive working capital of \$1,671,524). For the year-ended February 28, 2023, the Company had a net loss of \$13,004,307 (2022 - \$2,707,152) and a cash outflow from operations of \$5,469,495 (2022 - \$2,148,966). 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 (see Note 17 for private placement completed after year-end).

If the going concern assumption was not appropriate for these consolidated 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 consolidated financial statements have been prepared in accordance with IFRS. These consolidated financial statements have been prepared under the historical cost convention and were approved and authorized by the Board of Directors for issue on June 28, 2023.

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

a) Basis of Presentation

These consolidated financial statements include the financial information 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%
Proximo Resources Pty Limited (“Proximo”)	Australia	100%
Minera Proximo Resources Argentina S.A.S.	Argentina	100%
Minera Proximo Resources SPA	Chile	100%

RUGBY RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty (Continued)

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

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. Option payments and expenditures required to earn an interest in the properties are initially expensed and then capitalized if the option is exercised. If indicators of impairment are identified, management would review the carrying values of the applicable mineral properties to determine if their carrying values exceed their fair value. 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) Leases

Rugby's policy under IFRS 16 is as follows. The Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset that is not owned by the Company for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use (ROU) assets.

The ROU assets are initially measured at cost, which comprises the initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs and any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated typically over the lease term and generally on a straight-line basis.

Lease liabilities are initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or if that rate cannot be determined, the Company's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. Subsequently, the lease liability is measured at amortized cost using the effective interest method, resulting in an interest expense. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company applies the available exemption to recognize a lease expense on a straight-line basis for short-term leases (term of 12 months or less) and low value leases.

e) 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.

RUGBY RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty (Continued)

f) 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. Expected volatility is based on historical volatility of the stock. The Company utilizes historical data to estimate the expected option term for input into the valuation model. The risk-free rate for the expected term of the applicable option is based on the Government of Canada yield curve in effect at the time of the grant.

g) Share Capital

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date of the closing of the private placement. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. Upon exercise of the warrants, the related fair value is reallocated to share capital.

h) 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 Other Comprehensive Income ("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.

i) Translation of Foreign Currencies

(i) Presentation currency

These 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").

RUGBY RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND FEBRUARY 28, 2022

3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty (Continued)

The functional currency of the parent company is the Canadian dollar. The functional currency of its Australian subsidiaries, Rugby Pty Limited and Proximo Resources Pty Limited is the Australian dollar. The functional currency of its Argentine subsidiary, Minera Proximo Resources Argentina S.A.S. is the Argentine peso. The functional currency of its Chilean subsidiary Minera Proximo Resources SPA is the Chilean peso. The functional currency of its Colombian subsidiaries, Sociedad Soratama Sucursal, Volador Colombia S.A.S. and Volador Holdings is the Colombian Peso. The functional currency of its Philippine subsidiary, Wallaby Corporation, is the Philippine 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 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.

j) Use of Estimates and Judgments

The preparation of these 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. The application of the Company’s accounting policy for mineral properties requires judgment to determine whether any impairment indicators exist. At each reporting date, management reviews the Company’s mineral properties for indicators of impairment, including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether the Company has further plans or budgets for substantive expenditures for the ongoing exploration and evaluation of the mineral properties, the results of exploration and evaluation activities, and the likelihood that the carrying value of the mineral properties will be recovered in the future through development or sale of the assets.

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.

k) Financial Instruments

The Company applies IFRS 9, Financial Instruments, which sets out the accounting standards for the classification and measurement of financial instruments.

RUGBY RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty (Continued)

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The classification of the Company’s financial instruments under IFRS 9 is as follows:

Accounts receivable	Amortized cost
Accounts payable	Amortized cost
Due to related parties	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in OCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

RUGBY RESOURCES LTD.
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3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty (Continued)

Derecognition

Financial assets

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

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive loss.

l) Segmented Reporting

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

m) New accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. 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.

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.

RUGBY RESOURCES LTD.
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5. Mineral Properties – Acquisition and Exploration Costs

a) Acquisition Costs

	Colombia Gold projects	Salvadora (Chile)	Venidero (Argentina)	Altiro- Futuro (Chile)	Total
<i>Cost</i>					
As at March 1, 2021:	\$ 66,075	\$ -	\$ -	\$ -	\$ 66,075
Additions (Proximo Resources):	-	7,015,296	89,550	30,269	7,135,115
Impairment:	-	-	-	(30,269)	(30,269)
Translation adjustment:	-	283,405	-	-	283,405
Balance as at February 28, 2022:	\$ 66,075	\$7,298,701	\$89,550	\$ -	\$7,454,326
As at March 1, 2022:	\$ 66,075	\$ 7,298,701	\$ 89,550	\$ -	\$7,454,326
Impairment:	-	(6,946,713)	-	-	(6,946,713)
Translation adjustment:	-	(351,988)	-	-	(351,988)
Balance as at February 28, 2023:	\$ 66,075	\$ -	\$89,550	\$ -	\$ 155,625

Acquisition of 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 Notes 9 and 17).

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:

Expected annual volatility	122%
Risk-free interest rate	1.22%
Expected life	4.26 years
Expected dividend yield	0%

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:

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

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 years ended February 28, 2023 and February 28, 2022.

Year Ended February 28, 2023

	Generative & Others	Salvadora	El Zanjon	Cobrasco	Colombia Gold	Motherlode	Venidero	Total
Assays	\$ -	\$ 12,350	\$ 35,858	\$ 122,739	\$ -	\$ -	\$ -	\$ 170,947
Drilling	-	-	-	710,875	-	-	-	710,875
Environmental	2,158	-	10,318	23,856	-	-	-	36,332
Field camp	-	108,122	4,731	424,288	-	18,458	-	555,599
Geological and geophysics*	-	91,292	42,612	415,862	3,869	1,665	23,751	579,051
Helicopter support	-	-	-	890,355	-	-	-	890,355
IVA	-	44,192	26,432	45,111	3,178	-	11,604	130,517
Legal & title	28,687	40,817	-	38,837	27,679	-	30,268	166,288
Office operations	-	-	-	6,997	14,784	182	-	21,963
Tenement fees, access and option payments	40,152	38,602	15,000	124,526	-	-	2,498	220,778
Travel	-	7,885	28,189	154,821	-	8,923	-	199,818
Wages and benefits	-	38,164	-	543,474	55,757	8,720	-	646,115
Exploration and evaluation costs	\$ 70,997	\$ 381,424	\$ 163,140	\$3,501,741	\$ 105,267	\$37,948	\$68,121	\$4,328,638

* Includes share-based compensation, see Note 9.

Year Ended February 28, 2022

	Generative & Others	Salvadora	El Zanjon	Cobrasco	Colombia Gold	Motherlode	Total
Assays	\$ -	\$ 25,590	\$ 38,652	\$ -	\$ 841	\$ -	\$ 65,083
Environmental	-	17,477	21,303	-	-	-	38,780
Field camp	-	135,760	8,105	8,359	-	23,553	175,777
Geological and geophysics*	3,566	356,939	141,313	8,540	31,548	1,510	543,416
IVA	-	57,312	-	-	-	-	57,312
Legal & title	23,892	94,622	-	22,242	22,854	-	163,610
Office operations	-	26,930	-	3,761	11,011	1,124	42,826
Tenement fees, access and option payments	35,383	-	15,000	9,482	-	63,440	123,305
Travel	2,360	98,905	-	5,114	4,211	4,755	115,345
Wages and benefits	-	67,555	-	22,635	65,410	10,796	166,396
Exploration and evaluation costs	\$ 65,201	\$ 881,090	\$224,373	\$80,133	\$135,875	\$105,178	\$1,491,850

* Includes share-based compensation, see Note 9.

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 600 square kilometres ("km") within the Deseado Massif gold and silver district.

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

Pursuant to the terms of the option agreement, the Company paid \$15,000 in July 2019, July 2020, July 2021 and July 2022 respectively and will be required to make further annual tenure payments totaling \$15,000 each. 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).

In order to earn 100% of El Zanjón, pursuant to the amendment to the option agreement, Rugby has the option to incur staged exploration expenditures totaling \$3.65 million over 9 years including completing studies to pre-feasibility standards as follows:

- (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).

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.

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:

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

- (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.*

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

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

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

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

Colombia Gold Projects

Regional Applications, Colombia

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

Tantalus

In February, 2020, the Company entered into an agreement to acquire the Tantalus gold silver project, located in the Bucaramanga gold belt in Colombia and paid the vendor approximately \$16,000. Tantalus is currently in the application stage and pursuant to the agreement, Rugby will pay the vendor approximately \$28,000 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.

Deseado Projects

a) The Venidero Project, Argentina – acquired under the Proximo acquisition

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 mineralisation at Cerro Negro and also has interesting structural complexity with outcropping veins having anomalous gold geochemistry.

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

b) The Altiro-Futuro Project, Argentina and Chile – acquired under the Proximo acquisition

The Altiro-Futuro Project is 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, the Company relinquished the property, wrote-down the project to \$nil and recorded an impairment expense of \$30,269 for the year ended February 28, 2022.

The Otway Project, Australia

On June 1, 2016, Rugby announced that it had acquired a 100% interest in the Otway project, for a nominal cash consideration plus a 2% NSR. On May 28, 2020, the Company announced the signing of an Option Agreement (“Agreement”) with Calidus Resources Limited (“Calidus”) under which Calidus could have earned an interest of up to 70% in the Otway project. Calidus subsequently withdrew from the Agreement in November 2021. On June 19, 2022, the Company relinquished the Otway project to maintain focus on its South American projects.

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. Highlights of the HOA: 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. The optional earn-in spend rate for first a 50% interest then an 80% interest is as follows:

- Year 1 – A\$200,000
- Year 2 – A\$250,000
- Year 3 – A\$300,000
- Year 4 – A\$500,000
- Year 5 – A\$600,000

6. 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 represents the Company’s incremental borrowing rate. The continuity of the ROU asset and lease liability for the year ended February 28, 2023 is as follows:

Right-of-use assets	
Value of ROU asset as at March 1, 2022	\$ 18,039
Depreciation	(17,659)
Foreign exchange	(380)
Value of ROU asset as at February 28, 2023	<u>\$ -</u>
Lease liability	
Value of lease liability as at March 1, 2022	\$ 18,582
Interest on lease liability	309
Lease payments	(18,499)
Foreign exchange	(392)
Lease liability as at February 28, 2023	<u>\$ -</u>
Current portion	\$ -
Non-current portion	\$ -

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7. 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 December 31, 2023 will result in loan forgiveness of 25% (up to \$10,000).

During the year ended February 28, 2022, the Company received an interest-free loan from an employee for the amount of approximately \$66,488 and during the year ended February 28, 2023 received additional interest-free loans from employees amounting to \$55,390 for a combined total of \$121,878. The Company repaid the loans during the year ended February 28, 2023.

8. Share Capital

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

Issuances - year ended February 2023

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.

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.

On October 18, 2022, the Company completed a non-brokered private placement financing consisting of 20,000,000 units at a price of \$0.10 per unit for gross proceeds of \$2,000,000. Each unit consisted of one (1) common share and one half (0.5) common share purchase warrant. Each full warrant (two (2) half warrants together) entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of \$0.18 until October 18, 2023. The Company paid \$18,900 as finder's fees in connection with the financing.

During the year ended February 28, 2023, the Company received \$40,493 (2022 - \$nil) for share subscriptions pursuant to a non-brokered private placement financing completed subsequent to year end which raised total gross proceeds of \$1,290,563.

See Note 17 for private placement completed subsequently.

Issuances - year ended February 2022

On March 16, 2021, the Company completed a non-brokered private placement financing consisting of 5,150,000 units at a price of \$0.10 per unit for gross proceeds of \$515,000. Each unit consisted of one (1) common share and one half (0.5) common share purchase warrant. Each full warrant (two (2) half warrants together) entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of \$0.20 until March 17, 2022 (the term was subsequently extended to June 17, 2022, see Note 11). The Company paid \$6,250 as finder's fees in connection with the financing which was charged to share capital.

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

On October 27, 2021, in connection with the acquisition of Proximo (see Note 5), the Company issued 50,000,000 common shares to the Proximo shareholders and completed a non-brokered private placement, issuing 33,414,312 units at \$0.12 per unit to raise \$4,009,717.

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8. Share Capital (Continued)

Each unit consisted of one (1) common share and one (1) half common share purchase warrant with each whole warrant entitling the holder to purchase one (1) additional common share of the Company until April 26, 2023, at an exercise price of \$0.20, provided that in the event that the closing price of the Company's common shares on the TSX Venture Exchange is \$0.30 or greater per common share during any 10 consecutive trading day period, the Company may, at its option, accelerate the expiry date of the warrants, in which case the warrants will expire on the 30th day after the date on which the Company provides notice of such accelerated expiry to warrant holders. The Company paid \$117,336 as finder's fees and \$81,663 in legal fees in connection with the placement which was charged to share capital.

On February 11, 2022, pursuant to the Second Amendment to the Mabuhay Agreement, the Company issued 302,095 common shares at \$0.20 per share to settle the third option payment of US\$50,000 (\$63,440, see Note 5).

During February 2022, the Company issued 265,000 common shares upon the exercise of warrants at a price of \$0.12 per share for total proceeds of \$31,800.

9. 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 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, 2023 and February 28, 2022 are as follows:

	February 28, 2023		February 28, 2022	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	17,275,000	\$0.13	11,250,000	\$0.11
Granted	7,660,000	0.11	6,825,000 [^]	0.16
Exercised	(300,000)	0.10	(300,000)	0.06
Cancelled	(200,000)	0.10	(400,000)	0.17
Forfeited	(1,525,000)	0.11	-	-
Expired	(1,630,000)	0.11	(100,000)	0.30
Options outstanding, end of period	21,280,000	\$0.13	17,275,000	\$0.13

[^] Includes 3,500,000 options granted in connection with the acquisition of Proximo (see Notes 5 and 17).
See Note 17 for options cancelled subsequently.

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 (February 28, 2022 - 6,825,000) was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	February 28, 2023	February 28, 2022
Expected annual volatility	108.50%-114.09%	86.5%-95.2%
Risk-free interest rate	3.27%-3.82%	1.22%-1.81%
Expected life	5 years	5 years
Expected dividend yield	0%	0%

There were 300,000 (2022 - 300,000) options exercised at a weighted average price of \$0.10 per share (February 28, 2022 - \$0.06) and the weighted average trading price at the time of exercise was \$0.145 (February 28, 2022 - \$0.09).

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9. Stock Option Plan (Continued)

There were 200,000 (2022 – 400,000) options cancelled or voluntarily surrendered by option holders 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 (2022 - \$1,329).

During the year, there were 1,525,000 (2022 – nil) options, related to the acquisition of Proximo (see Note 5), forfeited with an exercise price of \$0.11 (2022 - \$nil) per share. Additionally, 1,630,000 (2022 – 100,000) options expired unexercised with an exercise price of \$0.10 (2022 - \$0.30) per share.

The following table summarizes information about the stock options outstanding and exercisable at February 28, 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	18,805,000	3.42	\$ 0.11	10,695,000	2.49	\$ 0.11
0.17 - 0.22	2,475,000	3.99	\$ 0.20	1,806,250	3.99	\$ 0.20
	21,280,000	3.48	\$ 0.13	12,501,250	2.70	\$ 0.12

Share-based compensation recognized on options vesting during the year amounting to \$556,667 (2022 - \$275,797) has been allocated to contributed surplus. Share-based compensation has been allocated as follows:

	2023	2022
Administrative	\$213,914	\$108,390
Directors' fees	230,904	161,306
Mineral property exploration expenditures	111,849	6,101
Total	\$556,667	\$275,797

10. 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 RSU's, vesting over a period of three years, to a director and an officer. During the year ended February 28, 2023, the Company recorded \$45,212 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.

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 February 28, 2023, no DSU's have been granted.

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11. Warrants

Warrants transactions are summarized as follows:

	Outstanding Warrants	Weighted Average Exercise Price
Outstanding, Mar 1, 2021	18,987,142	\$0.15
Issued	19,282,154	\$0.20
Exercised	(265,000)	\$0.12
Outstanding Feb 28, 2022	38,004,296	\$0.17
Issued	10,000,000	\$0.18
Exercised	(10,022,142)	\$0.16
Expired	(11,275,000)	\$0.15
Outstanding February 28, 2023	26,707,154	\$0.19

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.

During the year ended February 28, 2023, a combined total of 11,275,000 warrants at a weighted average exercise price of \$0.15 per common share, expired unexercised.

During the year ended February 28, 2022, upon the exercise of warrants at a price of \$0.12 per share, the Company issued 265,000 common shares for total proceeds of \$31,800.

In October 2021 the Company extended the expiry date of 10,050,000 warrants with an exercise price of \$0.17 per share and original expiry date of October 30, 2021 to expire on October 30, 2022, subject to an acceleration clause.

In February 2022 the Company extended the expiry date of 2,575,000 warrants with an exercise price of \$0.20 per share and original expiry date of March 17, 2022 to expire on June 17, 2022. All other terms and conditions of the warrants remained unchanged.

As at February 28, 2023, the following warrants were outstanding:

Expiry Date	Outstanding	Exercise Price	Exercisable
April 26, 2023	16,707,154	\$ 0.20	16,707,154
October 18, 2023	10,000,000	\$ 0.18	10,000,000
	26,707,154		26,707,154

See Note 17 for warrants exercised and expired subsequently.

12. Related Party Transactions

During the year ended February 28, 2023, a total of \$74,250 (2022 – \$158,023) 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 February 28, 2023 of \$95,001 (February 28, 2022 – \$139,507) 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 \$74,250 (2022 - \$158,203) incurred for the year ended February 28, 2023 was paid or accrued as follows: \$74,250 (2022 - \$22,500) to Berenvy Pty Ltd., a company controlled by the Chief Operating Officer and director of the Company for consulting fees and \$nil (2022 - \$37,491) to Overlay Partners Pty Ltd., a company controlled by the former President & CEO and director of the Company during the year for consulting fees and \$nil (2022 - \$98,032) to Southernrock Geophysics S.A. a company where a key member of its management team is related to a director of Rugby.

Additionally, a director of the Company advanced \$25,000 in October 2021 which was subsequently repaid also in October 2021. No interest was charged on the advance.

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13. Executive Compensation

Key management personnel are those people 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, 2023 and February 28, 2022:

	2023	2022
Compensation - cash	\$ 456,225	\$ 320,232
Share-based payments	298,884	244,670
Total	\$ 755,109	\$ 564,902

14. Financial Instruments

(a) Fair Value

The carrying amount of accounts receivable, accounts payable and accrued liabilities, due to related parties, lease liability and loans payable 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 accounts receivable. The Company deposits the majority of its cash with high credit quality financial institutions in Canada and holds balances in banks in Argentina, Australia, Chile, 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, Argentina, Australia, Chile, 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, accounts receivable, accounts payable and accrued liabilities are denominated in several currencies (mainly Canadian Dollars, US Dollars, Argentine Pesos, Australian Dollars, Chilean Pesos, 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 Argentine, Australian, Chilean, Colombian, and Philippine subsidiaries, are subject to fluctuations against the Argentine Peso, Australian Dollar, Chilean Peso, Colombian Peso and Philippine Peso respectively.

As at February 28, 2023 and February 28, 2022, 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, Argentine Peso, Australian Dollar, Chilean Peso, Colombian Peso and Philippine Peso against the Canadian dollar would result in an insignificant change in the Company's consolidated statement of loss.

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14. Financial Instruments (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or 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, 2023, 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

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 and cash equivalents at February 28, 2023 in the amount of \$246,218 (February 28, 2022 - \$2,122,769) in order to meet short-term business requirements (see Note 1).

15. 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, 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)

Year ended February 28, 2023

Mineral property exploration expenditures	\$ -	\$ 406,781	\$ 45,643	\$ 231,261	\$ 3,607,005	\$ 37,948	\$ 4,328,638
Net loss	\$ 1,217,516	\$ 7,401,461	\$ 457,054	\$ 227,375	\$ 3,630,963	\$ 69,938	\$ 13,004,307

February 28, 2022	Canada	Chile	Australia	Argentina	Colombia	Philippines	Total
Cash and cash equivalents	\$ 1,879,378	\$ 185,352	\$ 39,411	\$ 10,167	\$ 8,028	\$ 433	\$ 2,122,769
Amounts receivable and prepaids	30,698	1,669	31,566	995	691	3,006	68,625
Right-of-use asset	-	-	18,039	-	-	-	18,039
Mineral properties	-	7,298,701	-	89,550	66,075	-	7,454,326
Total Assets	1,910,076	7,485,722	89,016	100,712	74,794	3,439	9,663,759
Total Liabilities	(123,323)	(249,691)	(71,381)	(\$7,938)	(100,082)	(7,455)	(559,870)
	\$ 1,786,753	\$ 7,236,031	\$ 17,635	\$ 92,774	(\$25,288)	(\$4,016)	\$ 9,103,889

Year ended February 28, 2022

Mineral property exploration expenditures	\$ 16,607	\$ 881,090	\$ 35,383	\$ 237,584	\$ 216,008	\$ 105,178	\$ 1,491,850
Net loss	\$ 836,961	\$ 932,959	\$ 282,231	\$ 232,582	\$ 291,111	\$ 131,308	\$ 2,707,152

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16. Income Taxes

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

	<u>2023</u>	<u>2022</u>
Loss before income taxes	\$ 13,004,307	\$ 2,707,152
Combined federal and provincial tax rate	27.00%	27.00%
Income tax recovery based on the above rates	\$ (3,511,163)	\$ (730,931)
Increase (decrease) due to:		
Non-deductible expenses	2,025,913	74,917
Adjustment to prior years provision versus statutory tax returns and other	(372,993)	144,983
Losses and temporary differences for which an income tax asset has not been recognized	1,932,861	559,510
Difference between Canadian and foreign tax rates	(74,618)	(48,479)
Income tax expense	\$ -	\$ -
	<u>2023</u>	<u>2022</u>
Non-capital losses	\$ 3,649,234	\$ 2,962,914
Tax basis over carrying value of mineral properties	4,172,331	3,275,174
Share issue costs	39,671	50,928
Unrecognized deferred tax asset	\$ 7,861,236	\$ 6,289,016

As at February 28, 2023, the Company has Canadian non-capital losses of approximately \$7,710,000 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	528,000
2038	478,000
2039	686,000
2040	693,000
2041	350,000
2042	643,000
2043	716,000
	<u>\$ 7,710,000</u>

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

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17. Subsequent Events

Private placement

Subsequent to the year ended February 28, 2023, 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 consisted 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 Company paid \$21,170 as finder's fees in connection with the financing.

Additionally, on June 22, 2023, the Company announced a non-brokered private placement financing consisting of 20,000,000 units at a price of \$0.05 per unit for gross proceeds of up to \$1,000,000. Each unit will consist of one (1) common share and one (1) common share purchase warrant. Each warrant will entitle the holder thereof to purchase one (1) additional common share of the Company for a period of two years from the date of the close at an exercise price of \$0.15.

Stock options

On April 14, 2023, 200,000 stock options with an exercise price of \$0.16 per share were voluntarily surrendered by option holders. Additionally, during the month of May 2023, 2,075,000 options, related to the acquisition of Proximo (see Note 5) forfeited with an exercise price of \$0.10 per share.

Warrants

On April 26, 2023, 16,707,154 warrants with an exercise price of \$0.20 per common share, expired unexercised.