RUGBY MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended February 29, 2020
(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Rugby Mining Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Rugby Mining Limited and its subsidiaries (together, the Company) as at February 29, 2020 and February 28, 2019, 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 29, 2020 and February 28, 2019;
- 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 a summary of significant accounting policies.

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.

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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.

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.

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 26, 2020

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	February 29, 2020	February 28, 2019
Assets			
Current			
Cash and cash equivalents		$ **443,897**	$ 554,845
Accounts receivable and prepaids		**56,068**	39,091
		499,965	593,936
Mineral properties	6	**66,075**	66,075
		$ **566,040**	$ 660,011
Liabilities			
Current			
Accounts payable and accrued liabilities		$ **55,023**	$ 68,010
Due to related parties	11	**7,933**	131,157
		62,956	199,167
Shareholders' Equity			
Share capital	7	**23,715,804**	21,576,365
Contributed surplus		**6,523,510**	6,290,141
Share subscriptions received in advance	7	**-**	45,000
Deficit		**(29,640,335)**	(27,375,859)
Accumulated other comprehensive loss		**(95,895)**	(74,803)
		503,084	460,844
		$ **566,040**	$ 660,011

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

Approved on behalf of the Board of Directors on June 26, 2020:

Robert Reynolds
.... Director

Yale Simpson
.... Director

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended,	**Notes**		**February 29, 2020**		February 28, 2019
Income					
Interest income		**$**	**77**	$	495
Expenses					
Accounting and audit			**157,886**		150,318
Administrative	8		**670,830**		724,166
Bank charges			**6,462**		6,593
Directors' fees	8		**36,447**		30,312
Foreign exchange loss			**2,727**		23
Impairment of mineral properties	6		**-**		87,241
Insurance			**32,906**		33,261
Mineral property exploration expenditures	6 & 8		**1,235,087**		1,076,341
Shareholder communications			**36,232**		14,718
Stock exchange and filing fees			**25,372**		23,139
Transfer agent			**6,420**		6,569
Travel			**54,184**		115,534
			2,264,553		2,268,215
Net loss for the year			**2,264,476**		2,267,720
Other comprehensive loss for the year					
Currency translation adjustment loss			**21,092**		27,061
Comprehensive loss for the year		**$**	**2,285,568**	$	2,294,781
Basic & diluted loss per common share		**$**	**0.03**	$	0.03
Weighted average number of common shares outstanding			**86,699,469**		75,308,549

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended,	Notes	February 29, 2020	February 28, 2019
Operating Activities			
Net loss for the year		**$ (2,264,476)**	$ (2,267,720)
Items not requiring an outlay of cash:			
Impairment of mineral properties	6	**-**	87,241
Share based payments	8	**132,869**	98,338
Shares issued for mineral property expenditures		**65,700**	-
		(2,065,907)	(2,082,141)
Changes in non-cash working capital			
Accounts receivable and prepaids		**(16,977)**	(13,771)
Accounts payable and accrued liabilities		**(12,987)**	(17,270)
Due to related parties		**(123,224)**	120,741
Cash outflows from operating activities		**(2,219,095)**	(1,992,441)
Financing Activities			
Shares issued for cash	7	**2,145,900**	2,254,750
Share issue costs	7	**(16,661)**	(48,825)
Cash flows from financing activities		**2,129,239**	2,205,925
Effect of foreign exchange rate change on cash		**(21,092)**	(24,680)
Net increase/(decrease) in cash and cash equivalents		**(110,948)**	188,804
Cash and cash equivalents - beginning of year		**554,845**	366,041
Cash and cash equivalents - end of year		**$ 443,897**	$ 554,845

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Share Capital						
	Number of Shares	Amount	Contributed Surplus	Share subscriptions received in advance	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at February 28, 2018	**70,345,833**	**$ 19,403,549**	**$ 6,203,694**	**$ -**	**$ (25,108,139)**	**$ (47,742)**	**$ 451,362**
- Equity Financing	6,270,714	2,194,750	-	-	-	-	2,194,750
- Options exercised	150,000	15,000	-	-	-	-	15,000
- Contributed surplus allocated on exercise of options	-	11,891	(11,891)	-	-	-	-
- Share issue costs	-	(48,825)	-	-	-	-	(48,825)
- Share subscriptions received	-	-	-	45,000	-	-	45,000
- Share-based payments recognized	-	-	98,338	-	-	-	98,338
- Other comprehensive expense	-	-	-	-	-	(27,061)	(27,061)
- Net loss for the year	-	-	-	-	(2,267,720)	-	(2,267,720)
Balance at February 28, 2019	**76,766,547**	**$ 21,576,365**	**$ 6,290,141**	**$ 45,000**	**$ (27,375,859)**	**$ (74,803)**	**$ 460,844**
- Equity Financing	16,638,331	2,190,900	-	-	-	-	2,190,900
- Residual value of warrants		(100,500)	100,500	-	-	-	-
- Share issue costs	-	(16,661)	-	-	-	-	(16,661)
- Shares issued for Mabuhay (Motherlode) property option	365,000	65,700	-	-	-	-	65,700
- Share subscriptions received	-	-	-	(45,000)	-	-	(45,000)
- Share-based payments recognized	-	-	132,869	-	-	-	132,869
- Other comprehensive expense	-	-	-	-	-	(21,092)	(21,092)
- Net loss for the year	-	-	-	-	(2,264,476)	-	(2,264,476)
Balance at February 29, 2020	**93,769,878**	**$ 23,715,804**	**$ 6,523,510**	**$ -**	**$ (29,640,335)**	**$ (95,895)**	**$ 503,084**

1. Nature of Operations and Going Concern

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

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. The Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to maintain its mineral interests (see Note 6) and overhead requirements. The Company has incurred operating losses since inception. As at February 29, 2020, the Company had an accumulated deficit of $29,640,335 (2019 - $27,375,859) and working capital of $437,009 (2019 - $394,769). In addition, if the Company is to advance or develop its projects, it will be necessary to obtain additional financing. Although management has been successful in the past in raising capital, there are no assurances that the Company will be successful raising capital in the future. The Company plans to raise additional equity in order to obtain funding 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 could be material.

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

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). 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 26, 2020.

3. Changes in Accounting Policy and Disclosures

The Company adopted the following IFRS standard effective March 1, 2019:

IFRS 16 – Leases

The new leases standard replaced IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. IFRS 16 is effective for the Company for the period beginning on March 1, 2019.

The Company has elected to apply the available exemptions to recognize a lease expense on a straight line basis for short-term leases (term of 12 months or less) and low valuable leases and did not restate prior periods as there was no impact at the date of initial application on March 1, 2019.

4. 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%

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. 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. 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.

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

f) 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"

g) 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.

h) 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").

The functional currency of the parent company is the Canadian dollar. The functional currency of its Philippine subsidiary, Wallaby, is the Philippine Peso. The functional currency of its Australian subsidiary, Rugby Pty Limited is the Australian dollar and the functional currency of 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 OCI as cumulative translation adjustments.

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

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.

i) 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 property acquisition costs requires judgment in assessing 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 impairment is recognized, any capitalized costs will be charged to operations.

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.

j) Financial Instruments

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

<u>Classification</u>

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

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

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.

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.

k) 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, have 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.

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, 2018	$	155,697
Impairment of mineral properties (see Cobrasco Copper Project, below)		(87,241)
Effect of movements in exchange rates		(2,381)
Balance as at February 28, 2019	**$**	**66,075**
As at March 1, 2019	$	66,075
Balance as at February 29, 2020	**$**	**66,075**

b) Exploration Costs

The tables below show the Company's exploration and evaluation expenditures for the years ended February 29, 2020 and February 28, 2019.

Year Ended February 29, 2020	Generative & Other	Otway	El Zanjon	Cobrasco	Colombia Gold	Motherlode	Total
Assays	$ -	$ 3,466	$ 6,188	$ -	$ 3,025	$ 37,180	$ 49,859
Drilling	-	-	-	-	-	329,843	329,843
Field camp	4,761	5,943	10,412	692	4,892	112,921	139,621
Geological*	17,406	12,320	75,015	60,722	53,072	63,210	281,745
Legal	-	-	-	19,019	8,650	-	27,669
Office operations	-	-	-	7,053	23,454	874	31,381
Tenement fees and option payments	-	9,935	15,000	-	15,985	65,700	106,620
Travel	-	7,080	-	1,402	35,278	17,143	60,903
Wages and benefits	-	5,161	-	43,521	130,562	28,202	207,446
Exploration and evaluation costs	$22,167	$43,905	$ 106,615	$132,409	$274,918	$655,073	$1,235,087

* Includes share based compensation, see Note 8:

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

Year Ended February 28, 2019	Generative & Other	Otway	Cobrasco	Colombia Gold	Motherlode	Total
Assays	$ -	$ -	$ 7,599	$ 16,223	$ -	$ 23,822
Drilling	-	-	-	281,520	-	281,520
Field camp	-	13,913	16,594	30,594	14,126	75,227
Geological*	746	3,653	77,620	40,071	6,645	128,735
Legal	-	-	12,593	10,335	532	23,460
Office operations	-	-	21,090	24,172	-	45,262
Tenement fees and option payments	-	10,147	9,232	115,173	-	134,552
Travel	-	22,677	44,465	27,850	6,520	101,512
Wages and benefits	-	217	109,942	150,212	1,880	262,251
Exploration and evaluation costs	$ 746	$50,607	$299,135	$696,150	$29,703	$1,076,341

* Includes share based compensation, see Note 8:

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 July 2018, the Company received conditional approval of the Exploration Permit ("EP") with final approval received in January 2019. In February 2019, Rugby and All-Acacia amended the terms of the option agreement such that payments pursuant to the option agreement can be settled with cash or shares at the Company's election.

In order to maintain its option, the Company is required to make the following staged payments totaling US$250,000 to All-Acacia over two years:

(i) US$50,000 by March 26, 2019 (paid by issuing 365,000 common shares valued at $65,700, see Note 7);
(ii) US$100,000 by March 20, 2020 (see Note 16); and
(iii) US$100,000 by March 20, 2021.

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;
(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.

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

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.

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.

The Otway Project, Australia

On June 1, 2016, Rugby announced that it had acquired a 100% interest in the Otway project, for a nominal cash consideration plus a 2% NSR. The Otway project, which covers prospective areas for copper and gold mineralization in the northwest of Western Australia, comprises two contiguous exploration licences covering 134 square kilometres (see Note 16).

Colombia Gold Projects

Regional Applications, Colombia

On June 1, 2016, Rugby announced that it had acquired an extensive portfolio of both granted exploration concessions and applications in Colombia together with an extensive geological database.

Under the terms of the agreement, Rugby acquired 100% of the rights to the portfolio of mineral properties and geological database for nominal cash consideration.

Tantalus

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

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").

On November 7, 2018, the Company relinquished its option over the San Antonio project as drilling results were below expectations.

Cobrasco Copper Project, Colombia

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

As a result of the permit application denial, the Company wrote-down the project to $nil and recorded an impairment expense of $87,241 for the year ended February 28, 2019.

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

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 within the Deseado Massif gold and silver district.

Pursuant to the terms of the option agreement, on July 26, 2019, the Company paid $15,000 and will be required to make further annual tenure payments totaling $15,000 each. The vendors will retain a 2% NSR.

In order to earn 100% of El Zanjon, Rugby will have the option to incur staged exploration expenditures totaling $3.65 million over 6 years including completing studies to pre-feasibility standards:

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

7. Share Capital

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

On March 15, 2019, the Company completed a non-brokered private placement financing consisting of 6,588,331 units (the "Units") at a price of $0.18 per Unit for gross proceeds of $1,185,900. Each Unit consisted of one (1) common share and one half (0.5) common share purchase warrant (a "Half Warrant"). Each full warrant (two (2) Half Warrants together) entitled the holder thereof to purchase one (1) additional common share of the Company at an exercise price of $0.30 until March 20, 2020 (see Note 16). The residual value of the warrants associated with the unit offering was $nil. The Company paid $11,411 as finder's fees in connection with the financing which was charged to share capital.

Share subscriptions received in advance at February 29, 2019 consisted of $45,000 and related to the private placement that closed on March 15, 2019. This amount was reclassified to share capital upon closing of the financing.

On March 26, 2019, pursuant to the Amended Mabuhay Agreement, the Company issued 365,000 common shares at $0.18 per share to settle the initial payment of US$50,000 ($65,700, see Note 6).

On October 29, 2019, the Company completed a non-brokered private placement financing consisting of 10,050,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $1,005,000. Each Unit consisted of one (1) common share and one (1) common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of $0.17 until October 30, 2021, provided that the closing price of the Company's common shares on the TSX-V is $0.25 or greater per common share during any 10 consecutive trading day period the Warrants will expire at 4.00 p.m. (Vancouver time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to warrantholders and the warrantholders will have no further rights to acquire any common shares of the Company under the Warrant. The residual value of the warrants associated with the unit offering was $100,500. The Company paid $5,250 as finder's fees in connection with the financing which was charged to share capital.

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 28, 2019, may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. At February 29, 2020 the maximum number of options issuable under the Plan was 16,743,975. 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 29, 2020 and February 28, 2019 are as follows:

	February 29, 2020		February 28, 2019	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	10.900,000	$0.15	10,575,000	$0.15
Granted	1,275,000	0.14	475,000	0.18
Exercised	-	-	(150,000)	0.10
Cancelled	(400,000)	0.15		
Forfeited	(125,000)	0.27	-	-
Options outstanding, end of period	11,650,000	$0.15	10,900,000	$0.15

There were nil (2019 – 150,000) options exercised during the year at a price of $nil (2019 - $0.10) and the weighted average trading price at the time of exercise was $nil (2019 - $0.33).

The weighted average fair value of options granted during the year was $0.11 per option (2019 - $0.15).

The weighted average fair value at the measurement date of the 1,275,000 (2019 – 475,000) options granted by the Company during the years ended February 29, 2020 and February 28, 2019 was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	February 29, 2020	February 28, 2019
Expected annual volatility	119.1%-122.1%	121.6%
Risk-free interest rate	1.47%	1.91%
Expected life	5 years	5 years
Expected dividend yield	0%	0%

The following table summarizes information about the stock options outstanding and exercisable at February 29, 2020:

	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	1,720,000	0.84	$ 0.08	1,120,000	0.83	$ 0.08
0.10 - 0.24	7,365,000	2.97	0.11	5,277,500	2.89	0.10
0.25 - 0.50	2,565,000	1.78	0.33	2,215,000	1.86	0.33
	11,650,000	2.39	$ 0.15	8,612,500	2.36	$ 0.16

8. Stock Option Plan (Continued)

Share-based compensation recognized on options vesting during the year amounting to $132,869 (2019 - $98,338) has been allocated to contributed surplus. Share-based compensation has been allocated as follows:

	2020	2019
Administrative	**$43,182**	$50,429
Directors' fees	**36,447**	30,312
Mineral property exploration expenditures	**53,240**	17,597
Total	**$132,869**	$98,338

9. Restricted share unit / Deferred share unit plan ("RSU / DSU Plan")

On November 29, 2018, the Company's disinterested shareholders approved the adoption of a RSU/DSU Plan. The Plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, officers, consultants and directors by granting equity-based compensation incentives, in addition to the Company's stock option plan. The maximum number of shares made available for issuance from treasury under the RSU/DSU Plan, subject to certain adjustments described in the RSU/DSU Plan, shall not exceed 1,151,000 shares (representing approximately 1.5% of the total issued and outstanding shares calculated on an undiluted basis as at November 30, 2018), provided, however, that the number of shares reserved for issuance from treasury under the RSU/DSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed 20% of the number of shares then issued and outstanding.

Under the terms of the RSU/DSU Plan, the number of common shares issued and issuable to insiders within a one-year period shall not exceed 10% of the issued and outstanding common shares; and, to any one insider within one year shall not exceed 5% of the issued and outstanding common shares. The maximum grant within a one-year period to any one participant shall not exceed 5% of the total issued and outstanding common 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.

As at February 29, 2020, no RSUs have been granted.

Deferred share units

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

As at February 29, 2020, no DSUs have been granted.

10. Warrants

No warrants were exercised during the year ended February 29, 2020 (2019 – nil).

On May 1, 2019, the Company announced the extension and repricing of 6,270,714 outstanding warrants. The exercise price of the warrants was reduced from $0.50 per common share to $0.36 per common share and the expiry date extended until May 22, 2020. Only 10% of the placement held by insiders was repriced.

10. Warrants (Continued)

At February 29, 2020, the Company had an aggregate of 21,702,379 outstanding warrants (2019 – 8,358,214) to acquire common shares as follows:

a) 3,294,165 warrants at an exercise price of $0.30 until expiry on March 20, 2020 (see Notes 7 and 16);

b) 6,017,785 warrants at an exercise price of $0.36 until expiry on May 22, 2020 (see Note 16);

c) 252,929 warrants at an exercise price of $0.50 until expiry on May 22, 2020 (see Note 16);

d) 2,087,500 warrants at an exercise price of $0.14 until expiry on October 15, 2020; and

e) 10,050,000 warrants at an exercise price of $0.17 until expiry on October 30, 2021 (acceleration clause applies, see Note 7).

11. Related Party Transactions

During the year ended February 29, 2020, a total of $142,226 (2019 – $200,559) 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 related parties as at February 29, 2020 of $7,933 are for reimbursable expenses to employees incurred on behalf of the Company and are non-interest bearing and due on demand (February 28, 2019 for consulting fees – $131,157).

The total of $142,226 incurred for the year ended February 29, 2020 was paid or accrued as follows: $35,000 (2019 - $60,000) to Rowen Company Ltd., a company controlled by the President & CEO and former Chairman of the Company for consulting fees, $67,704 (2019 – $98,952) to Berenvy Pty Ltd., a company controlled by the COO and former President and CEO of the Company for consulting fees, and $39,522 (2019 - $41,607) to Rogo Investments Pty Ltd., a company controlled by a director of the Company for office rental fees.

12. Executive Compensation

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

The following compensation has been provided to key management personnel for the years ended February 29, 2020 and February 28, 2019:

		2020		**2019**
Compensation - cash	**$**	**342,704**	$	363,952
Share-based payments		**53,761**		66,124
Total	**$**	**396,465**	$	430,076

13. Financial Instruments

(a) Fair Value

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

13. Financial Instruments (Continued)

(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 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 Argentina 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, 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 Dollar and Philippine Peso respectively.

As at February 29, 2020 and February 28, 2019, 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, Colombian Peso, Philippine Peso and Australian dollar against the Canadian dollar would result in an insignificant change in the Company's consolidated statement of loss.

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 29, 2020, 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 29, 2020 in the amount of $443,897 (February 28, 2019 - $554,845) in order to meet short-term business requirements (see Note 1).

14. 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 29, 2020	Canada	Australia	Argentina	Colombia	Philippines	Total
Cash and cash equivalents	$393,968	$ 18,620	$ -	$ 25,044	$ 6,265	$ 443,897
Amounts receivable and prepaids	43,003	1,835	-	9,565	1,665	56,068
Mineral properties	-	-	-	66,075	-	66,075
Total Assets	436,971	20,455	-	100,684	7,930	566,040
Current Liabilities	(35,218)	(2,994)	-	(22,825)	(1,919)	(62,956)
	$401,753	$17,461	$ -	$ 77,859	$ 6,011	$ 503,084

Year Ended February 29, 2020						
Mineral property exploration expenditures	$ 22,167	$ 43,905	$106,615	$407,327	$655,073	$1,235,087
Net loss	$773,959	$213,569	$106,615	$476,047	$694,286	$2,264,476

February 28, 2019	Canada	Australia	Colombia	Philippines	Total
Cash and cash equivalents	$490,570	$ 7,659	$ 47,485	$ 9,131	$ 554,845
Amounts receivable and prepaids	17,170	8,383	13,032	506	39,091
Mineral properties	-	-	66,075	-	66,075
Total Assets	507,740	16,042	126,592	9,637	660,011
Current Liabilities	(150,183)	(27,419)	(20,350)	(1,215)	(199,167)
	$357,557	$(11,377)	$106,242	$ 8,422	$ 460,844

Year Ended February 28, 2019					
Mineral property exploration expenditures	$ 746	$ 50,607	$995,285	$ 29,703	$1,076,341
Net loss	$772,735	$211,992	$1,229,468	$ 53,525	$2,267,720

15. Income Taxes

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

	2020	2019
Loss before income taxes	$ 2,264,476	$ 2,267,720
Combined federal and provincial tax rate	27.00%	27.00%
Income tax recovery based on the above rates	$ (611,409)	$ (612,284)
Increase (decrease) due to:		
Non-deductible expenses	35,875	55,341
Adjustment to prior years provision versus statutory tax returns	(2,785)	-
Losses and temporary differences for which an income tax asset has not been recognized	617,076	635,508
Difference between Canadian and foreign tax rates	(38,757)	(78,565)
Income tax expense	$ -	$ -

15. Income Taxes (Continued)

	2020	2019
Non-capital losses	$ 2,275,073	$ 1,667,327
Tax basis over carrying value of mineral properties	3,288,958	3,352,554
Share issue costs	14,196	16,043
Unrecognized deferred tax asset	$ 5,578,227	$ 5,035,924

As at February 29, 2020, the Company has Canadian non-capital losses of approximately $6,649,000 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	1,341,000
	$ 6,649,000

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

16. Subsequent Events

COVID-19

Subsequent to year end, on March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 has had a significant impact on businesses and people through the restrictions put in place by governments of most countries regarding travel, business operations, social distancing and quarantine orders. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. COVID-19 could adversely impact the Company's ability to raise financing for exploration or operating costs due to uncertain capital markets, country risk factors, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition.

In response to the pandemic, on April 9, 2020, Rugby announced temporary suspension of its exploration operations and reduction of expenditures, including salaries. Additionally, the Company also implemented a work from home policy for its employees.

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

16. **Subsequent Events** (Continued)

Motherlode

Subsequent to year end, the Company and All-Acacia negotiated a second amendment to the current option agreement which modifies the quantum and timing of the next option payments (see Note 6). Proposed modifications split option payment (ii) into 2 payments of US$50,000 each payable upon signature of the amendment and by March 20, 2021 respectively and option payment (iii) into 2 payments of US$50,000 each payable by March 20, 2022 and 2023 respectively. Rugby will pay All-Acacia in either Rugby shares (subject to TSX-V approval) or in cash, subject to All Acacia's right to elect to receive up to US$25,000 in cash. Due to the current COVID-19 situation in the Philippines, the amendment has not been formally finalized yet.

Otway

Subsequent to year end, on May 28, 2020, the Company announced the signing of an Option Agreement ("Agreement") with Calidus Resources Limited ("Calidus") under which Calidus can earn an interest of up to 70% in the Otway project (see Note 6). Highlights of the Agreement:

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

Warrants

On March 20, 2020, 3,294,165 warrants, exercisable to acquire a common share of the Company at a price of $0.30 per common share, expired unexercised.

On May 22, 2020, 6,017,785 and 252,929 warrants, exercisable to acquire a common share of the Company at a price of $0.36 and $0.50 respectively, expired unexercised.