



RUGBY MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended February 28, 2021
(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 28, 2021 and February 29, 2020, 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, 2021 and February 29, 2020;
- 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.

PricewaterhouseCoopers LLP

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



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 24, 2021

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

			February 28, 2021	February 29, 2020
Assets	Notes			
Current				
Cash and cash equivalents		\$	306,924	\$ 443,897
Accounts receivable and prepaids			26,536	56,068
Total current assets			333,460	499,965
Non-Current				
Right-of-use asset	6	\$	48,097	\$ -
Mineral properties	5		66,075	66,075
Total assets		\$	447,632	\$ 566,040
Liabilities				
Current				
Accounts payable and accrued liabilities		\$	58,644	\$ 55,023
Due to related parties	12		6,486	7,933
Lease liability	6		28,636	-
Total current liabilities			93,766	62,956
Non-Current				
Loan payable	7		40,000	-
Lease liability	6		19,818	-
Total liabilities			153,584	62,956
Shareholders' Equity				
Share capital	8		24,451,430	23,715,804
Contributed surplus			6,672,774	6,523,510
Deficit			(30,732,301)	(29,640,335)
Accumulated other comprehensive loss			(97,855)	(95,895)
Total shareholders' equity			294,048	503,084
Total liabilities and shareholders' equity		\$	447,632	\$ 566,040

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

Approved on behalf of the Board of Directors on June 24, 2021:

Robert Reynolds
..... Director

Merfyn Roberts
..... Director

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended,	Notes	February 28, 2021	February 29, 2020
Expenses			
Accounting and audit		155,242	157,886
Administrative	8	307,205	670,830
Bank charges		4,686	6,462
Depreciation of right-of-use assets	6	9,207	-
Directors' fees	8	91,667	36,447
Foreign exchange loss		4,213	2,727
Insurance		37,037	32,906
Interest on lease liability	6	779	-
Mineral property exploration expenditures	5 & 7	418,944	1,235,087
Shareholder communications		24,932	36,232
Stock exchange and filing fees		19,546	25,372
Transfer agent		8,355	6,420
Travel		10,177	54,184
		1,091,990	2,264,553
Income			
Interest income		\$ (24)	\$ (77)
Net loss for the year		1,091,966	2,264,476
Other comprehensive loss for the year			
Currency translation adjustment loss		1,960	21,092
Comprehensive loss for the year		\$ 1,093,926	\$ 2,285,568
Basic & diluted loss per common share		\$ 0.011	\$ 0.026
Weighted average number of common shares outstanding		99,503,093	86,699,469

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended,	Notes	February 28, 2021	February 29, 2020
Operating Activities			
Net loss for the year		\$ (1,091,966)	\$ (2,264,476)
Items not requiring an outlay of cash:			
Share based payments	9	188,216	132,869
Shares issued for mineral property expenditures		30,399	65,700
Depreciation of right-of-use-assets	6	9,207	-
Interest expense on lease liability	6	779	-
		(863,365)	(2,065,907)
Changes in non-cash working capital			
Accounts receivable and prepaids		29,532	(16,977)
Accounts payable and accrued liabilities		3,621	(12,987)
Due to related parties		(1,447)	(123,224)
Cash outflows from operating activities		(831,659)	(2,219,095)
Financing Activities			
Loan payable	7	40,000	-
Lease liability payments	6	(9,644)	-
Shares issued for cash	8	679,600	2,145,900
Share issue costs	8	(13,325)	(16,661)
Cash flows from financing activities		696,631	2,129,239
Effect of foreign exchange rate change on cash		(1,945)	(21,092)
Net (decrease) in cash and cash equivalents		(136,973)	(110,948)
Cash and cash equivalents - beginning of year		443,897	554,845
Cash and cash equivalents - end of year		\$ 306,924	\$ 443,897

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Share Capital		Contributed Surplus	Share subscriptions received in advance	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number of Shares	Amount					
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
- Equity Financing	8,937,142	625,600	-	-	-	-	625,600
- Share issue costs	-	(13,325)	-	-	-	-	(13,325)
- Shares issued for Mabuhay (Motherlode) property option	253,326	30,399	-	-	-	-	30,399
- Options exercised	600,000	54,000	-	-	-	-	54,000
- Contributed surplus allocated on exercise of options	-	38,952	(38,952)	-	-	-	-
- Share-based payments recognized	-	-	188,216	-	-	-	188,216
- Other comprehensive expense	-	-	-	-	-	(1,960)	(1,960)
- Net loss for the year	-	-	-	-	(1,091,966)	-	(1,091,966)
Balance at February 28, 2021	103,560,346	\$ 24,451,430	\$ 6,672,774	\$ -	\$ (30,732,301)	\$ (97,855)	\$ 294,048

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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 5) and overhead requirements. The Company has incurred operating losses since inception. As at February 28, 2021, the Company had an accumulated deficit of \$30,732,301 (2020 - \$29,640,335) and working capital of \$239,694 (2020 - \$437,009). 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. Subsequent to February 28, 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 (see Note 17).

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.

COVID-19

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

2. Basis of Preparation

These 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 24, 2021.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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%

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) Leases

The Company adopted the IFRS 16 – Leases standard effective March 1, 2019.

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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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

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.

Additionally, 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 value leases and did not restate prior periods as there was no impact at the date of initial application on March 1, 2019.

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.

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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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

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”).

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.

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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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

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 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.

k) Financial Instruments

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

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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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

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.

l) 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.

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 MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

5. Mineral Properties – Acquisition and Exploration Costs

a) Acquisition Costs – Colombian Properties

<i>Cost</i>	
As at March 1, 2019	\$ 66,075
Balance as at February 29, 2020	\$ 66,075
As at March 1, 2020	\$ 66,075
Balance as at February 28, 2021	\$ 66,075

b) Exploration Costs

The tables below show the Company's exploration and evaluation expenditures for the years ended February 28, 2021 and February 29, 2020.

Year Ended February 28, 2021							
	Generative & Other	Georgetown	El Zanjón	Cobrasco	Colombia Gold	Motherlode	Total
Assays	\$ -	\$ -	\$ 16,122	\$ -	\$ 4,957	\$ -	\$ 21,079
Field camp	357	-	8,748	-	-	14,445	23,550
Geological*	13,452	-	64,352	6,410	24,181	38,929	147,324
Legal	-	-	-	9,541	4,716	-	14,257
Office operations	-	-	-	3,053	8,862	1,413	13,328
Tenement fees and option payments	740	5,580	15,000	-	-	63,399	84,719
Travel	2,041	-	-	-	5,073	6,191	13,305
Wages and benefits	-	-	-	20,570	61,710	19,102	101,382
Exploration and evaluation costs	\$16,590	\$ 5,580	\$104,222	\$39,574	\$109,499	\$143,479	\$418,944

* Includes share based compensation, see Note 9.

Year Ended February 29, 2020							
	Generative & Other	Otway	El Zanjón	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 9.

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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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

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

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

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

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

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

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.

Prior to March 20, 2021, the Company negotiated with All-Acacia a further amendment to the option agreement which delays for additional 12 months staged payments (iii), (iv) and (v). Due to the current COVID-19 restrictions in the Philippines, the amendment has not been formally finalized yet.

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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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

Tantalus

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

Cobrasco Copper Project, Colombia

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

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

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

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.

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

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

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

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 is being 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, 2021 is as follows:

Right-of-use assets	\$
Value of ROU asset as at March 1, 2020	-
Addition of ROU asset during the period	56,060
Depreciation	(9,207)
Foreign exchange	1,244
Value of ROU asset as at February 28, 2021	<u>48,097</u>
Lease liability	\$
Value of lease liability as at March 1, 2020	-
Addition to lease liability during the period	56,060
Interest on lease liability	779
Lease payments	(9,644)
Foreign exchange	1,259
Lease liability as at February 28, 2021	<u>48,454</u>
Current portion	28,636
Non-current portion	<u>19,818</u>
	<u>48,454</u>

The future minimum lease payments as of February 28, 2021 were as follows:

Year ending February 28	\$
2022	28,933
2023	19,289
Less: interest payments	(1,848)
Foreign exchange	2,080
Present value of minimum lease payments	<u>48,454</u>

7. Loan Payable

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

Additionally, the Company received a cash flow boost of A\$20,045 from the Australian Taxation Office which was recorded against salaries. The objective of the cash flow boost is to support small and medium businesses during the economic downturn associated with COVID-19 and is not repayable.

8. Share Capital

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

Issuances - year ended February 2021

On July 22, 2020, the Company completed a non-brokered private placement financing consisting of 8,937,142 units (the "Units") at a price of \$0.07 per Unit for gross proceeds of \$625,600. Each Unit consisted of one (1) common share and one (1) common share purchase warrant (a "Warrant").

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

8. Share Capital (Continued)

Each Warrant will entitle the holder thereof to purchase one (1) additional common share of the Company for a period of two (2) years from the date of the close at an exercise price of \$0.12, provided that if 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 warrant-holders, and the warrant-holders 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 \$nil. The Company paid \$13,325 as finder's fees in connection with the financing which was charged to share capital.

On September 15, 2020, pursuant to the Second Amendment to the Mabuhay Agreement, the Company issued 253,326 common shares at \$0.12 per share to settle 50% of the second option payment of US\$50,000 (\$30,399, see Note 5).

In October 2020, upon the exercise of options, the Company issued 300,000 common shares at a price of \$0.08 per share for total proceeds of \$24,000 and 300,000 common shares at a price of \$0.10 per share for total proceeds of \$30,000.

Issuances - year ended February 2020

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 (of this amount, \$45,000 were received in advance and reclassified to share capital upon closing of the financing). 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. 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.

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 5).

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 if the closing price of the Company's common shares on the TSX-V is \$0.25 or greater 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 warrant-holders and the warrant-holders 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.

9. Stock Option Plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: The aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan, which was approved by shareholders on November 26, 2020, may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. At February 28, 2021 the maximum number of options issuable under the Plan was 20,712,069. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the grant date, less the maximum discount permitted by TSX-V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant however certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

9. Stock Option Plan (Continued)

A summary of the changes in share options during the years ended February 28, 2021 and February 29, 2020 are as follows:

	February 28, 2021		February 29, 2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	11,650,000	\$0.15	10,900,000	\$0.15
Granted	5,270,000	0.10	1,275,000	0.14
Exercised	(600,000)	0.09	-	-
Cancelled	(2,215,000)	0.32	(400,000)	0.15
Expired	(2,855,000)	0.10	-	-
Forfeited	-	-	(125,000)	0.27
Options outstanding, end of period	11,250,000	\$0.11	11,650,000	\$0.15

* See Note 17 for options exercised and expired subsequently.

The weighted average fair value of options granted during the year was \$0.10 per option (2020 - \$0.14).

The weighted average fair value at the measurement date of the 5,270,000 (2020 - 1,275,000) options granted by the Company during the years ended February 28, 2021 and February 29, 2020 was estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

	February 28, 2021	February 29, 2020
Expected annual volatility	117.8%-118%	119.1%-122.1%
Risk-free interest rate	0.41%-0.44%	1.47%
Expected life	5 years	5 years
Expected dividend yield	0%	0%

There were 600,000 (2020 - nil) options exercised during the year at a weighted average price of \$0.09 (2020 - \$nil) and the weighted average price at the time of trading was \$0.105 (2020 - \$nil).

There were 2,215,000 options cancelled during the year (2020 - 400,000). Included in this number there were 2,090,000 options 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 (2020 - \$nil). Additionally, the Company re-priced and extended the expiry date of 175,000 options which ranged in price from \$0.18 to \$0.35 to an exercise price of \$0.10 per option.

During the year 2,855,000 (2020 - nil) options, at a weighted average exercise price of \$0.10 (2020 - \$nil) per share, expired unexercised.

The following table summarizes information about the stock options outstanding and exercisable at February 28, 2021:

Range of Prices (\$)	Outstanding Options			Exercisable Options		
	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
0.01 - 0.09	300,000	0.11	\$ 0.06	150,000	0.11	\$ 0.06
0.10 - 0.24	10,850,000	3.80	0.11	6,060,000	3.09	0.11
0.25 - 0.50	100,000	0.27	0.30	-	-	-
	11,250,000	3.67	\$ 0.11	6,210,000	3.02	\$ 0.11

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

9. Stock Option Plan (Continued)

Share-based compensation recognized on options vesting during the year amounting to \$188,214 (2020 - \$132,869) has been allocated to contributed surplus. Share-based compensation has been allocated as follows:

	2021	2020
Administrative	\$68,975	\$43,182
Directors' fees	91,666	36,447
Mineral property exploration expenditures	27,575	53,240
Total	\$188,216	\$132,869

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

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

Restricted share units

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

As at February 28, 2021, 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 28, 2021, no DSUs have been granted.

11. Warrants

No warrants were exercised during the year ended February 28, 2021 (2020 – nil).

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

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

On October 15, 2020, 2,087,500 warrants exercisable at a price of \$0.14 per common share, expired unexercised.

At February 28, 2021, the Company had an aggregate of 18,987,142 outstanding warrants (2020 – 21,702,379) to acquire common shares as follows:

Outstanding	Exercisable	Exercise Price	Expiry Date
10,050,000	10,050,000	\$ 0.17	October 30, 2021
8,937,142	8,937,142	\$ 0.12	July 23, 2022
18,987,142	18,987,142		

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

12. Related Party Transactions

During the year ended February 28, 2021, a total of \$17,740 (2020 – \$142,226) 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 28, 2021 of \$6,486 are for reimbursable expenses incurred on behalf of the Company and are non-interest bearing and due on demand (February 29, 2020 – \$7,933).

The total of \$17,740 incurred for the year ended February 28, 2021 was paid or accrued as follows: \$nil (2020 - \$35,000) to Rowen Company Ltd., a company controlled by the President & CEO of the Company for consulting fees, \$nil (2020 – \$67,704) to Berenvy Pty Ltd., a company controlled by the COO of the Company for consulting fees, and \$17,740 (2020 - \$39,522) to Rogo Investments Pty Ltd., a company controlled by a director of the Company for office rental fees.

13. Executive Compensation

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

The following compensation has been provided to key management personnel for the years ended February 28, 2021 and February 29, 2020:

	2021	2020
Compensation - cash	\$ 96,000	\$ 342,704
Share-based payments	138,816	53,761
Total	\$ 234,816	\$ 396,465

14. 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.

(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.

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

14. Financial Instruments (Continue)

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 28, 2021 and February 29, 2020, 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 28, 2021, 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, 2021 in the amount of \$306,924 (February 29, 2020 - \$443,897) 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, 2021	Canada	Australia	Argentina	Colombia	Philippines	Total
Cash and cash equivalents	\$256,588	\$ 9,449	\$ -	\$ 40,368	\$ 519	\$ 306,924
Accounts receivable and prepaids	18,044	5,835	-	2,119	538	26,536
Right-of-use assets	-	48,097	-	-	-	48,097
Mineral properties	-	-	-	66,075	-	66,075
Total Assets	274,632	63,381	-	108,562	1,057	447,632
Total Liabilities	(65,520)	(52,744)	-	(29,265)	(6,055)	(153,584)
	\$209,112	\$ 10,637	\$ -	\$ 79,297	\$ (4,998)	\$ 294,048
Year Ended February 28, 2021						
Mineral property exploration expenditures	\$ 9,834	\$ 12,335	\$104,222	\$149,074	\$143,479	\$ 418,944
Net loss	\$529,289	\$ 58,776	\$104,222	\$220,090	\$179,589	\$1,091,966

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

15. Segmented Information (Continued)

February 29, 2020	Canada	Australia	Argentina	Colombia	Philippines	Total
Cash and cash equivalents	\$393,968	\$ 18,620	\$ -	\$ 25,044	\$ 6,265	\$ 443,897
Accounts 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
Total 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

16. Income Taxes

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

	2021	2020
Loss before income taxes	\$ 1,091,966	\$ 2,264,476
Combined federal and provincial tax rate	27.00%	27.00%
Income tax recovery based on the above rates	\$ (294,831)	\$ (611,409)
Increase (decrease) due to:		
Non-deductible expenses	51,238	35,875
Adjustment to prior years provision versus statutory tax returns	(1,663)	(2,785)
Losses and temporary differences for which an income tax asset has not been recognized	262,286	617,076
Difference between Canadian and foreign tax rates	(17,030)	(38,757)
Income tax expense	\$ -	\$ -
	2021	2020
Non-capital losses	\$ 2,343,890	\$ 2,275,073
Tax basis over carrying value of mineral properties	3,374,677	3,288,958
Share issue costs	10,850	14,196
Unrecognized deferred tax asset	\$ 5,729,417	\$ 5,578,227

RUGBY MINING LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

16. Income Taxes (Continued)

As at February 29, 2020, the Company has Canadian non-capital losses of approximately \$6,577,000 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	576,000
	<u>\$ 6,577,000</u>

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

17. Subsequent Events

Private Placement

Subsequent to February 28, 2021, on March 16, 2021, the Company completed a non-brokered private placement financing consisting of 5,150,000 units (the “Units”) at a price of \$0.10 per Unit for gross proceeds of \$515,000. Each Unit consisted of one (1) common share and one half (0.5) common share purchase warrant (a “Half Warrant”). Each full warrant (two (2) Half Warrants together) entitles the holder thereof to purchase one (1) additional common share of the Company at an exercise price of \$0.20 for a period of one year from the closing date. The Company paid \$6,250 as finder’s fees in connection with the financing which was charged to share capital.

Stock Options

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

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

Georgetown Project - Queensland, Australia

Subsequent to year-end, on April 13, 2021, the Company announced that it had been granted three exploration permits totaling 849 square kilometres covering extensive gold occurrences in the Georgetown region in North Queensland, Australia. The three exploration permits form Rugby’s Georgetown Project and exploration work is expected to commence in Q2 2021.