RUGBY MINING LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended February 28, 2018
(Expressed in Canadian Dollars)

June 27, 2018

Independent Auditor's Report

To the Shareholders of Rugby Mining Limited

We have audited the accompanying consolidated financial statements of Rugby Mining Limited, which comprise the consolidated statements of financial position as at February 28, 2018 and February 28, 2017 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rugby Mining Limited as at February 28, 2018 and February 28, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

			February 28, 2018		February 28, 2017
Assets					
Current					
Cash and cash equivalents		$	**366,041**	$	1,484,044
Amounts receivable and prepaids			**25,320**		46,723
			391,361		1,530,767
Mineral properties	(Note 6)		**155,697**		156,675
		$	**547,058**	$	1,687,442
Liabilities					
Current					
Accounts payable and accrued liabilities		$	**85,280**	$	109,041
Due to related parties	(Note 10)		**10,416**		38,210
			95,696		147,251
Shareholders' Equity					
Share capital	(Note 7)		**19,403,549**		18,757,592
Contributed surplus			**6,203,694**		5,940,880
Deficit			**(25,108,139)**		(23,088,724)
Accumulated other comprehensive loss			**(47,742)**		(69,557)
			451,362		1,540,191
		$	**547,058**	$	1,687,442

Nature of Operations (Note 1)
Subsequent events (Note 15)

Approved on behalf of the Board of Directors on June 27, 2018:

Robert Reynolds
.... Director

Yale Simpson
.... Director

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended,			February 28, 2018		February 28, 2017
Income					
Interest income		$	10,671	$	13,802
Expenses					
Accounting and audit			104,703		76,795
Administrative	(Note 8)		732,272		713,318
Bank charges			7,319		8,356
Directors' fees	(Note 8)		92,060		152,962
Foreign exchange loss (gain)			1,845		(2,958)
Insurance			32,904		34,584
Professional fees			21,683		15,949
Mineral property exploration expenditures	(Notes 6 and 8)		980,379		838,753
Shareholder communications			14,847		16,720
Stock exchange and filing fees			17,023		19,587
Transfer agent			5,697		6,491
Travel			19,354		31,673
			2,030,086		1,912,230
Net loss for the year			2,019,415		1,898,428
Other comprehensive loss for the year					
Currency translation adjustment (gain)/loss			(21,815)		3,457
Comprehensive loss for the year		$	1,997,600	$	1,901,885
Basic & diluted loss per common share		$	0.03	$	0.03
Weighted average number of common shares outstanding			67,251,203		60,163,800

The accompanying notes are an integral part of these consolidated financial statements.

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended,		February 28, 2018	February 28, 2017
Operating Activities			
Net loss for the year		**$ (2,019,415)**	$ (1,898,428)
Items not requiring an outlay of cash:			
Share based payments	(Note 8)	**279,771**	332,950
		(1,739,644)	(1,565,478)
Changes in non-cash working capital			
Amounts receivable and prepaids		**21,403**	(24,680)
Accounts payable and accrued liabilities		**(23,761)**	122,106
Due to related parties		**(27,794)**	(195,256)
Cash flows from operating activities		**(1,769,796)**	(1,663,308)
Investing Activity			
Mineral property acquisition costs		**-**	(66,075)
Cash used in investing activity		**-**	(66,075)
Financing Activities			
Shares issued for cash		**629,000**	2,770,000
Share issue costs		**-**	(49,770)
Cash flows from investing activities		**629,000**	2,720,230
Effect of foreign exchange rate change on cash		**22,793**	(12,657)
Net (decrease)/increase in cash and cash equivalents		**(1,118,003)**	978,190
Cash and cash equivalents - beginning of year		**1,484,044**	505,854
Cash and cash equivalents - end of year		**$ 366,041**	$ 1,484,044

The accompanying notes are an integral part of these consolidated financial statements.

RUGBY MINING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Share Capital					
	Number of Shares	Amount	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at February 29, 2016	**54,422,500**	**$ 15,907,362**	**$ 5,607,930**	**$ (21,190,296)**	**$ (66,100)**	**$ 258,896**
- Equity Financing	9,000,000	2,700,000	-	-	-	2,700,000
- Shares for debt	433,333	130,000	-	-	-	130,000
- Warrants exercised	700,000	70,000				70,000
- Share issue costs	-	(49,770)	-	-	-	(49,770)
- Share-based payments recognized	-	-	332,950	-	-	332,950
- Other comprehensive expense	-	-	-	-	(3,457)	(3,457)
- Net loss for the year	-	-	-	(1,898,428)	-	(1,898,428)
Balance at February 28, 2017	**64,555,833**	**$ 18,757,592**	**$ 5,940,880**	**$ (23,088,724)**	**$ (69,557)**	**$ 1,540,191**
- Warrants exercised	5,600,000	616,000	-	-	-	616,000
- Options exercised	190,000	13,000	-	-	-	13,000
- Contributed surplus allocated on exercise of options	-	16,957	(16,957)	-	-	-
- Share-based payments recognized	-	-	279,771	-	-	279,771
- Other comprehensive income	-	-	-	-	21,815	21,815
- Net loss for the year	-	-	-	(2,019,415)	-	(2,019,415)
Balance at February 28, 2018	**70,345,833**	**$ 19,403,549**	**$ 6,203,694**	**$ (25,108,139)**	**$ (47,742)**	**$ 451,362**

1. Nature of Operations

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

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has its primary listing on the TSX Venture Exchange (the "TSX-V"). The Company's head office is located at 1660 - 999 West Hastings Street, Vancouver, BC, Canada, V6C 2W2.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 27, 2018.

3. Changes in Accounting Policy and Disclosures

New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after March 1, 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9 – Financial Instruments

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

3. Changes in Accounting Policy and Disclosures (Continued)

Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

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

Application of the standard is mandatory for annual periods beginning on or after January 1, 2018. The Company has determined that the adoption of this standard will not have a significant impact on its future consolidated financial statements.

IFRS 16 – Leases

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

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

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

a) Basis of Presentation

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

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

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

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

b) Mineral Property Exploration and Acquisition Expenditures

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

Mineral property acquisition costs are initially capitalized when incurred. 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.

f) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in 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.

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

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.

g) 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.

h) Use of Estimates and Judgements

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. Areas of estimates include assumptions used in the accounting for share-based compensation, and amortization rates. Actual results may differ from these estimates.

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

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.

i) Financial Instruments

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

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

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

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

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

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

j) Segmented Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief-operating decision maker. The chief operating decision-makers responsible for allocating resources and assessing performance of the operating segments, 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.

5. Management of Capital (Continued)

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

6. Mineral Properties – Acquisition and Exploration Costs

a) Acquisition Costs – Colombian Properties

Cost		
As at February 29, 2016	$	81,400
Additions		66,075
Effect of movements in exchange rates		9,200
Balance as at February 28, 2017	**$**	**156,675**
As at March 1, 2017	$	156,675
Effect of movements in exchange rates		(978)
Balance as at February 28, 2018	**$**	**155,697**

b) Exploration Costs

The tables below show the Company's exploration and evaluation expenditures for the years ended February 28, 2018 and February 28, 2017.

Year ended February 28, 2018

	Generative & Other	Otways	Cobrasco	Mabuhay	Colombia Gold	Total
Assays	$ -	$ 4,965	$ -	$ -	$ -	$ 4,965
Field camp	16,845	12,670	21,432	10,985	-	61,932
Geological*	19,951	-	87,976	-	163,747	271,674
Legal	3,617	1,246	6,714	6,616	22,191	40,384
Office operations	6,944	769	13,516	-	41,316	62,545
Tenement fees and option payments	-	5,334	-	-	181,165	186,499
Travel	28,403	6,062	44,260	5,695	31,618	116,038
Wages and benefits	6,268	17,556	94,325	23,867	94,326	236,342
Exploration and evaluation costs	$ 82,028	$ 48,602	$ 268,223	$ 47,163	$ 534,363	$ 980,379

* Includes share based compensation as reflected below:

Year ended February 28, 2018

	Generative & Other	Cobrasco	Mabuhay	Colombia Gold	Total
Geological	$ -	$ -	$ -	$ 40,897	$ 40,897
Total	$ -	$ -	$ -	$ 40,897	$ 40,897

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

Year ended February 28, 2017

	Generative & Other	Cobrasco	Mabuhay	Colombia Gold	Total
Assays	$ 1,228	$ -	$ -	$ -	$ 1,228
Field camp	-	19,011	7,865	62,888	89,764
Geological*	80,116	115,061	3,199	250,662	449,038
Legal	3,895	9,737	7,130	2,187	22,949
Tenement fees and option payments	-	-	9,323	131,930	141,253
Office operations	11,392	13,363	232	40,301	65,288
Travel	54,195	27,961	4,769	38,562	125,487
Wages and benefits	2,122	4,119	24,723	57,144	88,108
Government refunds	(144,362)	-	-	-	(144,362)
Exploration and evaluation costs	$ 8,586	$ 189,252	$ 57,241	$ 583,674	$ 838,753

* Includes share based compensation as reflected below:

Year ended February 28, 2017

	Generative & Other	Cobrasco	Mabuhay	Colombia Gold	Total
Geological	$ -	$ -	$ -	$ 29,762	$ 29,762
Total	$ -	$ -	$ -	$ 29,762	$ 29,762

<u>Cobrasco Porphyry Copper Project, Colombia</u>

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

<u>Colombia Gold Projects</u>

a) The El Poma Project and Regional Applications, Colombia

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

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

b) The San Antonio Gold Project, Colombia

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

Pursuant to the option agreement over San Antonio, at its election, the Company is required to make the following payments:

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

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

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

The Otways Project, Australia

On June 1, 2016, Rugby announced that it had acquired, for a nominal cash consideration plus a 2% NSR, two mineral property concession applications which cover prospective areas for copper and gold mineralization in the NW of Western Australia. The Otways concession applications were granted in July 2017 and now comprises two contiguous exploration licences covering 134 square kilometres. Rugby owns 100% interest in Otways, subject to a 2% NSR to the vendors.

Comita Porphyry Copper Project, Colombia

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

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

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

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

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

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

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

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

Mabuhay Gold Project, Philippines

On October 5, 2010, the Company announced it had entered into agreements with Pelican Resources Limited ("Pelican"), an ASX listed company, and All-Acacia Resources Inc. ("All-Acacia"), a Philippine company over the Mabuhay project in the Philippines. The agreement with Pelican and its Philippine subsidiary, SunPacific Resources Philippines, Inc. ("SunPacific"), together with the agreement with All-Acacia (collectively, the "Mabuhay Agreement") grant the Company the right and option ("Mabuhay Option") to earn an 80% interest in the Mabuhay project. Pursuant to the terms of the Mabuhay Agreement, the Company paid signature fees totaling US$70,000.

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

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

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

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.

7. Share Capital

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

During the year ended February 28, 2018, the Company issued 5,600,000 common shares through the exercise of warrants at a price of $0.11 per warrant for total proceeds of $616,000. Additionally, the Company issued 40,000 common shares at a price of $0.10 per share and 150,000 common shares at a price of $0.06 per share through an exercise of options for total proceeds of $13,000.

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

7. Share Capital (Continued)

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

Subsequent to February 28, 2018, the Company completed a non-brokered private placement financing raising gross proceeds of $2,194,750 (Note 15).

8. Stock Option Plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: The aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan, which was approved by shareholders on November 28, 2017, may not exceed 20% of the total number of issued and outstanding shares of the Company on a non-diluted basis. At February 28, 2018 the maximum number of options issuable under the Plan was 14,011,166. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the grant date, less the maximum discount permitted by TSX–V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant however certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

A summary of the changes in share options during the years ended February 28, 2018 and February 28, 2017 are as follows:

	February 28, 2018		February 28, 2017	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	9,475,000	$ 0.13	7,925,000	$ 0.12
Forfeited/ expired/ cancelled	-	-	(400,000)	0.50
Granted	1,290,000	0.31	1,950,000	0.27
Exercised	(190,000)	0.07	-	-
Options outstanding, end of period	10,575,000	$ 0.15	9,475,000	$ 0.13

There were 190,000 (2017 – nil) options exercised during the year at a weighted average exercise price of $0.07 (2017 - $nil) and a weighted average trading price at the time of exercise of $0.465 (2017 - $nil).

The following table summarizes information about the stock options outstanding and exercisable at February 28, 2018:

	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	2.84	$ 0.08	1,270,000	2.86	$ 0.08
0.10 - 0.24	6,065,000	4.34	0.10	5,215,000	4.68	0.10
0.25 – 0.50	2,790,000	3.79	0.32	1,375,000	3.55	0.34
	10,575,000	3.95	$ 0.15	7,860,000	4.19	$ 0.14

8. Stock Option Plan (Continued)

Share-based compensation recognized on options vesting during the year amounting to $279,771 (2017 - $332,950) has been allocated to contributed surplus. Share-based compensation has been allocated as follows:

	2018	2017
Administrative	**$ 146,814**	$ 150,226
Directors' fees	**92,060**	152,962
Mineral property exploration expenditures	**40,897**	29,762
Total	**$ 279,771**	$ 332,950

9. Warrants

During the year ended February 28, 2018, the Company issued 5,600,000 common shares upon the exercise of warrants at $0.11 per warrant for total proceeds of $616,000. During the year ended February 28, 2017, the Company issued 700,000 common shares upon the exercise of warrants at $0.10 per share for total proceeds of $70,000.

At February 28, 2018, the Company had an aggregate of 6,587,500 outstanding warrants (2017 – 12,187,500) to acquire common shares as follows:

a) 2,087,500 warrants at an exercise price of $0.12 if exercised on or before October 15, 2018 and thereafter, until exercised, the exercise price will increase each year on October 15 by $0.01 to a maximum price of $0.14 until expiry on October 15, 2020; and

b) 4,500,000 warrants at an exercise price of $0.60 expiring on July 26, 2018.

Subsequent to February 28, 2018, the Company completed a non-brokered private placement financing and issued 6,270,714 warrants (Note 15).

10. Related Party Transactions

a) During the year ended February 28, 2018, a total of $239,973 (2017 –$271,282) was paid or accrued for related party transactions with companies controlled by directors or officers of the Company for mineral property exploration costs, administrative support fees, rent, and consulting fees. Amounts due to directors or officers of the Company as at February 28, 2018 are $10,416 (February 28, 2017 – $20,832) are non-interest bearing and due on demand.

Included in the amount of $239,973 paid or accrued during the year ended was $124,992 paid or accrued (2017 - $124,992) to Berenvy Pty Ltd., a company controlled by the President & CEO of the Company for consulting fees, $72,000 (2017 - $104,000) to Rowen Company Limited, a company controlled by the Chairman of the Company for consulting fees and $42,981 (2017 - $42,290) to Rogo Investments Pty Ltd., a company controlled by a director of the Company for office rental fees which are priced at commercial market prices.

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

b) Until June 30, 2017, the Company shared costs of certain common expenditures including administrative support, office overhead and travel with Exeter Resource Corporation ("Exeter"). As at February 28, 2018, the Company had an amount payable of $nil (February 28, 2017 – $17,378) to Exeter. The net amount paid or accrued by the Company to Exeter during the year ended February 28, 2018 was $13,778 (2017 – $94,456).

11. Executive Compensation

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

The following compensation has been provided to key management personnel for the years ended February 28, 2018 and February 28, 2017:

		2018		2017
Compensation - cash	**$**	**314,492**	$	306,129
Share-based payments		**167,104**		169,531
Total	**$**	**481,596**	$	475,660

12. Financial Instruments

(a) Fair Value

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

(b) Financial Risk Management

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

Credit risk

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

Currency risk

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

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

As at February 28, 2018 and February 28, 2017, the Canadian parent company had nominal balances in foreign currencies.

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

12. Financial Instruments (Continued)

Interest rate risk

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

Based on the amount of cash and cash equivalents held at February 28, 2018, 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, 2018 in the amount of $366,041 (February 28, 2017 - $1,484,044) in order to meet short-term business requirements. Subsequent to February 28, 2018, the Company competed a non-brokered private placement financing raising gross proceeds of $2,194,750 (Note 15).

13. Segmented Information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development. The Company's net assets and net losses by geographic regions are as follows:

February 28, 2018	Canada	Australia	Colombia	Philippines	Total
Cash and cash equivalents	$ 272,359	$ 42,168	$ 49,511	$ 2,003	$ 366,041
Amounts receivable and prepaids	8,623	2,154	14,014	529	25,320
Mineral properties	-	-	155,697	-	155,697
	280,982	44,322	219,222	2,532	547,058
Current Liabilities	(45,669)	(32,470)	(15,966)	(1,591)	(95,696)
	$ 235,313	$ 11,852	$ 203,256	$ 941	$ 451,362
Year Ended February 28, 2018					
Mineral property exploration expenditures	$ -	$ 101,125	$ 832,091	$ 47,163	$ 980,379
Net loss	$ 749,692	$ 213,524	$1,008,150	$ 48,049	$ 2,019,415

13. Segmented Information (Continued)

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

14. Income Taxes

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

	2018	2017
Loss before income taxes	$ 2,019,415	$ 1,898,428
Combined federal and provincial tax rate	26.17%	26.00%
Income tax recovery based on the above rates	$ (528,481)	$ (493,591)
Increase (decrease) due to:		
Non-deductible expenses	73,216	86,567
Losses and temporary differences for which an income tax asset has not been recognized	523,790	476,228
Difference between Canadian and foreign tax rates	(68,525)	(69,204)
Income tax expense	$ -	$ -

	2018	2017
Non-capital losses	$ 1,395,223	$ 1,073,952
Tax basis over carrying value of mineral properties	3,003,780	2,681,785
Share issue costs	8,306	10,703
Unrecognized deferred tax asset	$ 4,407,308	$ 3,766,440

14. Income Taxes (Continued)

As at February 28, 2018, the Company has Canadian non-capital losses of approximately $4,624,000 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	480,000
	$ 4,624,000

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

15. Subsequent events

Subsequent to February 28, 2018, on May 22, 2018, the Company completed a non-brokered private placement financing consisting of 6,270,714 units (the “Units”) at a price of $0.35 per Unit for gross proceeds of $2,194,750 (the “Offering”). 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 $0.50 until May 22, 2019. The Company paid $48,825 as finder’s fees in connection with the financing which was charged to share capital.

Additionally, on May 17, 2018, the Company issued 150,000 common shares upon the exercise of options at a price of $0.10 per share for total proceeds of $15,000.