IRVING RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED AUGUST 31, 2017

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financials of Irving Resources Inc. have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements.

IRVING RESOURCES INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)
AS AT

	August 31, 2017	February 28, 2017
ASSETS		
Current assets		
Cash	$ 5,529,608	$ 6,591,461
Receivables (Note 6)	27,759	12,536
Prepaids	47,901	16,548
	5,605,268	6,620,545
Equipment (Note 7)	758	5,493
Exploration and evaluation assets (Note 8)	3,118,595	2,473,195
	$ 8,724,621	$ 9,099,233
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 127,804	$ 174,451
	127,804	174,451
Shareholders' equity		
Share Capital (Note 10)	$ 9,882,058	$ 9,640,555
Reserves (Note 10)	281,057	202,643
Deficit	(1,566,298)	(918,416)
	8,596,817	8,924,782
	$ 8,724,621	$ 9,099,233

Nature and Continuance of Operations (Note 1)
Commitments (Note 16)
Subsequent Events (Note 17)

On behalf of the Board:

"Akiko Levinson" Director *"Quinton Hennigh"* Director

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

IRVING RESOURCES INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Three months ended August 31, 2017	Three months ended August 31, 2016	Six months ended August 31, 2017	Six months ended August 31, 2016
EXPENSES				
Consulting fees	$ 19,817	$ 16,773	$ 35,155	$ 23,588
Depreciation	68	387	367	773
Foreign exchange loss	184,420	10,741	155,924	19,625
Insurance	3,721	3,475	7,296	8,398
Investor relations	23,605	2,903	33,886	4,684
Management fees	18,000	12,000	30,000	24,000
Office and miscellaneous	20,776	9,165	37,239	19,527
Professional fees	38,374	28,055	65,387	37,178
Property investigation	14,105	-	42,864	-
Regulatory fees	6,108	6,207	7,608	7,999
Salaries and benefits	27,787	29,616	56,610	53,538
Shareholder costs	13,383	17,452	13,383	17,452
Share-based compensation	48,581	10,981	123,667	23,611
Telephone	2,321	993	3,271	2,258
Transfer agent	1,578	1,034	3,132	2,869
Travel and promotion	31,388	21,225	67,976	33,637
Operating expenses	(454,032)	(171,007)	(683,765)	(279,137)
Interest income	7,778	856	17,102	1,591
Management fee income	14,103	1,250	22,824	5,739
Loss on sale of assets	-	-	(4,043)	-
	21,881	2,106	35,883	7,330
Loss and comprehensive loss for the period	$ (432,151)	$ (168,901)	$ (647,882)	$ (271,807)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	32,036,548	13,537,643	31,954,056	11,082,698

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

IRVING RESOURCES INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

	Number of Shares	Share Capital	Share Based Payment Reserves	Warrant Reserves	Deficit	Total Equity
Balance, February 29, 2016	**8,627,752**	**$ 2,395,669**	**$ 2,746**	**$ 65,100**	**$ (170,246)**	**$ 2,293,269**
Private placement	5,830,000	816,200	-	-	-	816,200
Share issue costs	-	(8,479)	-	-	-	(8,479)
Exercise of warrants	2,255,000	496,100	-	(45,100)	-	451,000
Share-based compensation	-	-	23,611	-	-	23,611
Net loss from the period	-	-	-	-	(271,807)	(271,807)
Balance, August 31, 2016	**16,712,752**	**$ 3,699,490**	**$ 26,357**	**$ 20,000**	**$ (442,053)**	**$ 3,303,794**
Balance, February 29, 2017	**31,840,406**	**$ 9,640,555**	**$ 187,643**	**$ 15,000**	**$ (918,416)**	**$ 8,924,782**
Exercise of warrants	288,333	124,750	(2,000)	-	-	122,750
Exercise of stock options	213,334	116,753	(43,253)	-	-	73,500
Share-based compensation	-	-	123,667	-	-	123,667
Net loss for the period	-	-	-	-	(647,882)	(647,882)
Balance, August 31, 2017	**32,342,073**	**$ 9,882,058**	**$ 266,057**	**$ 15,000**	**$ (1,566,298)**	**$ 8,596,817**

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

IRVING RESOURCES INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Six months ended August 31, 2017	Six months ended August 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (647,882)	$ (271,807)
Adjustments		
Depreciation	367	773
Share-based compensation	123,667	23,611
Loss on sale of asset	4,368	-
Change in non-cash working capital items:		
Receivables	(15,223)	31,089
Prepaids	(31,353)	10,208
Accounts payable and accrued liabilities	(4,217)	57,567
Net cash used in operating activities	(570,273)	(148,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	196,250	1,267,200
Share issue costs	-	(8,479)
Net cash provided by financing activities	196,250	1,258,721
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets, net of recoveries	(687,830)	(222,547)
Net cash provided by (used in) investing activities	(687,830)	(222,547)
Change in cash during the period	(1,061,853)	887,615
Cash, beginning of the period	6,591,461	698,124
Cash, end of the period	$ 5,529,608	$ 1,585,739

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE OF OPERATIONS

Irving Resources Inc. (the "Company" or "Irving") was incorporated under the Business Corporations Act (British Columbia) on August 28, 2015 under the name 1047431 B.C. Ltd. and changed its name on September 23, 2015 to Irving Resources Inc. For the period from incorporation to November 13, 2015, the Company was a wholly-owned subsidiary of Gold Canyon Resources Inc. ("Gold Canyon"). On December 23, 2015, the Company commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "IRV". The Company's corporate office is located at 999 Canada Place, Suite 404, Vancouver, BC V6C 3E2.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at August 31, 2017, the Company had working capital of $5,477,464 (February 28, 2017 – $6,446,094). Management estimates these funds are sufficient to meet its immediate liquidity requirements as well as those for the next twelve months.

2. BASIS OF PREPARATION

a) Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended February 28, 2017.

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Approval of the condensed interim consolidated financial statements

These condensed interim consolidated financial statements were reviewed by the Audit Committee and authorized for issue by the Board of Directors on October 25, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The condensed interim consolidated financial statements include the financial statements of the parent company, Irving Resources Inc., and its subsidiaries listed below:

	Jurisdiction	Nature of Operation	Equity Interest
Irving Resources Japan GK ("Irving GK")	Japan	Exploration	100%
New River Stone Limited ("NRSL")	Madagascar	Exploration	100%
River Stone Limited ("RSL")	Malawi, Africa	Exploration	100%
Spring Stone Limited ("SSL")	Malawi, Africa	Exploration	100%
Spring Take Limited ("STL")	Tanzania, Africa	Exploration	100%
Spring Stone Mining Corporation ("SSM")	BC, Canada	Holding	100%
Spring Stone Exploration Inc.("SSE")	BC, Canada	Holding	100%

All inter-company balances and transactions have been eliminated on consolidation.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective and does not anticipate that the application of these standards, amendments and interpretations will have a material impact on the results and financial position of the Company:

4. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd)

IFRS 9*, Financial Instruments – Classification and Measurement.*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 16, *Leases*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 10.

d) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

6. RECEIVABLES

The Company's receivables arise mainly from goods and services tax due from Canadian government taxation authorities, interest revenue accrued and amounts recoverable from joint venture partner.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Computer equipment	Office furniture and fixtures	Total
Cost			
Balance, February 29, 2016	$ 1,400	$ 6,112	$ 7,512
Additions	-	-	-
Balance, February 28, 2017	$ 1,400	$ 6,112	$ 7,512
Disposals	-	(6,112)	(6,112)
Balance, August 31, 2017	$ 1,400	$ -	$ 1,400
Accumulated depreciation			
Balance, February 29, 2016	$ 124	$ 362	$ 486
Additions	383	1,150	1,533
Balance, February 28, 2017	$ 507	$ 1 ,512	$ 2,019
Additions	135	231	366
Disposals	-	(1,743)	(1,743)
Balance, August 31, 2017	$ 642	$ -	$ 642
Carrying amounts			
At February 28, 2017	$ 893	$ 4,600	$ 5,493
At August 31, 2017	$ 758	$ -	$ 758

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The following expenditures were incurred on the Company's exploration and evaluation assets:

Period ended August 31, 2017	Africa Properties	Japan Properties	Total
Opening balance, February 28, 2017	$ 1,760,488	$ 712,707	$ 2,473,195
Additions:			
Acquisition costs	-	428,962	428,962
Assays and sampling	-	4,695	4,695
Consulting, management and administration	55,123	98,070	153,193
Materials and supplies	-	4,255	4,255
Staking and claims registration	9,935	81,905	91,840
Travel and transportation	4,476	25,261	29,737
	69,534	643,148	712,682
Less: recoveries	(67,282)	-	(67,282)
	2,252	643,148	645,400
Total, exploration and evaluation assets, August 31, 2017	$ 1,762,740	$ 1,355,855	$ 3,118,595

Year ended February 28, 2017	Africa Properties	Japan Properties	Total
Opening balance, February 29, 2016	$ 1,580,598	$ -	$ 1,580,598
Additions:			
Acquisition costs	-	449,920	449,920
Assays and sampling	-	10,448	10,448
Consulting, management and administration	502,103	50,742	552,845
Materials and supplies	-	6,560	6,560
Staking and claims registration	35,007	166,527	201,534
Travel and transportation	19,386	28,510	47,896
	556,496	712,707	1,269,203
Less: recoveries	(376,606)	-	(376,606)
	179,890	712,707	892,597
Total, exploration and evaluation assets, February 28, 2017	$ 1,760,488	$ 712,707	$ 2,473,195

8. EXPLORATION AND EVALUATIONS ASSETS (cont'd)

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and to the best of its knowledge, title to all of the assets is in good standing.

a) Japan Properties

Omui Property

The Company entered into an agreement to purchase a 100% interest in a mining right for the Omui Property located in Hokkaido, Japan. The mining right encompasses an area of approximately 2.98 sq km. The total purchase price for the mining right is JPY40,000,000 cash (CAD $477,000) and JPY10,000,000 (approximately CAD $128,500) worth of the Company's common shares. During the year ended February 28, 2017, the Company paid JPY20,000,000 cash (CAD $245,000) towards the acquisition of this agreement. During the period, the balance of JPY20,000,000 cash (CAD $232,000) was paid upon commencement of the definitive registration procedure of the transfer of the mining right. The Company's common shares will be issued upon completion of the registration of the transfer of the mining right.

The Company has also filed at total of 50 prospecting licenses covering additional prospective ground in the vicinity of the Omui mine.

The Company acquired 0.33 sq km (33 hectares) of surface rights covering an area near the Omui mine for the purchase price of JPY14,500,000 cash. The Company's total cost in relation to the acquisition is $182,763.

The Company entered into a long-term lease of surface rights covering 0.15 sq km (15 hectares) of an area near the Omui mine. The Company has incurred a total cost of JPY1,801,656 cash (CAD $22,077) for the initial five years. The lease is a five-year term and can be extended for up to three additional five-year periods.

The Company entered into a long-term lease of surface rights covering 0.87 sq km (86.9 hectares) of an area near the Omui mine. The Company has incurred a total cost of JPY8,888,295 cash (CAD $107,090) for the initial five years with an automatic extension for up to three additional five-year periods.

The Company purchased 0.29 sq km (29 hectares) of surface rights for the purchase price of JPY6,000,000. The Company's total cost in relation to the acquisition is $70,213.

The Company purchased 0.049 sq km (4.94 hectares) of surface rights for the purchase price of JPY1,500,000. The Company's total cost in relation to the acquisition is $17,395.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Omui Property (cont'd)

The Company entered into a long-term lease of surface rights covering 0.165 sq km (16.5 hectares) of an area near the Omui mine. The Company has incurred a total cost of JPY1,500,000 cash (CAD $17,295) for the initial five years with an automatic extension for up to three additional five-year periods.

Utanobori Property

The Company filed for 38 mineral prospecting licenses at the Utanobori mining centre.

Sado Island Property

The Company filed for 25 mineral prospecting licenses covering a prospective area on Sado Island, a small island west of Honshu Island, Japan.

Eniwa Property

The Company filed for 20 mineral prospecting licenses covering a prospective area approximately 20 km south of Sapporo, Hokkaido, Japan.

Rubeshibe Property

The Company filed for 56 mineral prospecting licenses covering a prospective area of gold and other metals in an area called Rubeshibe in Hokkaido, Japan.

b) Tanzania Property

The Company, through its wholly-owned Tanzanian subsidiary, Spring Take Limited ("STL"), has been granted four Prospecting Licences ("PLs") by the Ministry of Energy and Minerals in the United Republic of Tanzania, Africa. The PLs cover certain areas in the Mpwapwa District. This project is part of the Joint Exploration Agreement ("JEA") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). Under the JEA, the participating interest and contributions of each of the joint venture partners is 67% JOGMEC and 33% the Company. During the period, the Company elected not to participate in the 2017 exploration program and will dilute its 33% interest as further costs are incurred.

c) Malawi Property

The Company has a Rare Earth Element ("REE") exploration project in Malawi, Africa through its wholly-owned Malawian subsidiaries and the JEA, with its joint venture participant, JOGMEC. The REE exploration is being operated by the Company's wholly-owned subsidiary, SSL. Under the JEA, the participating interest and contributions of each of the joint venture partners is 67% JOGMEC and 33% the Company.

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

The Company has an Exclusive Prospecting Licence ("EPL") granted to the joint venture by the Malawi Ministry of Natural Resources, Energy Environment for the Mulanje Project. Exploration work on the Mulanje Project has been carried out by the Company's wholly owned subsidiary, SSL, pursuant to the terms of the JEA with JOGMEC; however, the Company is not currently conducting any exploration on this property. Effective April 1, 2016, the Company elected to dilute its participation by not contributing further funds to the project.

9. JOINT VENTURES

a) Joint Exploration Alliance

The Company holds a JEA, entered into on January 22, 2009 by Gold Canyon, and assigned to Irving under the Arrangement, under which JOGMEC contributes 67% of the funding and holds a 67% option to all of the JEA projects.

The Company, as operator of the JEA, conducts REE project identification and exploration. The objective of the JEA is to identify, analyze and perform metallurgical evaluation leading to production of REEs. All the property investigation costs will be expensed as incurred until the Company assesses whether there is any future benefit of REEs and acquires the rights to the property.

b) Project Venture Agreement

On July 5, 2016, the Company announced it entered into a new Project Venture Agreement ("PVA") with JOGMEC in the Republic of Madagascar. The participating interest and contributions of each of the joint venture partners are 90% JOGMEC and 10% the Company, with the Company having an option to increase its participating interest up to 33% with the reimbursement to JOGMEC of a corresponding percentage of the costs incurred on the project. In conjunction with the PVA, the Company has incorporated a joint venture subsidiary in Madagascar named, "New River Stone Ltd".

10. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common shares without par value
During the period ended August 31, 2017, the Company:

a) Issued 213,334 common shares for gross proceeds of $73,500 pursuant to the exercise of stock options. The Company reallocated the fair value of these stock options previously recorded in the amount of $43,253 from reserves to share capital.

b) Issued 288,333 common shares for gross proceeds of $122,750 pursuant to the exercise of warrants. The Company reallocated the fair value of these warrants previously recorded in the amount of $2,000 from reserves to share capital.

10. SHAREHOLDERS' EQUITY (cont'd…)

During the year ended February 28, 2017, the Company:

c) Completed a private placement offering on November 22, 2016, issuing 1,350,000 units at $0.40 per unit for gross proceeds of $540,000. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable for one common share until November 22, 2019 at a price of $0.55 per share.

d) Completed a private placement offering on November 10, 2016, issuing 13,290,988 units at $0.40 per unit for gross proceeds of $5,316,395. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable for one common share until November 10, 2019 at a price of $0.55 per share.

e) Completed a private placement offering on June 21, 2016, issuing 5,830,000 units at $0.14 per unit for gross proceeds of $816,200. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share until June 21, 2018 at an exercise price of $0.20 per share.

f) Issued 2,675,000 common shares for gross proceeds of $535,000 pursuant to the exercise of warrants at $0.20 per share. The Company reallocated the residual value of these warrants previously recorded in the amount of $50,100 from reserves to share capital.

g) Issued 66,666 common shares for gross proceeds of $9,333 pursuant to the exercise of stock options at $0.14 per share. The Company reallocated the fair value of these stock options previously recorded in the amount of $5,746 from reserves to share capital.

Stock options

The Company, in accordance with its stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of its issued and outstanding common stock. The exercise price of each option shall not be less than the market price of the Company's stock on the date of grant. The options can be granted for a maximum term of ten years with vesting period determined by the board of directors.

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

Stock options (cont'd)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Opening balance, February 29, 2016	475,000		0.14
Granted	1,330,000		0.41
Exercised	(66,666)		0.14
Outstanding, February 28, 2017	1,738,334	$	0.34
Exercised	(213,334)		0.34
Outstanding, August 31, 2017	1,525,000	$	0.34

Stock options outstanding at August 31, 2017 are as follows:

Options Outstanding	Options Exercisable		Exercise Price	Expiry Date
350,000	350,000	$	0.14	February 9, 2019
1,041,667	347,222		0.40	October 3, 2019
133,333	-		0.45	November 23, 2019
1,525,000	697,222			

Stock options outstanding at February 28, 2017 are as follows:

Options Outstanding	Options Exercisable		Exercise Price	Expiry Date
408,334	250,000	$	0.14	February 9, 2019
1,130,000	-		0.40	October 3, 2019
200,000	-		0.45	November 23, 2019
1,738,334	250,000			

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Opening balance, February 29, 2016	3,631,958	0.21
Granted	13,150,494	0.39
Exercised	(2,675,000)	0.20
Outstanding, February 28, 2017	14,107,452	$ 0.38
Exercised	(288,333)	0.36
Outstanding, August 31, 2017	13,819,119	$ 0.38

Warrants outstanding at August 31, 2017 are as follows:

Number of Warrants	Exercise Price	Expiry Date
650,000	$ 0.20	February 4, 2018
373,625	0.30	February 5, 2018
5,660,000	0.20	June 21, 2018
6,510,494	0.55	November 10, 2019
625,000	0.55	November 22, 2019
13,819,119		

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

Warrants (cont'd)

Warrants outstanding at February 28, 2017 are as follows:

Number of Warrants	Exercise Price	Expiry Date
750,000	$ 0.20	February 4, 2018
376,958	0.30	February 5, 2018
5,660,000	0.20	June 21, 2018
6,645,494	0.55	November 10, 2019
675,000	0.55	November 22, 2019
14,107,452		

Share-based compensation

During the period, the Company did not grant any stock options to employees, directors, officers and consultants (August 31, 2016 – Nil). The estimated weighted average fair value of these options is $Nil (August 31, 2016 - $Nil). The total amount of fair value of vested stock options amortized during the period is $123,667 (August 31, 2016 - $23,611). This amount has been expensed as share-based compensation in the statement of loss and comprehensive loss.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	Six months ended August 31, 2017	Year ended February 28, 2017
Risk-free interest rate	-	0.56%
Expected life of options	-	3.0 years
Annualized volatility	-	100.00%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

	Six Months Ended August 31, 2017	Six Months Ended August 31, 2016
Management fees	$ 78,540	$ 61,740
Consulting fees	33,560	14,421
	$ 112,100	**$ 76,161**

a) Included in the management fees were fees for services provided by the President and Chief Executive Officer and Chief Financial Officer.

b) Included in consulting fees are amounts paid to independent directors for services other than their role as directors.

c) Included in office and miscellaneous is $8,528 (2016 - $13,657) paid for rent and associated costs to a company of which a former director is the president.

d) During the period, nil (August 31, 2016 - nil) stock options were granted to directors and officers. The total vested share-based compensation allocated to directors and officers is $62,735 (August 31, 2016 - $21,126).

e) Included in consulting fees is $940 paid to a consultant who is a director of a subsidiary of the Company. The total amount paid is $9,408 less recoveries of $8,468 (August 31, 2016 – $421; total amount $4,205 less recoveries of $3,785).

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than disclosed above, there was no other compensation paid to key management during the period ended August 31, 2017 and August 31, 2016.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period ended August 31, 2017:

a) Included in accounts payable and accrued liabilities are $115,604 related to deferred exploration costs.

The significant non-cash transactions for the year ended February 28, 2017:

a) Included in accounts payable and accrued liabilities are $135,560 related to deferred exploration costs.

13. SEGMENTED INFORMATION

The Company has mineral properties and equipment located geographically as follows:

As at August 31, 2017		Equipment		Exploration and evaluation assets
Canada	$	758	$	-
Africa		-		1,762,740
Japan		-		1,355,855
Total	$	758	$	3,118,595

As at February 28, 2017		Equipment		Exploration and evaluation assets
Canada	$	5,493	$	-
Africa		-		1,760,488
Japan		-		712,707
Total	$	5,493	$	2,473,195

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

As at August 31, 2017, the Company's financial instruments are comprised of cash, receivables, and accounts payable and accrued liabilities. The carrying value of receivables, accounts payable and accrued liabilities approximates their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 5,529,608	-	-	$ 5,529,608
Total	$ 5,529,608	$ -	$ -	$ 5,529,608

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash and receivables.

The Company's cash is held with high-credit quality financial institutions. Receivables mainly consist of goods and services tax due from the Federal Government of Canada and amounts due from joint venture partner.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at August 31, 2017, the Company had cash of $5,529,608 to settle current liabilities of $127,804 which have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as interest rates and foreign exchange rates.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposits issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks.

ii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of rare earth elements and other non-gold minerals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

iii) Foreign exchange rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses by using US Dollars and Japanese Yen converted from its Canadian bank accounts. Management is aware of the possibility of foreign exchange risk derived from currency conversions. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign exchange rate risk at this time.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by credit risk, liquidity risk or market risk.

15. CAPITAL MANAGEMENT

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to meet the Company's property exploration plans and to ensure the growth of activities.

The Company sets the amount of capital in proportion to risk. 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. The Company is in the exploration stage; as such the Company will rely on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

(Expressed in Canadian Dollars)

16. COMMITMENTS

The Company has a two year office lease agreement expiring May 31, 2019. The lease payments will be as follows:

2018	$ 8,711
2019	17,422
2020	4,355
	$ 30,488

17. SUBSEQUENT EVENT

a) Subsequent to August 31, 2017, the Company granted 1,175,000 stock options to directors, officers, consultants and employees at an exercise price of $1.00.

b) Subsequent to August 31, 2017, 108,333 stock options were exercised for gross proceeds of $23,833.