IRVING RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2020

(UNAUDITED)

(Expressed in Canadian Dollars)

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

	May 31, 2020	February 29, 2020
ASSETS		
Current assets		
Cash	$ 10,948,261	$ 12,993,006
Receivables (Note 5)	16,884	72,328
Prepaids	47,794	48,086
	11,012,939	13,113,420
Property and equipment (Notes 6 and 7)	271,302	295,013
Exploration and evaluation assets (Note 8)	15,990,604	13,770,891
Prepaids (Note 8)	174,186	301,279
	$ 27,449,031	$ 27,480,603
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,001,765	$ 1,289,014
Lease liabilities (Note 6)	61,182	59,988
	1,062,947	1,349,002
Non-current liabilities		
Lease liabilities (Note 6)	23,858	40,121
Total liabilities	1,086,805	1,389,123
Shareholders' equity		
Share Capital (Note 10)	31,864,847	31,633,494
Reserves (Note 10)	3,700,033	3,202,046
Deficit	(9,202,654)	(8,744,060)
	26,362,226	26,091,480
	$ 27,449,031	$ 27,480,603

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

On behalf of the Board:

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

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

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

	Three months ended May 31, 2020	Three months ended May 31, 2019
EXPENSES		
Consulting fees (Note 11)	$ 31,981	$ 41,636
Depreciation (Note 7)	28,233	11,618
Foreign exchange gain	(367,824)	(272,281)
Insurance	4,640	3,444
Interest expense on lease liability (Note 6)	2,391	2,736
Investor relations	13,286	17,505
Management fees (Note 11)	18,000	18,000
Office and miscellaneous	12,138	14,204
Professional fees	76,700	58,467
Property investigation	20,645	3,677
Regulatory fees	4,500	1,950
Salaries and benefits	33,635	32,422
Share-based compensation (Note 10)	586,005	252,218
Telephone	6,059	3,211
Transfer agent	2,097	2,604
Travel and promotion	15,870	47,671
Operating expenses	(488,356)	(239,082)
Interest income	27,221	33,964
Management fee income	2,541	7,921
	(29,762)	(41,885)
Loss and comprehensive loss for the period	$ (458,594)	$ (197,197)
Basic and diluted loss per common share	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding	54,916,188	45,724,123

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

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

	Number of Shares	Share Capital	Share Based Payment Reserves	Deficit	Total Equity
		$	$		
Balance, February 28, 2019	**43,688,327**	**14,916,092**	**1,292,071**	**$ (5,425,808)**	**$ 10,782,355**
Private placement	3,715,630	8,014,800	-	-	8,014,800
Share issue costs	-	(12,888)	-	-	(12,888)
Exercise of warrants	670,910	369,000	-	-	369,000
Exercise of stock options	100,000	64,690	(24,690)	-	40,000
Share-based compensation	-	-	252,217	-	252,217
Net loss for the period	-	-	-	(197,197)	(197,197)
Balance, May 31, 2019	**48,174,867**	**23,351,694**	**1,519,598**	**(5,623,005)**	**19,248,287**
Balance, February 29, 2020	**54,794,738**	**31,633,494**	**3,202,046**	**(8,744,060)**	**26,091,480**
Exercise of stock options	143,334	231,353	(88,018)	-	143,335
Share-based compensation	-	-	586,005	-	586,005
Net loss for the period	-	-	-	(458,594)	(458,594)
Balance, May 31, 2020	**54,938,072**	**$ 31,864,847**	**$ 3,700,033**	**$ (9,202,654)**	**$ 26,362,226**

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

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

	Three months ended May 31, 2020	Three months ended May 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (458,594)	$ (197,197)
Adjustments		
Depreciation	28,233	11,618
Interest expense on lease obligations	2,391	1,515
Share-based compensation	586,005	252,218
Foreign exchange	2,220	-
Change in non-cash working capital items:		
Receivables	55,444	(34,140)
Prepaids	(3,744)	(22,386)
Accounts payable and accrued liabilities	52,827	111,794
Net cash used in operating activities	264,782	123,422
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	143,335	8,423,800
Share issue costs	-	(12,888)
Payment of lease obligations	(19,680)	(11,232)
Net cash provided by financing activities	123,655	8,399,680
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets, net of recoveries	(2,559,789)	(926,548)
Exploration and evaluation assets, advances	131,129	149,805
Acquisition of equipment	(4,522)	(7,858)
Net cash used in investing activities	(2,433,182)	(784,601)
Change in cash during the period	(2,044,745)	7,738,500
Cash, beginning of the year	12,993,006	6,607,331
Cash, end of the period	$ 10,948,261	$ 14,345,831

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE AND CONTINUANCE 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. 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 May 31, 2020, the Company had working capital of $9,949,992 (February 29, 2020 – $11,764,418). Management estimates these funds are sufficient to meet its immediate liquidity requirements as well as those for the next twelve months.

In response to the World Health Organization declaring a global pandemic in March 2020 as a result of the COVID-19 outbreak, the Company is closely monitoring the developments with a focus on the jurisdictions in which the Company operates, specifically Japan and Canada. This contagious disease, which has continued to spread, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. The pandemic has not affected the Company; however, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. The Company has implemented safety guidelines at its operations and will continue to closely monitor and assess as needed.

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 29, 2020.

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured 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 July 27, 2020.

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%
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, 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. 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.

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

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 profit or loss in the period the new information becomes available.

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.

(Unaudited – Expressed in Canadian Dollars)

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

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.

e) Leases

The Company applies judgement in determining whether a contract contains an identified asset, whether the Company has the right to control the asset, the term of the lease and discount rate. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options.

5. RECEIVABLES

The Company's receivables arise mainly from accrued interest and goods and services tax due from Canadian government taxation authorities.

6. LEASES

The Company has various leases for equipment, housing and office space. The leases are treated as right-of-use assets and included in Property and equipment. The lease liability is presented as a separate line in the condensed interim consolidated statement of financial position. The related payments are recognized as an expense in the period in which the payment occurs and are included in the condensed interim consolidated statement of loss and comprehensive loss.

	Three months ended May 31, 2020	Year ended February 29, 2020
Opening balance	$ 100,109	$ -
Lease liability due to initial application of IFRS 16	-	119,588
Additions	-	19,445
Lease payments made	(19,680)	(62,201)
Interest expense on lease liabilities	2,391	10,908
Foreign exchange adjustment	2,220	12,369
	85,040	100,109
Less: current portion	(61,182)	(59,988)
Long-term portion	$ 23,858	$ 40,121

(Unaudited – Expressed in Canadian Dollars)

6. LEASES (cont'd)

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

	$
Fiscal 2021	53,499
Fiscal 2022	32,932
Fiscal 2023	5,696

7. PROPERTY AND EQUIPMENT

	Right of Use Assets	Machinery and equipment	Computer equipment	Office furniture and fixtures	Total
Cost					
Balance, February 28, 2019	$ -	$ -	$ 1,400	$ -	$ 1,400
Initial adoption of IFRS 16	119,588	-	-	-	119,588
Additions	19,445	183,507	21,758	7,827	232,537
Balance, February 29, 2020	$ 139,033	$ 183,507	23,158	$ 7,827	$ 353,525
Additions	-	-	4,522	-	4,522
Balance, May 31, 2020	$ 139,033	$ 183,507	$ 27,680	$ 7,827	$ 358,047
Accumulated depreciation					
Balance, February 28, 2019	$ -	$ -	$ 962	$ -	$ 962
Additions	42,671	11,813	2,283	783	57,550
Balance, February 29, 2020	$ 42,671	$ 11,813	$ 3,245	$ 783	$ 58,512
Additions	17,818	8,585	1,478	352	28,233
Balance, May 31, 2020	$ 60,489	$ 20,398	$ 4,723	$ 1,135	$ 86,745
Carrying amounts					
At February 29, 2020	$ 96,362	$ 171,694	$ 19,913	$ 7,044	$ 295,013
At May 31, 2020	$ 78,544	$ 163,109	$ 22,957	$ 6,692	$ 271,302

(Unaudited – Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

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

Period ended May 31, 2020	Omu Property	Other Properties	Japan Total
Opening balance, February 29, 2020	$ 13,598,758	$ 172,133	$ 13,770,891
Additions:			
Acquisition costs	879	-	879
Assays and sampling	197,385	-	197,385
Consulting/management/administration	363,672	9,031	372,703
Drilling related	1,128,872	-	1,128,872
Materials and supplies	408,939	-	408,939
Staking and claims registration	25,801	17,752	43,553
Travel and transportation	67,382	-	67,382
Total deferred exploration costs	2,192,930	26,783	2,219,713
Total, exploration and evaluation assets, May 31, 2020	$ 15,791,689	$ 198,916	$ 15,990,604

Year ended February 29, 2020	Omu Property	Other Properties	Japan Total
Opening balance, February 28, 2019	$ 3,605,129	$ 446,991	$ 4,052,121
Additions:			
Acquisition costs	38,423	-	38,423
Assays and sampling	918,528	-	918,528
Consulting/management/administration	1,787,516	26,823	1,814,339
Drilling related	4,630,096	-	4,630,097
Geophysics/other engineering studies	649,887	-	649,887
Materials and supplies	1,344,557	-	1,344,557
Staking and claims registration	20,239	53,791	74,029
Travel and transportation	604,382	-	604,382
Total deferred exploration costs	9,993,629	80,613	10,074,242
Less: write-off of deferred exploration costs	-	(355,471)	(355,471)
Total, exploration and evaluation assets, February 29, 2020	$ 13,598,758	$ 172,133	$ 13,770,891

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) Omu 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 (CAD $118,100) 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 year ended February 28, 2018, 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 and 135,747 common shares of the Company were issued at a value of $118,100 upon completion of the registration of the transfer of the mining right.

The Company has also filed a total of 56 prospecting licenses covering additional prospective ground in the vicinity of the Omui Property.

The Company purchased a total of 0.97 sq km of surface rights covering an area over the Omui Property for total purchase price of JPY32,027,974 (CAD$382,089).

The Company entered into long-term leases of surface rights covering a total area of 1.21 sq km in an area over the Omui Property. The total costs for the initial five-year period is JPY10,617,140 (CAD$129,369). The leases are for a five-year term and can be extended for up to three additional five-year periods. Included in long-term prepaids are the refundable deposits associated with these long-term leases.

During the year ended February 28, 2019, the Company entered into an agreement for drilling services and advanced $300,000 to the contractor for work yet to be completed on the Omu Property. During the year ended February 29, 2020, the Company made a further deposit of $380,000. As of May 31, 2020, the total advanced has been reduced to $142,505.

b) Other Properties

The Company has filed mineral prospecting licenses with the Ministry of Economy, Trade and Industry (METI) in various other areas (Prefectures) within Japan. These mineral prospecting licenses are in various stages of early exploration. The Company will conduct exploration and if a property does not warrant further exploration, the Company will surrender or withdrawal their applications from the METI. During the year ended February 29, 2020, the Company wrote down deferred exploration costs in the amount of $355,471.

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

c) Tanzania Property

The Company, through its wholly-owned Tanzanian subsidiary, Spring Take Limited ("STL"), was granted four Prospecting Licences ("PLs") by the Ministry of Energy and Minerals in the United Republic of Tanzania, Africa. The PLs covered areas in the Mpwapwa District. This project is also part of a Joint Exploration Agreement ("JEA") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). During the year ended February 28, 2018, the Company wrote-off the deferred exploration costs related to these PLs and during year ended February 28, 2019, the Company elected to surrender the final PLs. During the year ended February 29, 2020, the Company began the process of winding up the subsidiary in Tanzania.

d) 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 initial participating interest and contributions of each of the joint venture partners is 67% JOGMEC and 33% the Company.

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. During the year ended February 28, 2019, the Company elected to write-down the deferred exploration costs. During the year ended February 29, 2020, the Company commenced the process of surrendering the EPL and is in the process of winding up the subsidiary in Malawi.

9. JOINT VENTURES

a) Joint Exploration Agreement

The Company holds a Joint Exploration Agreement (JEA) 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.

9. JOINT VENTURES (cont'd…)

b) Project Venture Agreement

On May 9, 2016 and amended on October 31, 2016, the Company entered into a 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". During the year, the Company commenced the process of winding up the subsidiary in Madagascar.

10. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common shares without par value:

During the period ended May 31, 2020, the Company:

a) Issued 143,334 common shares for gross proceeds of $143,334 pursuant to the exercise of stock options. The Company reallocated the fair value of these stock options previously recorded in the amount of $88,018 from reserves to share capital.

During the year ended February 29, 2020, the Company:

a) Completed a private placement on February 20, 2020, issuing 1,400,744 common shares for gross proceeds of $5,266,797 at a price of CDN$3.76 per common share

b) Completed a private placement on April 24, 2019, issuing 3,715,630 common shares for gross proceeds of $8,014,800 at a price of CDN$2.16 per common share.

c) Issued 4,886,704 common shares for gross proceeds of $2,693,140 pursuant to the exercise of warrants.

d) Issued 1,103,333 common shares for gross proceeds of $473,750 pursuant to the exercise of stock options. The Company reallocated the fair value of these stock options previously recorded in the amount of $294,005 from reserves to share capital.

(Unaudited – Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd…)

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.

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

	Number of Options	Weighted Average Exercise Price
Opening balance, February 28, 2019	3,241,667	$ 0.93
Granted	1,875,000	2.70
Exercised	(1,103,333)	0.43
Outstanding, February 29, 2020	4,013,334	1.90
Granted	35,000	2.87
Exercised	(143,334)	1.00
Outstanding, May 31, 2020	3,905,000	$ 1.94

Stock options outstanding at May 31, 2020 are as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
920,000	920,000	1.00	September 6, 2020
50,000	50,000	0.83	November 9, 2020
1,025,000	1,025,000	1.40	November 7, 2021
140,000	93,333	2.15	April 26, 2022
100,000	33,333	2.87	August 2, 2022
1,370,000	456,667	2.70	September 9, 2022
200,000	66,667	2.77	November 5, 2022
10,000	-	2.96	December 10, 2022
55,000	-	4.00	February 24, 2023
35,000	-	2.87	April 24, 2023
3,905,000	2,645,000		

(Unaudited – 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 28, 2019	5,829,345	$ 0.74
Exercised	(4,886,704)	0.55
Outstanding, February 29, 2020 and May 31, 2020	942,641	$ 1.75

Warrants outstanding at May 31, 2020 are as follows:

Number of Warrants	Exercise Price	Expiry Date
942,641	$ 1.75	November 26, 2020
942,641		

Share-based compensation

During the period ended May 31, 2020, the Company granted 35,000 stock options to directors, officers, employees and consultants (2019 – 150,000). The estimated weighted average fair value of these options is $1.77 (2019 - $1.31). The total amount of fair value of vested stock options amortized during the period is $586,005 (2019 - $252,218). 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:

	Three months ended May 31, 2020	**Three months ended May 31, 2019**
Risk-free interest rate	0.32%	1.54%
Expected life of options	3.0 years	3.0 years
Annualized volatility	100.00%	100.00%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

(Unaudited – Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

	Three months ended May 31, 2020	Three months ended May 31, 2019
Management fees	$ 48,135	$ 47,045
Consulting fees	81,587	26,144
Property investigation	-	402
	$ 129,722	**$ 73,591**

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) During the period, Nil (2019 – Nil) stock options were granted to directors and officers. The total vested share-based compensation allocated to directors and officers is $309,190 (2019 - $138,925).

d) Included in property investigations is $Nil (2019 - $402) paid to a consultant who is a director of a subsidiary of the Company.

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 periods ended May 31, 2020 and May 31, 2019.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period ended May 31, 2020:

a) Included in accounts payable and accrued liabilities are $821,952 related to deferred exploration costs.

The significant non-cash transactions for the period ended May 31, 2019:

a) Included in accounts payable and accrued liabilities are $1,494,961 related to deferred exploration costs.

(Unaudited – Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

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

As at May 31, 2020	Property and equipment	Exploration and evaluation assets
Canada	$ 25,665	$ -
Japan	245,637	15,990,604
Total	$ 271,302	$ 15,990,604

As at February 29, 2020	Property and equipment	Exploration and evaluation assets
Canada	$ 12,501	$ -
Japan	282,512	13,770,891
Total	$ 295,013	$ 13,770,891

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).

As at May 31, 2020, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities and lease obligations. 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. The long-term portion of lease obligations is accreted over the lease terms at market interest rate using the effective interest rate method.

(Unaudited – Expressed in Canadian Dollars)

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

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	$ 10,948,261	-	-	$ 10,948,261
Total	$ 10,948,261	$ -	$ -	$ 10,948,261

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 May 31, 2020, the Company had cash of $10,948,261 to settle current liabilities of $1,062,947 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.

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.

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

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. Based on the net US dollar and Japanese Yen asset and liability exposure as at May 31, 2020 a 10% fluctuation in the CAD/US and CAD/YEN exchange rates would impact the Company's earnings by approximately $972,000. The Company has not entered into any agreements or purchased any instruments to hedge possible foreign exchange rate risk at this time.

15. CAPITAL MANAGEMENT

The Company considers items in its shareholder equity as capital. 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.

16. SUBSEQUENT EVENTS

a) Subsequent to May 31, 2020, completed a private placement on June 29, 2020, issuing 1,279,093 common shares for gross proceeds of $3,517,505 at a price of CDN$2.75 per common share.

b) Subsequent to May 31, 2020, 120,000 stock options were exercised for gross proceeds of $111,500 and 82,727 warrants for gross proceeds of $144,772.