

IRVING RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED AUGUST 31, 2023
(Unaudited)
(Expressed in Canadian Dollars)

IRVING RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2023

Notice of No Auditor Review

The accompanying unaudited condensed interim consolidated financial statements of Irving Resources Inc. for the six-month period ended August 31, 2023 have been prepared by the Company's management and approved by the Audit Committee and Board of Directors of the Company.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

October 30, 2023

IRVING RESOURCES INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

AS AT

	August 31, 2023	February 28, 2023
ASSETS		
Current assets		
Cash	\$ 8,321,351	\$ 10,909,314
Receivables (Note 5)	19,701	8,680
Prepays	<u>72,599</u>	<u>109,501</u>
	8,413,651	11,027,495
Prepays	77,160	98,017
Property and equipment (Note 7)	2,210,165	2,172,042
Exploration and evaluation assets (Note 8)	<u>39,764,398</u>	<u>36,582,433</u>
	<u>\$ 50,465,374</u>	<u>\$ 49,879,987</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 251,620	\$ 367,020
Lease liabilities (Note 6)	<u>109,045</u>	<u>123,022</u>
	360,665	490,042
Non-current liabilities		
Lease liabilities (Note 6)	<u>95,195</u>	<u>110,190</u>
Total liabilities	<u>455,860</u>	<u>600,232</u>
Shareholders' equity		
Share Capital (Note 10)	60,275,772	58,701,039
Reserves (Note 10)	9,321,887	8,961,644
Deficit	<u>(19,588,145)</u>	<u>(18,382,928)</u>
	<u>50,009,514</u>	<u>49,279,755</u>
	<u>\$ 50,465,374</u>	<u>\$ 49,879,987</u>

Nature and Continuance of Operations (Note 1)**Subsequent Event** (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		Six months ended	
	Aug 31, 2023	Aug 31, 2022	Aug 31, 2023	Aug 31, 2022
EXPENSES				
Consulting fees (Note 11)	\$ 85,100	\$ 57,195	\$ 126,032	\$ 93,069
Depreciation (Note 7)	40,831	38,977	78,936	70,779
Foreign exchange loss (gain)	124,703	(410,244)	233,302	(388,014)
Insurance	7,572	6,965	15,144	13,930
Interest expense on lease liabilities (Note 6)	4,652	5,916	9,632	8,584
Investor relations	170	21,966	3,163	30,572
Management fees (Note 11)	28,000	18,000	46,000	36,000
Office and miscellaneous	13,040	15,273	27,103	46,388
Professional fees	145,996	40,436	192,245	107,680
Property investigation	-	13,667	-	13,667
Regulatory fees	24,071	23,746	36,247	35,007
Salaries and benefits	19,165	32,017	53,779	65,710
Shareholder costs	7,841	16,922	7,841	16,922
Share-based compensation (Note 10)	170,490	217,866	389,661	597,364
Telephone	5,874	4,805	11,696	9,962
Transfer agent	4,532	3,212	7,939	6,252
Travel and promotion	25,013	27,897	84,092	40,089
Operating expenses	(707,050)	(134,616)	(1,322,812)	(803,961)
Interest income	70,035	44,890	157,780	54,607
Write-off of exploration and evaluation asset (Note 8)	(40,185)	-	(40,185)	-
	29,850	44,890	117,595	54,607
Loss and comprehensive loss for the period	\$ (677,200)	\$ (89,726)	\$ (1,205,217)	\$ (749,354)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Basic and diluted weighted average number of common shares outstanding	73,280,957	66,920,417	69,370,264	64,471,217

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 Shareholders' Equity
Balance, February 28, 2022	62,022,016	46,794,646	7,663,341	(16,928,504)	37,529,483
Private placements	10,257,384	11,932,439	-	-	11,932,439
Share issue costs	-	(81,013)	-	-	(81,013)
Share-based compensation	-	-	597,364	-	597,364
Net loss for the period	-	-	-	(749,354)	(749,354)
Balance, August 31, 2022	72,279,400	\$ 58,646,072	\$ 8,260,705	\$ (17,677,858)	\$ 49,228,919
Balance, February 28, 2023	72,366,900	\$ 58,701,039	\$ 8,961,644	\$ (18,382,928)	\$ 49,279,755
Exercise of stock options	66,667	96,085	(29,418)	-	66,667
Private placements	1,429,573	1,479,751	-	-	1,479,751
Share issue costs	-	(1,103)	-	-	(1,103)
Share-based compensation	-	-	389,661	-	389,661
Net loss for the period	-	-	-	(1,205,217)	(1,205,217)
Balance, August 31, 2023	73,863,140	\$ 60,275,772	\$ 9,321,887	\$ (19,588,145)	\$ 50,009,514

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)

	Six months ended	
	August 31, 2023	August 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,205,217)	\$ (749,354)
Adjustments		
Depreciation	78,936	70,779
Interest expense on lease liabilities	9,632	8,584
Share-based compensation	389,661	597,364
Foreign exchange	87,185	(5,258)
Change in non-cash working capital items:		
Receivables	(11,021)	(5,208)
Prepays	57,759	(4,176)
Accounts payable and accrued liabilities	(276,506)	(17,716)
Due to related parties	-	-
Net cash used in operating activities	<u>(869,571)</u>	<u>(104,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	1,546,418	11,932,439
Share issue costs	(1,103)	(81,013)
Payment of lease liabilities	<u>(31,394)</u>	<u>(32,690)</u>
Net cash provided by financing activities	<u>1,513,921</u>	<u>11,818,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets, net of recoveries	(3,020,859)	(4,306,057)
Acquisition of equipment	<u>(209,430)</u>	<u>(717,887)</u>
Net cash used in investing activities	<u>(3,230,289)</u>	<u>(5,023,944)</u>
Effect of foreign exchange on cash	<u>(2,024)</u>	<u>-</u>
Change in cash during the period	(2,587,963)	(6,689,807)
Cash, beginning of the period	<u>10,909,314</u>	<u>9,691,260</u>
Cash, end of the period	<u>\$ 8,321,351</u>	<u>\$ 16,381,067</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

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 and is listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “IRV”. The Company is a junior resource exploration company that is involved in the acquisition and exploration of mineral properties. 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, 2023, the Company had working capital of \$8,052,986 (February 28, 2023 – \$10,537,453). Management estimates these funds are sufficient to meet its immediate liquidity requirements as well as those for the next twelve months.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company’s business or ability to raise funds.

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, 2023.

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 October 30, 2023.

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (cont'd)

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%
NIRV Resources GK ("NIRV GK")	Japan	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.

3. MATERIAL ACCOUNTING POLICIES

New Accounting Standards not yet adopted

The Company has not applied the following revised IFRS that has been issued but was not yet effective at May 1, 2023. These new accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements.

IAS 1, Presentation of Financial Statements - In January 2020 and October 2022, the IASB issued amendments to International Accounting Standards 1 ("IAS 1"), Presentation of Financial Statements, to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. Rights are in existence if covenants are complied with at the end of the reporting period. Settlement refers to the transfer to the counterparty of cash, equity instruments, or other assets or services. The amendments will be effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. The Company is in the process of assessing the impact of this amendment to the Company's financial statements and does not expect it to have a significant effect on the Company's financial statements.

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. Significant assumptions about the future and

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

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

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.

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

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Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

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

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 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 consolidated statements of financial position. The related payments are recognized as an expense in the period in which the payment occurs and are included in the consolidated statements of loss and comprehensive loss.

	Six months ended	Year ended
	August 31, 2023	February 28, 2023
Opening balance	\$ 233,212	\$ 119,345
Additions	28,616	199,703
Lease payments made	(31,394)	(118,444)
Interest expense on lease liabilities	9,632	19,039
Foreign exchange adjustment	(35,826)	13,569
	204,240	233,212
Less: current portion	(109,045)	(123,022)
Long-term portion	\$ 95,195	\$ 110,190

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

	\$
Fiscal 2024	112,065
Fiscal 2025	92,174

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Right of Use Assets	Machinery and equipment	Computer equipment	Office furniture and fixtures	Total
Cost					
Balance, February 28, 2022	\$ 224,330	\$ 225,493	\$ 27,680	\$ 12,383	\$ 489,886
Disposals	(53,970)	-	-	-	(53,970)
Additions	199,703	1,920,908	-	-	2,120,611
Balance, February 28, 2023	370,063	2,146,401	27,680	12,383	2,556,527
Disposals	(51,731)	-	-	-	(51,731)
Additions	31,021	192,686	14,339	-	238,046
Balance, August 31, 2023	\$ 349,354	\$ 2,339,087	\$ 42,019	\$ 12,383	\$ 2,742,843
Accumulated depreciation					
Balance, February 28, 2022	\$ 117,649	\$ 83,642	\$ 15,033	\$ 3,636	\$ 219,960
Disposals	(53,970)	-	-	-	(53,970)
Additions	107,566	105,899	3,536	1,494	218,495
Balance, February 28, 2023	171,245	189,541	18,569	5,130	384,485
Disposals	(49,527)	-	-	-	(49,527)
Additions	28,616	93,142	3,462	1,181	126,401
Transfer to exploration and evaluation assets	-	71,319	-	-	71,319
Balance, August 31, 2023	\$ 150,335	\$ 354,002	\$ 22,031	\$ 6,311	\$ 532,678
Carrying amounts					
At February 28, 2023	\$ 198,818	\$ 1,956,860	\$ 9,111	\$ 7,253	\$ 2,172,042
At August 31, 2023	\$ 199,019	\$ 1,985,086	\$ 19,988	\$ 6,072	\$ 2,210,165

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

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

Six months ended August 31, 2023	Omu Property	Other Properties	Total
Opening balance, February 28, 2023	\$ 34,439,511	\$ 2,142,922	\$ 36,582,433
Additions:			
Acquisition costs	-	-	-
Assays and sampling	248,395	(3,974)	244,421
Consulting/management/administration	873,898	41,027	914,925
Drilling related	851,353	-	851,353
Geophysics/other engineering studies	-	2,256	2,256
Materials and supplies	437,077	21,156	458,233
Staking and claims registration	44,574	(9,740)	34,834
Travel and transportation	<u>302,583</u>	<u>421,179</u>	<u>723,762</u>
	2,757,880	471,904	3,229,784
Less: write-down of deferred exploration costs	<u>-</u>	<u>(47,820)</u>	<u>(47,820)</u>
Total, exploration and evaluation assets, August 31, 2023	\$ 37,197,391	\$ 2,567,007	\$ 39,764,398

Year ended February 28, 2023	Omu Property	Other Properties	Total
Opening balance, February 28, 2022	\$ <u>26,734,659</u>	\$ <u>1,339,214</u>	\$ <u>28,073,873</u>
Additions:			
Acquisition costs	-	65,625	65,625
Assays and sampling	364,689	35,257	399,946
Consulting/management/administration	1,401,610	265,707	1,667,317
Drilling related	4,199,006	-	4,199,006
Geophysics/other engineering studies	351,091	368,238	719,329
Materials and supplies	723,742	70,234	793,976
Staking and claims registration	48,595	65,017	113,612
Travel and transportation	<u>616,119</u>	<u>107,406</u>	<u>723,525</u>
	7,704,852	977,484	8,682,336
Less: write-down of deferred exploration costs	<u>-</u>	<u>(173,776)</u>	<u>(173,776)</u>
Total, exploration and evaluation assets, February 28, 2023	\$ 34,439,511	\$ 2,142,922	\$ 36,582,433

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

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; paid) and 135,747 common shares of the Company issued at a value of \$118,100.

The Company has also filed a total of 57 prospecting licenses covering additional prospective ground in the vicinity of the Omui Property.

The Company purchased a total of 1.35 sq km of surface rights covering an area over the Omui Property for total purchase price JPY38,145,974 (CAD\$458,279).

The Company entered into long-term leases of surface rights covering a total area of 1.06 sq km in an area over the Omui Property. The total costs for the initial five-year period is JPY10,637,140 (CAD\$129,613). 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.

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 28, 2021, the Company signed a binding option agreement to acquire the 5.2 sq km Yamagano mining license. The option is exercisable for a period of ten years from the date of the agreement, September 26, 2020. In order to exercise the option, the Company must issue a total of 350,000 common shares over four years, with the initial 87,500 common shares issued during the year ended February 28, 2021 with a value of \$253,750, and 87,500 common shares due on each of the first, second and third anniversaries of the date of the agreement and incur, within three years after the date of the agreement, aggregate property expenditures of US\$250,000 on the property and on properties controlled by the Company within 10 km of the outer boundaries of the property. The Company also holds 21 mineral prospecting licenses in areas near the Yamagano mining license.

IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATIONS ASSETS (cont'd)

During the year ended February 28, 2022, the Company issued 87,500 common shares with a value of \$99,750 as part of the share issuance due on the first anniversary of the option agreement and during the year ended February 28, 2023, the Company issued 87,500 common shares with a value of \$65,625 as part of the share issuance due on the second anniversary.

During the year ended February 28, 2023, the Company wrote-down the carrying value on claims as it withdrew its application for these prospecting licenses.

c) Tanzania Property

The Company, through its wholly-owned Tanzanian subsidiary, and with its joint venture participant, JOGMEC, had exploration prospecting licenses in Tanzania, Africa. During the year ended February 28, 2019, the Company elected to surrender the final license and as at February 28, 2022, the Company is in the process of winding up the subsidiary in Tanzania. The carrying value of properties in Tanzania is \$Nil (2022 - \$Nil).

9. JOINT VENTURES

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.

During the six-month period ended August 31, 2023, the Company terminated the JEA with JOGMEC.

10. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common shares without par value.

During the period ended August 31, 2023, the Company:

- a) issued 66,667 shares for gross proceeds of \$66,667 pursuant to the exercise of stock options.
- b) Completed a private placement on July 7, 2023, issuing 1,429,573 common shares for gross proceeds of \$1,479,751 at a price of \$1.035 per common share.

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Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd...)

During the year ended February 28, 2023, the Company:

- a) Completed a private placement on August 4, 2022, issuing 2,705,056 common shares for gross proceeds of \$3,327,219 at a price of \$1.23 per common share.
- b) Completed a private placement on July 12, 2022, issuing 4,577,788 common shares for gross proceeds of \$5,630,680 at a price of \$1.23 per common share.
- c) Completed a private placement on July 12, 2022, issuing 2,974,540 units at a price of \$1.00 per unit for gross proceeds of \$2,974,540. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable into one common share until July 12, 2025 at a price of \$1.60 per share.
- d) Issued 87,500 common shares valued at \$0.75 per share pursuant to the terms of a mineral property agreement. See Note 8.

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, 2022	5,283,335	\$1.82
Granted	1,795,000	1.00
Expired / Cancelled	(1,898,335)	2.71
Outstanding, February 28, 2023	5,190,000	1.82
Granted	220,000	1.30
Exercised	(66,667)	1.00
Expired / Cancelled	(190,000)	1.52
Outstanding, August 31, 2023	5,153,333	\$1.82

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Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2023

(Unaudited)

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' EQUITY (cont'd...)

Stock options outstanding at August 31, 2023 are as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		\$	
1,520,000	1,520,000	3.55	September 4, 2023
110,000	110,000	2.09	March 1, 2024
1,640,000	1,640,000	1.09	December 21, 2024
1,663,333	598,333	1.00	September 12, 2025
220,000	-	1.30	April 10, 2026
5,153,333	3,868,333		

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Opening balance, February 28, 2021 and February 28, 2022	-	\$ -
Granted	1,487,270	1.60
Outstanding, February 28, 2023	1,487,270	\$ 1.60
Outstanding, August 31, 2023	1,487,270	\$ 1.60

Warrants outstanding at August 31, 2023 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,487,270	\$ 1.60	July 12, 2025
1,487,270		

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10. SHAREHOLDERS' EQUITY (cont'd...)**Share-based compensation**

During the period ended August 31, 2023, the Company granted 220,000 stock options to employees (2022 – nil). The estimated weighted average fair value of these options is \$0.66 per option (2022 - \$nil). The total amount of fair value of vested stock options amortized during the period is \$389,661 (2022 - \$597,364). 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, 2023	Six months ended August 31, 2022
Risk-free interest rate	3.53%	N/A
Expected life of options	3.0 years	N/A
Annualized volatility	75.15%	N/A
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

11. RELATED PARTY TRANSACTIONS

	Six months ended August 31, 2023	Six months ended August 31, 2022
Management fees	\$ 92,200	\$ 95,570
Consulting fees	171,188	153,142
	\$ 263,388	\$ 248,712

- Included in the management fees were fees for services provided by the President and Chief Executive Officer and Chief Financial Officer.
- Included in consulting fees are amounts paid to independent directors for services other than their role as directors.
- During the period, Nil (2021 – Nil) stock options were granted to directors and officers. The total vested share-based compensation allocated to directors and officers is \$170,888 (2022 - \$317,591).

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11. RELATED PARTY TRANSACTIONS (cont'd...)**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 August 31, 2023 and 2022.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period ended August 31, 2023:

- a) Included in accounts payable and accrued liabilities are \$85,807 related to deferred exploration costs.

The significant non-cash transactions for the period ended August 31, 2022:

- b) Included in accounts payable and accrued liabilities are \$213,171 related to deferred exploration costs.

13. SEGMENTED INFORMATION

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

As at August 31, 2023	Property and equipment	Exploration and evaluation assets
Canada	\$ 5,247	\$ -
Japan	<u>2,204,918</u>	<u>39,764,398</u>
Total	<u>\$ 2,210,165</u>	<u>\$ 39,764,398</u>

As at February 28, 2023	Property and equipment	Exploration and evaluation assets
Canada	\$ 23,333	\$ -
Japan	<u>2,148,709</u>	<u>36,582,433</u>
Total	<u>\$ 2,172,042</u>	<u>\$ 36,582,433</u>

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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 August 31, 2023, the Company's financial instruments are comprised of cash, accounts payable and accrued liabilities and lease liabilities. The carrying value of accounts payable and accrued liabilities approximate its fair value due to the relatively short period to maturity of this financial instrument. Lease liabilities are accreted over lease terms at market interest rates using the effective interest rate method.

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.

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, 2023, the Company had cash of \$8,321,351 to settle current liabilities of \$360,665 of which a significant amount has 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.

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

iii) 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. 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 August 31, 2023 a 10% fluctuation in the CAD/US and CAD/YEN exchange rates would impact the Company's earnings by approximately \$872,000. 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 shareholders' 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.

There were no changes to the Company's approach to capital management during the period ended August 31, 2023.

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16. SUBSEQUENT EVENTS

a) On September 7, 2023, the Company granted 1,835,000 incentive stock options to its directors, officers, employees, and consultants. The options are exercisable at \$0.91 for a period of three years and are subject to vesting conditions.

b) On September 22, 2023, the Company issued the third and final tranche of 87,500 shares with a fair value of \$56,000 to Shimadzu Limited for its option over the Yamagano mining license.