

**IRVING RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED AUGUST 31, 2022**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**IRVING RESOURCES INC.**

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

AS AT

	August 31, 2022	February 28, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 16,381,067	\$ 9,691,260
Receivables (Note 5)	12,776	7,568
Prepays	<u>51,923</u>	<u>65,541</u>
	16,445,766	9,764,369
<b>Prepays</b>	302,754	284,960
<b>Property and equipment</b> (Note 7)	1,016,926	269,927
<b>Exploration and evaluation assets</b> (Note 8)	<u>31,966,549</u>	<u>28,073,873</u>
	<u>\$ 49,731,995</u>	<u>\$ 38,393,129</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 313,204	\$ 744,301
Lease liabilities (Note 6)	<u>89,449</u>	<u>86,767</u>
	402,653	831,068
<b>Non-current liabilities</b>		
Lease liabilities (Note 6)	<u>100,423</u>	<u>32,578</u>
<b>Total liabilities</b>	<u>503,076</u>	<u>863,646</u>
<b>Shareholders' equity</b>		
Share Capital (Note 10)	58,646,072	46,794,646
Reserves (Note 10)	8,260,705	7,663,341
Deficit	<u>(17,677,858)</u>	<u>(16,928,504)</u>
	<u>49,228,919</u>	<u>37,529,483</u>
	<u>\$ 49,731,995</u>	<u>\$ 38,393,129</u>

Nature 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)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>Aug 31, 2022</b>	<b>Aug 31, 2021</b>	<b>Aug 31, 2022</b>	<b>Aug 31, 2021</b>
<b>EXPENSES</b>				
Consulting fees (Note 11)	\$ 57,195	\$ 37,617	\$ 93,069	\$ 69,256
Depreciation (Note 7)	38,977	25,939	70,779	60,563
Foreign exchange loss (gain)	(410,244)	(569,635)	(388,014)	71,019
Insurance	6,965	8,443	13,930	14,313
Interest expense on lease liabilities (Note 6)	5,916	1,455	8,584	3,201
Investor relations	21,966	20,503	30,572	48,320
Management fees (Note 11)	18,000	18,000	36,000	36,000
Office and miscellaneous	15,273	31,835	46,388	54,963
Professional fees	40,436	42,359	107,680	109,475
Property investigation	13,667	12,665	13,667	19,927
Regulatory fees	23,746	34,978	35,007	47,105
Salaries and benefits	32,017	31,245	65,710	64,407
Shareholder costs	16,922	17,362	16,922	17,362
Share-based compensation (Note 10)	217,866	525,921	597,364	1,107,117
Telephone	4,805	5,449	9,962	11,222
Transfer agent	3,212	3,261	6,252	6,863
Travel and promotion	27,897	5,650	40,089	26,752
<b>Operating expenses</b>	<u>(134,616)</u>	<u>(253,047)</u>	<u>(803,961)</u>	<u>(1,767,865)</u>
Interest income	<u>44,890</u>	<u>8,719</u>	<u>54,607</u>	<u>15,434</u>
	<u>44,890</u>	<u>8,719</u>	<u>54,607</u>	<u>15,434</u>
<b>Loss and comprehensive loss for the period</b>	<u>\$ (89,726)</u>	<u>\$ (244,328)</u>	<u>\$ (749,354)</u>	<u>\$ (1,752,431)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<u>66,920,417</u>	<u>61,874,516</u>	<u>64,471,217</u>	<u>61,019,035</u>

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
<b>Balance, February 28, 2021</b>	<b>58,238,971</b>	<b>\$ 38,900,774</b>	<b>\$ 5,957,552</b>	<b>\$ (14,105,662)</b>	<b>\$ 30,782,664</b>
Private placement	3,575,545	7,544,400	-	-	7,544,400
Share issue costs	-	(17,756)	-	-	(17,756)
Exercise of stock options	60,000	133,739	(49,739)	-	84,000
Share-based compensation	-	-	1,107,117	-	1,107,117
Net loss for the period	-	-	-	(1,752,431)	(1,752,431)
<b>Balance, August 31, 2021</b>	<b>61,874,516</b>	<b>\$ 46,561,157</b>	<b>\$ 7,014,930</b>	<b>\$ (15,858,093)</b>	<b>\$ 37,717,994</b>
<b>Balance, February 28, 2022</b>	<b>62,022,016</b>	<b>46,794,646</b>	<b>7,663,341</b>	<b>(16,928,504)</b>	<b>37,529,483</b>
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)
<b>Balance, August 31, 2022</b>	<b>72,279,400</b>	<b>\$ 58,646,072</b>	<b>\$ 8,260,705</b>	<b>\$ (17,677,858)</b>	<b>\$ 49,228,919</b>

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)

	<b>Six months ended</b>	
	<b>August 31, 2022</b>	<b>August 31, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (749,354)	\$ (1,752,431)
Adjustments		
Depreciation	70,779	60,563
Interest expense on lease liabilities	8,584	3,201
Share-based compensation	597,364	1,107,117
Foreign exchange	(5,258)	(4,726)
Change in non-cash working capital items:		
Receivables	(5,208)	441
Prepays	(4,176)	85,553
Accounts payable and accrued liabilities	(17,716)	(23,821)
Due to related parties	<u>-</u>	<u>(10,571)</u>
Net cash used in operating activities	<u>(104,985)</u>	<u>(534,674)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common shares issued	11,932,439	7,628,400
Share issue costs	(81,013)	(17,756)
Payment of lease liabilities	<u>(32,690)</u>	<u>(42,914)</u>
Net cash provided by financing activities	<u>11,818,736</u>	<u>7,567,730</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets, net of recoveries	(4,306,057)	(2,632,069)
Exploration and evaluation assets, advances	-	(256,588)
Acquisition of equipment	<u>(717,887)</u>	<u>(11,922)</u>
Net cash used in investing activities	<u>(5,023,944)</u>	<u>(2,900,579)</u>
<b>Change in cash during the period</b>	6,689,807	4,132,477
<b>Cash, beginning of the period</b>	<u>9,691,260</u>	<u>8,764,829</u>
<b>Cash, end of the period</b>	<u>\$ 16,381,067</u>	<u>\$ 12,897,306</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, 2022

(Unaudited)

(Expressed in Canadian Dollars)

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### **1. NATURE 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’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, 2022, the Company had working capital of \$16,043,113 (February 28, 2022 – \$8,933,301). 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 materially 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 28, 2022.

#### **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.

## IRVING RESOURCES INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

### 2. BASIS OF PREPARATION (cont'd)

- 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 26, 2022.

#### 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. SIGNIFICANT ACCOUNTING POLICIES

#### 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.

## **IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **New and amended IFRS Accounting Standards effective for the current year**

The Company has applied the accounting policies disclosed in Note 3 of its audited consolidated financial statements for the year ended February 28, 2022. The following standard was adopted during the current period and did not have a material impact on the Company's condensed interim consolidated financial statements.

**IAS 16, Property, Plant and Equipment – Proceeds before Intended Use.** The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in the condensed interim statement of loss and comprehensive loss.

#### **New and amended IFRS Accounting Standards not yet adopted**

**IAS 12, Income Taxes The amendments** – The amendment will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. This amendment is effective for financial statements beginning on or after January 1, 2023, with early adoption permitted.

### **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 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.



## **IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

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### **4. 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.

#### 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.

**IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

**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 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.

	<b>Six months ended</b>	<b>Year ended</b>
	<b>August 31, 2022</b>	<b>February 28, 2022</b>
Opening balance	\$ 119,345	\$ 65,771
Additions	99,891	130,797
Lease payments made	(32,690)	(89,701)
Interest expense on lease liabilities	8,584	7,735
Foreign exchange adjustment	(5,258)	4,743
	189,872	119,345
Less: current portion	(89,449)	(86,767)
Long-term portion	\$ 100,423	\$ 32,578

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

	\$
Fiscal 2023	89,449
Fiscal 2024	100,423

**IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

**7. PROPERTY AND EQUIPMENT**

	<b>Right of Use Assets</b>	<b>Machinery and equipment</b>	<b>Computer equipment</b>	<b>Office furniture and fixtures</b>	<b>Total</b>
<b>Cost</b>					
Balance, February 28, 2021	\$ 175,410	\$ 208,178	\$ 27,680	\$ 7,827	\$ 419,095
Disposals	(81,877)	-	-	-	(81,877)
Additions	130,797	17,315	-	4,556	152,668
Balance, February 28, 2022	224,330	225,493	27,680	12,383	489,886
Disposals	(30,232)	-	-	-	(30,232)
Additions	124,380	693,157	-	-	817,538
Balance, August 31, 2022	\$ 318,479	\$ 918,650	\$ 27,680	\$ 12,383	\$ 1,277,192
<b>Accumulated depreciation</b>					
Balance, February 28, 2021	\$ 111,149	\$ 48,196	\$ 9,864	\$ 2,170	\$ 171,379
Disposals	(76,897)	-	-	-	(76,897)
Additions	83,397	35,446	5,169	1,465	125,477
Balance, February 28, 2022	117,649	83,642	15,033	3,635	219,959
Disposals	(30,472)	-	-	-	(30,472)
Additions	53,005	15,332	1,742	700	70,779
Balance, August 31, 2022	\$ 140,182	\$ 98,974	\$ 16,775	\$ 4,335	\$ 260,266
<b>Carrying amounts</b>					
At February 28, 2022	\$ 106,681	\$ 141,851	\$ 12,647	\$ 8,747	\$ 269,927
At August 31, 2022	\$ 178,297	\$ 819,677	\$ 10,905	\$ 8,047	\$ 1,016,926

**IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

**8. EXPLORATION AND EVALUATION ASSETS**

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

<b>Period ended August 31, 2022</b>	<b>Omu Property</b>	<b>Other Properties</b>	<b>Total</b>
Opening balance, February 28, 2022	<u>\$ 26,734,659</u>	<u>\$ 1,339,214</u>	<u>\$ 28,073,873</u>
Additions:			
Assays and sampling	141,776	4,239	146,015
Consulting/management/administration	671,908	43,073	714,981
Drilling related	1,876,967	-	1,876,967
Geophysics/other engineering studies	243,071	58,794	301,865
Materials and supplies	443,015	2,013	445,028
Staking and claims registration	48,595	1,273	49,868
Travel and transportation	<u>331,065</u>	<u>26,887</u>	<u>357,952</u>
	<u>3,756,397</u>	<u>136,279</u>	<u>3,892,676</u>
Total, exploration and evaluation assets, August 31, 2022	<u>\$ 30,491,056</u>	<u>\$ 1,475,493</u>	<u>\$ 31,966,549</u>
<b>Year ended February 28, 2022</b>	<b>Omu Property</b>	<b>Other Properties</b>	<b>Total</b>
Opening balance, February 28, 2021	<u>\$ 21,565,905</u>	<u>\$ 861,171</u>	<u>\$ 22,427,076</u>
Additions:			
Acquisition costs	3,572	99,750	103,322
Assays and sampling	380,936	31,170	412,106
Consulting/management/administration	1,156,631	77,432	1,234,063
Drilling related	2,407,109	-	2,407,109
Geophysics/other engineering studies	60,401	151,136	211,537
Materials and supplies	768,061	23,712	791,773
Staking and claims registration	46,021	75,515	121,536
Travel and transportation	<u>346,023</u>	<u>19,328</u>	<u>365,351</u>
	<u>5,168,754</u>	<u>478,043</u>	<u>5,646,797</u>
Total, exploration and evaluation assets, February 28, 2022	<u>\$ 26,734,659</u>	<u>\$ 1,339,214</u>	<u>\$ 28,073,873</u>

## **IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

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### **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 19 mineral prospecting licenses in areas surrounding the Yamagano mining license. 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.

## **IRVING RESOURCES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2022

(Unaudited)

(Expressed in Canadian Dollars)

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### **8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

#### 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 August 31, 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.

### **10. SHAREHOLDERS' EQUITY**

#### *Authorized*

Unlimited number of common shares without par value:

During the period ended August 31, 2022, 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.

**IRVING RESOURCES INC.**

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(Unaudited)

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

During the year ended February 28, 2022, the Company:

- d) Completed a private placement on April 12, 2021, issuing 3,575,545 common shares for gross proceeds of \$7,544,400 at a price of \$2.11 per common share.
- e) Issued 120,000 common shares for gross proceeds of \$168,000 pursuant to the exercise of stock options. The Company reallocated the fair value of these stock options previously recorded in the amount of \$99,478 from reserves to share capital.
- f) Issued 87,500 common shares valued at \$1.14 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, 2021	4,463,335	\$ 2.71
Granted	1,855,000	1.15
Exercised	(120,000)	1.40
Expired	(905,000)	1.40
Outstanding, February 28, 2022	5,293,335	2.41
Expired / Cancelled	(306,668)	2.60
Outstanding, August 31, 2022	4,986,667	\$ 2.40

**IRVING RESOURCES INC.**

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

Stock options outstanding at August 31, 2022 are as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		\$	
1,361,667	1,361,667	2.70	September 9, 2022
200,000	200,000	2.77	November 5, 2022
10,000	10,000	2.96	December 10, 2022
20,000	20,000	4.00	February 24, 2023
35,000	35,000	2.87	April 24, 2023
1,530,000	1,530,000	3.55	September 4, 2023
110,000	73,333	2.09	March 1, 2024
1,720,000	573,333	1.09	December 21, 2024
4,986,667	3,803,334		

**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, August 31, 2022	1,487,270	\$ 1.60

Warrants outstanding at August 31, 2022 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, 2022, the Company did not grant stock options to directors, officers, employees and consultants (2021 – 110,000). The estimated weighted average fair value of these options is \$Nil per option (2021 - \$1.21). The total amount of fair value of vested stock options amortized during the period is \$597,364 (2021 - \$1,107,117). 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, 2022	Six months ended August 31, 2021
Risk-free interest rate	N/A	0.34%
Expected life of options	N/A	3.0 years
Annualized volatility	N/A	100.00%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

**11. RELATED PARTY TRANSACTIONS**

	Three months ended August 31, 2022	Three months ended August 31, 2021
Management fees	\$ 95,570	\$ 94,625
Consulting fees	153,142	159,780
	<b>\$ 248,712</b>	<b>\$ 254,405</b>

- 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 \$317,591 (2021 - \$617,548).

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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, 2022 and 2021.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

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

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

The significant non-cash transactions for the period ended August 31, 2021:

b) Included in accounts payable and accrued liabilities are \$801,983 related to deferred exploration costs.

**13. SEGMENTED INFORMATION**

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

<u>As at August 31, 2022</u>	<u>Property and equipment</u>	<u>Exploration and evaluation assets</u>
Canada	\$ 12,995	\$ -
Japan	<u>1,003,931</u>	<u>31,966,549</u>
Total	<u>\$ 1,016,926</u>	<u>\$ 31,966,549</u>

  

<u>As at February 28, 2022</u>	<u>Property and equipment</u>	<u>Exploration and evaluation assets</u>
Canada	\$ 25,325	\$ -
Japan	<u>244,602</u>	<u>28,073,873</u>
Total	<u>\$ 269,927</u>	<u>\$ 28,073,873</u>

## **IRVING RESOURCES INC.**

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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, 2022, the Company's financial instruments are comprised of cash, accounts payable and accrued liabilities, due to related parties 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. The long-term portion of lease liabilities is accreted over the lease terms at market interest rate 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, 2022, the Company had cash of \$16,381,067 to settle current liabilities of \$402,653 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, 2022 a 10% fluctuation in the CAD/US and CAD/YEN exchange rates would impact the Company's earnings by approximately \$1,555,000. 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.

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**16. SUBSEQUENT EVENTS**

- a) Subsequent to August 31, 2022, there were 1,795,000 stock options granted to the Company's directors, officers, employees and consultants at an exercise price of \$1.00. The stock options have a term of three years, subject to one-third of the grant vesting every six months from grant day with full vesting in the first 18 months of the term.
- b) Subsequent to August 31, 2022, the Company issued 87,500 common shares as part of a mining option agreement as outlined in note 8(b).