TRES-OR RESOURCES LTD.

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017

**(Expressed in Canadian Dollars)**

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*Tres-Or trades on the TSX Venture Exchange under the symbol TRS*

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tres-Or Resources Ltd.

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

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Tres-Or Resources Ltd. as at February 28, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



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***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Tres-Or Resources Ltd.'s ability to continue as a going concern.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada | Chartered Professional Accountants

June 27, 2018

**TRES-OR RESOURCES LTD.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian Dollars)**

| | Note | February 28, 2018 | February 28, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 157,750 | $ 446,108 |
| Marketable securities | 3 | 28,869 | 23,789 |
| Receivables | 4 | 57,278 | 21,897 |
| **Total current assets** | | 243,897 | 491,794 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 5 | 3,154,596 | 3,263,099 |
| **Total non-current assets** | | 3,154,596 | 3,263,099 |
| **TOTAL ASSETS** | | $ 3,398,493 | $ 3,754,893 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 198,617 | $ 154,778 |
| Accounts payable to related parties | 7 | 210,615 | 409,022 |
| Current loans payable | 6 | 174,375 | 174,375 |
| Exploration and evaluation advance received | | - | 64,589 |
| Flow-through share premium liability | 8 | - | 30,000 |
| **Total current liabilities** | | 583,607 | 832,764 |
| **TOTAL LIABILITIES** | | 583,607 | 832,764 |
| **EQUITY** | | | |
| Share capital | 8 | 16,373,322 | 16,252,234 |
| Shares subscribed | 8 | - | (14,167) |
| Equity reserves | 8 | 2,231,985 | 1,695,756 |
| Accumulated other comprehensive income | 3 | 15,175 | 10,095 |
| Deficit | | (15,805,596) | (15,021,789) |
| **TOTAL EQUITY** | | 2,814,886 | 2,922,129 |
| **TOTAL LIABILITIES AND EQUITY** | | $ 3,398,493 | $ 3,754,893 |

Nature and continuance of operations (Note 1)

**Approved by the Board of Directors on June 27, 2018:**

| *"Gareth E. Mason "* | *"Laura Lee Duffett"* |
|---|---|
| Director | Director |

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

**TRES-OR RESOURCES LTD.**
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017**
**(Expressed in Canadian Dollars)**

| | | Year ended February 28, | |
|---|---|---|---|
| | **Note** | **2018** | **2017** |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | |
| Consulting fees | | $ 43,773 | $ 1,900 |
| Management fees | 7 | 54,000 | 54,000 |
| Office and miscellaneous | | 22,632 | 6,533 |
| Professional fees | 7 | 65,557 | 83,426 |
| Transfer agent and regulatory fees | | 15,431 | 16,537 |
| Travel and promotion | 7 | 67,178 | 29,086 |
| Share based payments | 7,8 | 536,229 | - |
| | | (804,800) | (191,482) |
| Settlement of flow through share premium liabilities | 8 | 30,000 | - |
| Write-down of mineral properties | 5 | (9,007) | - |
| **Loss for the year** | | (783,807) | (191,482) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Unrealized gain on marketable securities | 3 | 5,080 | 10,095 |
| **Total comprehensive loss for the year** | | $ (778,727) | $ (181,387) |
| **Basic and diluted loss per common share** | | $ (0.01) | $ (0.00) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 106,416,255 | 100,471,346 |

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

**TRES-OR RESOURCES LTD.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017**
**(Expressed in Canadian Dollars)**

| | Number of shares | Share Capital | Shares Subscribed | Equity Reserves | Accumulated Other Comprehensive Income | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance – February 29, 2016** | **94,874,634** | **$ 15,994,077** | **$ 14,833** | **$ 1,695,756** | **$ -** | **$ (14,830,307)** | **$ 2,874,359** |
| Private placements | 9,260,000 | 306,500 | (29,000) | - | - | - | 277,500 |
| Premium on flow-through shares issued | - | (30,000) | - | - | - | - | (30,000) |
| Share issuance costs | - | (18,343) | - | - | - | - | (18,343) |
| Unrealized gain on marketable securities | - | - | - | - | 10,095 | - | 10,095 |
| Loss for the year | - | - | - | - | - | (191,482) | (191,482) |
| **Balance – February 28, 2017** | **104,134,634** | **16,252,234** | **(14,167)** | **1,695,756** | **10,095** | **(15,021,789)** | **2,922,129** |
| Private placement | 2,300,000 | 115,000 | - | - | - | - | 115,000 |
| Share issuance costs | - | (9,745) | - | - | - | - | (9,745) |
| Exercise of warrants | 600,000 | 30,000 | - | - | - | - | 30,000 |
| Return to treasury | (141,666) | (14,167) | 14,167 | - | - | - | - |
| Unrealized gain on marketable securities | - | - | - | - | 5,080 | - | 5,080 |
| Share based payments | - | - | - | 536,229 | - | - | 536,229 |
| Loss for the year | - | - | - | - | - | (783,807) | (783,807) |
| **Balance – February 28, 2018** | **106,892,968** | **$ 16,373,322** | **$ -** | **$ 2,231,985** | **$ 15,175** | **$ (15,805,596)** | **$ 2,814,886** |

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

## TRES-OR RESOURCES LTD.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
**FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017.**
**(Expressed in Canadian Dollars)**

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the year | $ (783,807) | $ (191,482) |
| Items not affecting cash | | |
| Settlement of flow through share premium liabilities | (30,000) | - |
| Share based payments | 536,229 | - |
| Write-down of mineral properties | 9,007 | - |
| Changes in non-cash working capital items | | |
| Receivables | (5,587) | 4,721 |
| Accounts payable and accrued liabilities | 11,937 | 13,290 |
| Accounts payable to related parties | 1,696 | (35,384) |
| Net cash used in operating activities | (260,525) | (208,855) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Exploration and evaluation assets expenditures | (259,643) | (120,439) |
| Option payments received | 100,000 | 390,000 |
| Cash advances of exploration and evaluation assets expenditures | - | 64,589 |
| Net cash provided by (used in) investing activities | (159,643) | 334,150 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from private placements | 115,000 | 277,500 |
| Share issuance costs | (13,190) | (6,477) |
| Proceeds from exercise of warrants | 30,000 | - |
| Repayment of loan payable | - | (20,000) |
| Net cash provided by financing activities | 131,810 | 251,023 |
| **Change in cash** | (288,358) | 376,318 |
| Cash, beginning of the year | 446,108 | 69,790 |
| **Cash, end of the year** | $ 157,750 | $ 446,108 |

**Supplemental disclosure with respect to cash flows** (Note 12)

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Tres-Or Resources Ltd. (the "Company") was incorporated under the laws of the Province of British Columbia and is in the business of exploration and evaluation of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company's head office and registered office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7, Canada.

The consolidated financial statements are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the Company and its subsidiary.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. The Company has a working capital deficiency at February 28, 2018 of $339,710 (2017 - $340,970) and a deficit of $15,805,596 (2017 - $15,021,789). The Company has not generated revenue from operations; additional financing will be required in the foreseeable future to fund the Company's established business plan. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate, and these adjustments could be material.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of February 28, 2018.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company, which is incorporated under the laws of British Columbia, and its wholly owned subsidiary, Temagami-Diamonds Ltd. which is incorporated in Canada. All significant intercompany balances and transactions have been eliminated upon consolidation.

| Name of subsidiary | Incorporation | Interest February 28, 2018 | Interest February 28, 2017 |
|---|---|---|---|
| Temagami-Diamonds Ltd. | Canada | 100% | 100% |

### Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting 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:

i. whether or not an impairment has occurred in its exploration and evaluation assets;
ii. the inputs used in the accounting for share-based payments expense; and
iii. the inputs used in the accounting for finders' warrants and compensation options in share capital and equity reserves.

*Critical accounting judgments*

Examples of significant judgments, apart from those involving estimation, include:

- the accounting policies for exploration and evaluation assets; and
- classification of financial instruments.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Exploration and Evaluation Assets

Pre-exploration costs are expensed in the period in which they are incurred.

All costs related to the acquisition and exploration of exploration and evaluation assets are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written-down to its estimated net realizable value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and future profitable production or proceeds from the disposition thereof.

### Provisions for Environmental Rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

### Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods and services rendered.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Loss per Share

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

### Warrants

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

### Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

### Flow-Through Common Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Flow-Through Common Shares (Cont'd)

The Company may also be subjected to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

### Foreign Exchange

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiary is the Canadian dollar.

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 denominated in foreign currencies are translated at the period end exchange rate 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 profit or loss.

### Financial Instruments

Financial instruments are classified into one of the following categories based on the purpose for which the asset or liability was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets

*Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

*Held-to-maturity ("HTM")*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial Instruments** (Cont'd)

*Available for sale ("AFS")*

Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Financial liabilities

*Fair value through profit or loss*

This category comprises derivatives, or liabilities, acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities*

This category includes amounts due to related parties, accounts payable and accrued liabilities, and loan payable, all of which are recognized at amortized cost.

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities, accounts payable to related parties, and loans payable. The Company has designated its cash as fair value through profit or loss, which are measured at fair value. Marketable securities are classified as available-for-sale ("AFS") investments which are carried at fair value with changes in fair value recognized in equity. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, accounts payable to related parties, and loans payable are classified as other financial liabilities, which are measured at amortized cost.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss.

**BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**Impairment of financial assets** (Cont'd)

With the exception of AFS marketable securities, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS marketable securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

*New accounting standards and interpretation*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

*New accounting policies not yet adopted*

Effective for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The Company has determined that adopting IFRS 9 will not have a significant impact on the Company's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers: IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. The Company has determined that adopting IFRS 15 will not have a significant impact on the Company's consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2019:

On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), according to which, all leases will be on the statement of financial position, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not early adopted IFRS 16 and is currently evaluating the impact, if any, that this standard might have on its consolidated financial statements.

**(Expressed in Canadian Dollars)**

## 3. MARKETABLE SECURITIES

Marketable securities are recorded at fair market value as they are classified as available-for-sale financial instruments.

Marketable securities are comprised of the following:

| | February 28, 2018 | | | February 28, 2017 | | |
|---|---|---|---|---|---|---|
| | **Common shares** | **Market value** | **Cost** | **Common shares** | **Market value** | **Cost** |
| Arctic Star Exploration Corp. | 6,945 | $ 1,320 | $ 50,000 | 6,945 | $ 799 | $ 50,000 |
| Orla Mining (formerly Pershimco Resources Inc.) | 19,000 | 27,549 | 67,250 | 19,000 | 22,990 | 67,250 |
| Battery Mineral Resources Pty Ltd. | 30,000 | - | - | - | - | - |
| | | $ 28,869 | $ 117,250 | | $ 23,789 | $ 117,250 |

During the year ended February 28, 2018, the Company recognized an unrealized gain on marketable securities of $5,080 (2017 – $10,095) and received 30,000 shares of Battery Mineral Resources Pty LTD valued at $Nil as the fair value cannot be reasonably estimated.

## 4. RECEIVABLES

The Company’s receivables arise from two main sources: cost recoveries receivable and goods and services tax (“GST”) and Quebec sales tax (“QST”) receivable due from the Canadian taxation authorities.

| | February 28, 2018 | February 28, 2017 |
|---|---|---|
| Cost recoveries receivable | $ 50,559 | $ 21,524 |
| GST and QST receivable | 6,719 | 373 |
| | $ 57,278 | $ 21,897 |

**(Expressed in Canadian Dollars)**

## 5. EXPLORATION AND EVALUATION ASSETS

| | Fontana and Duvay Gold Projects, Quebec | Quebec Gold Projects, Quebec | Other Projects | Total |
|---|---|---|---|---|
| Balance, February 29, 2016 | $ 1,354,908 | $ 539,933 | $ 1,648,016 | $ 3,542,857 |
| Expenditures | | | | |
| Acquisition costs | 50,420 | 18,522 | 982 | 69,924 |
| Assays, staking, mapping | 1,630 | - | 1,313 | 2,943 |
| Drilling | 12,716 | - | - | 12,716 |
| Field work | - | 4,500 | - | 4,500 |
| Geological and geophysical | 82,135 | 64,276 | 8,190 | 154,601 |
| Office, miscellaneous and travel | 14,431 | 6,888 | 4,696 | 26,015 |
| | 161,332 | 94,186 | 15,181 | 270,699 |
| Cost recoveries | (151,783) | (6,366) | (2,308) | (160,457) |
| Option Payments | (280,000) | (110,000) | - | (390,000) |
| | (270,451) | (22,180) | 12,873 | (279,758) |
| Balance, February 28, 2017 | 1,084,457 | 517,753 | 1,660,889 | 3,263,099 |
| Expenditures | | | | |
| Acquisition costs | 97,867 | 513 | 7,950 | 106,330 |
| Assays, staking, mapping | 189,509 | - | 256 | 189,765 |
| Drilling | 233,960 | - | - | 233,960 |
| Field work | 54,863 | 361 | - | 55,224 |
| Geological and geophysical | 267,180 | 53,756 | 4,127 | 325,063 |
| Office, miscellaneous and travel | 60,326 | - | 1,475 | 61,801 |
| | 903,705 | 54,630 | 13,808 | 972,143 |
| Mining tax credits and cost recoveries | (813,127) | - | - | (813,127) |
| Option Payments | (150,000) | (100,000) | (8,512) | (258,512) |
| Write-down of mineral properties | - | - | (9,007) | (9,007) |
| | (59,422) | (45,370) | (3,711) | (108,503) |
| Balance, February 28, 2018 | $ 1,025,035 | $ 472,383 | $ 1,657,178 | $ 3,154,596 |

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 its assets are in good standing.

## 5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

### a) Fontana and Duvay Gold Projects, Quebec, Canada

*Fontana Gold Project*

On November 9, 2011, the Company entered into an option agreement (the "Option") with Globex Mining Enterprises Inc. ("Globex") to acquire the interests of certain mineral claims in Quebec, being a 75% interest in 16 claims and a 100% interest in a further 7 claims, collectively known as the Fontana Gold Project ("Fontana"). The interests of Globex in Fontana are subject to a 3.0% Gross Metals Royalty ("GMR") and the 16 claims held by Globex as to 75% are also subject to a 15% Net Profits Interest ("NPI").

In order to exercise the option the Company is required to pay Globex $400,000 (paid) and is required to purchase the NPI from Globex for a total of $1,200,000, payable in increments over 84 months ($50,000 paid).

During the year ended February 28, 2015, the Company and Globex made certain amendments to the Fontana Property Option Agreement dated November 9, 2011 which are subject to the satisfaction of certain conditions. The amended payment schedule under the Fontana NPI acquisition agreement terms is as follows:

- November 30, 2014 - $50,000 cash payments (paid)
- November 30, 2015 - $50,000 cash payments (paid)
- November 30, 2016 - $50,000 cash payments (paid)
- November 30, 2017 - $50,000 cash payments (paid)
- November 30, 2018 - $50,000 cash payments
- November 30, 2019 - $100,000 cash payments
- November 30, 2020 - $200,000 cash payments
- November 30, 2021 - $200,000 cash payments

During the year ended February 29, 2012 and February 28, 2013, the Company purchased additional Duvay Gold Project claims. Certain of the claims have various underlying royalties.

In April 2012, the Company entered into an option agreement with Merrex Gold Inc. ("Merrex"), wherein the Company was granted an option to acquire Merrex's 25% interest in 16 mineral claims in Duverny Township, Quebec, forming part of the Fontana Gold Project. The claims are subject to a 15% NPI in favour of Globex. In order to exercise the option, the Company paid to Merrex a total of $300,000 as at February 28, 2014 and was required to make the final payment of $125,000 during fiscal 2016 to complete the acquisition of Merrex's 25% in the claims.

## 5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

### a) Fontana and Duvay Gold Projects, Quebec, Canada (Cont'd)

*Duvay Gold Project*

On May 23, 2010, the Company signed an option agreement to earn up to a 100% interest in the Duvay property in Quebec which comprises 4 contiguous claims in Duverny Township. The 4 claim property is subject to a GMR of 1.5% (where gold is US$800 per ounce or less) and 2% (where gold is greater than US$800 per ounce).

During the year ended February 28, 2013, the Company earned a 65% interest in the Duvay property. The Company can earn a further 15% interest for a total 80% interest by incurring $4,000,000 in exploration expenditures. The Company has the right to acquire the remaining 20% interest by effecting a merger, amalgamation or other form of business combination with the optionor, or the Company can purchase any or all of the 20% interest by paying the sum of $1,000,000 for each 1% interest in the property to be purchased.

The Company has a 100% interest in additional claims known as the Duvay Nord and East Mac Sud properties that form part of the Duvay Gold Project. The optionor retains a 2.0% net smelter return ("NSR") and the Company has the right to purchase 1.0% of the NSR for $1,000,000 and retains the first right of refusal to purchase the remaining 1.0% NSR.

During the year ended February 29, 2016, the Company and Secova Metals Corp. ("Secova") executed an option agreement to option up to a 90% interest in the Duvay Gold Project. Under the agreement, the Company grants Secova the sole and exclusive right and option to acquire a 65% right, title and interest in and to the Duvay claims by paying to the Company the sum of $500,000 and incurring $3,750,000 in exploration expenses over a four year period. Secova can earn the full 90% of the property (an additional 25% ownership) by funding a pre-feasibility study and making aggregate expenditures of $12,000,000 to bring the property towards production.

To earn the initial 65% interest in the project, Secova will be required to make the cash payments and exploration expenditures as follows:

a. Secova pays the Company the sum of $15,000 on execution of the term sheet (December 30, 2014) (received);
b. Secova pays the Company the sum of $60,000 on the date of execution of the Agreement (received);
c. Secova pays the Company the sum of $125,000 on the first anniversary of the execution of the term sheet (acknowledged received under the Amended and Restated Option Agreement of September 2016);
d. Secova pays the Company the sum of $300,000 on the second anniversary of the execution of the term sheet (acknowledged received as per the February 2017 Amendment Letter to the Agreement);
e Secova will incur $500,000 in exploration during the 18 month period following the execution of the term sheet (deemed to have been satisfied under the Amended and Restated Option Agreement of September 2016);
f. Secova will incur a further $750,000 in exploration during the 24 month period following the execution of the term sheet (in progress);
g. Secova will incur a further $1,000,000 in exploration by the third anniversary of the execution of the term sheet; and
h. Secova will incur a further $1,500,000 in exploration by the fourth anniversary of the execution of the term sheet.

## 5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

### a) Fontana and Duvay Gold Projects, Quebec, Canada (Cont'd)

During the year ended February 28, 2017, the Company executed an Amended and Restated Option Agreement (the "Amended Agreement") to earn up to a 90% interest in the consolidated Duvay Gold Project. Under the Amended Agreement, the Company grants Secova the sole and exclusive right and option to acquire an undivided 65% right, title and interest in the Duvay Gold Project by paying the Company the sum of $500,000 (received), and incurring $3,250,000 in exploration expenses over a 36 month period. Under the new arrangements, the Company and Secova have consolidated the 105 Duvay claims and Secova transferred all interest in the 69 Chenier claims to the Company, forming a large and contiguous Duvay land package, where Secova will complete $750,000 in exploration expenditures by the end of September 2017 (completed). Secova can earn an additional 25% ownership by funding a pre-feasibility study and making aggregate expenditures of $12 million to bring the property towards production. Secova shall act as operator and in circumstances where Secova earns a 90% interest in the Duvay Gold Project, then the Company would revert to a 10% carried interest through to commercial production. In addition, Secova would grant the Company the right to receive a resource payment (the "Resource Payment") based on the initial NI 43-101 compliant resource estimate on the claims. The Resource Payment will be equal to $30 for each gold ounce equivalent categorized as "measured", $25 for each gold ounce categorized as "indicated", and $15 for each gold ounce categorized as "inferred" to be paid from proceeds of commercial production after deducting operating costs and other senior payments. If Secova chooses to remain at a 65% ownership interest, then a joint venture will be formed with the Company and the Resource Payment would be payable within 180 days of the joint venture formation.

In February 2017, the Company and Secova executed a Letter Agreement whereby, Secova appointed The Company Operator effective January 1, 2017 to advance the exploration and drilling programs planned. The Company will provide logistical, technical and geologic services and reporting. Secova has agreed to pay an administrative fee equal to 10% of the Exploration Expenditures.

### b) Quebec Gold Projects, Quebec, Canada

On March 22, 2011, the Company entered into an agreement with the optionor to purchase a 24% interest in the Quebec Gold projects in conjunction with the Duvay Nord and East Mac Sud claims outlined in note 5(b) below.

During the year ended February 29, 2012, the Company completed an option to acquire a 76% interest in several groups of project claims in Quebec.

During the year ended February 28, 2017, the Company entered into an agreement with Sementiou Inc. to purchase all of the 2.0% NSR interest in the Fabre claims for $15,000 (paid).

## 5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

### b) Quebec Gold Projects, Quebec, Canada (Cont'd)

During the year ended February 28, 2017, the Company entered into a Property Option Agreement (the "Agreement") with Battery Mineral Resources Pty Ltd. (the "Optionor") to acquire the Company's 100%-owned Fabre Cobalt-Silver Property. Under the terms of the Agreement, the Optionor can earn up to 100% of the Fabre Project over a two year period subject to a 2.0% GMR in favour of the Company. The Optionor can buy back 1.0% GMR for $1,000,000 and buy-back the remaining GMR for $1,500,000. To complete the Agreement, the Optionor paid a non-refundable deposit of $5,000 and agreed to pay $105,000 on signing of the formal Agreement (received). The Optionor has also committed to expend $450,000 in exploration work over a 24 month period. In addition, 12 months after signing the Agreement, the Optionor has agreed to pay the Company $100,000 and in 24 months, pay the Company a further $100,000 and the Company will deliver the 100% transfer of title documents subject to retaining a 2.0% GMR.

In August 2017, the Company signed an Amendment to the Agreement to receive the first $100,000 property payment on or before October 29, 2017 (received) and to receive 30,000 shares of Battery Mineral Resources (received).

### c) Other Projects

The Company holds a 100% interest in certain mineral claims in the Notre Dame du Nord area of Quebec. Certain claims are subject to a 2.0% NSR. The Company may purchase 1.0% of the NSR for $1,000,000 at any time prior to commercial production of any mineral discovered on the claims and also retains the First Right of Refusal to buy back the remaining 1.0% NSR. In addition, the Company agreed to deliver 100,000 common shares one day prior to commencement of commercial production subject to regulatory approval.

The Company has certain claims and holds an option to acquire a 100% interest in certain claims in the Porcupine Mining Division, Ontario. In addition, the Company has an interest in 2 mining licences in Sharpe and Savard townships, Ontario.

During the year ended February 28, 2018 the Company received mining tax credits of $1,127 and wrote-down the remaining exploration and evaluation costs of $9,007 on its Ghana Property.

## 6. LOANS PAYABLE

On December 30, 2014, the Company received a non-interest bearing loan from WMJ Metals Ltd.("WMJ"), a company controlled by a Director of the Company, in the amount of $50,000 to complete the Globex acquisition (Note 5b). It is a demand loan and shall be repaid within 90 days of demand for repayment being made by WMJ. During the year ended February 28, 2017, the Company made a repayment of $20,000. As at February 28, 2018, $30,000 remained outstanding.

During the year ended February 29, 2016, the Company and WMJ entered into an agreement whereby WMJ advanced additional non-interest bearing funds totaling $125,000 to finance the purchase of the Merrex Gold interest (Note 5b). The loan and the associated service charge of 5% ($6,250) will be repaid by June 30, 2015 (not paid). Any balance of the loan outstanding after June 30, 2015 shall be subject to a further service charge of 10% ($13,125). The Company shall pay any outstanding balance inclusive of service charges by November 30, 2015 (not paid).

On November 23, 2015, the Company and WMJ entered into an amended agreement whereby the maturity date of the loan and related service charges was extended to March 31, 2017 (not paid). No additional interest or service charges were incurred as a result of the extension.

## 7. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of $210,615 (2017 - $409,022) consists of amounts due to private companies controlled by a director and to a law firm in which a director of the Company is a partner.

During the year ended February 28, 2018, the Company entered into the following transactions with related parties:

(a) Incurred $135,500 (2017 - $71,940) to a company controlled by a director for geological services which have been capitalized to exploration and evaluation costs and incurred $54,000 (2017 - $54,000) for management services. At February 28, 2018, there was $187,175 (2017 - $348,087) owing to this company.

(b) Incurred $14,191 (2017 - $35,132) in professional fees and $8,421 (2017 - $12,437) in share issuance costs to a law firm in which a director is a partner. At February 28, 2018, there was $23,440 (2017 - $60,935) owing to this law firm.

(c) Incurred $11,050 (2017 - $10,200) as automobile allowance (included in travel and promotion) to a private company controlled by a director.

(d) As at February 28, 2018, the Company owed $174,375 in loans payable (2017 - $174,375) to a company controlled by a director.

During the year ended February 28, 2018, the Company granted 5,000,000 (2017 – nil) stock options with a fair value of $234,874 (2017 - $nil) to officers and directors of the Company.

## 8. SHARE CAPITAL AND EQUITY RESERVES

The authorized share capital of the Company consists of an unlimited number of common shares without par value and unlimited number of Class A preferred shares without par value.

During the year ended February 28, 2018, the Company closed a private placement consisting of 2,300,000 units at $0.05 per unit for proceeds of $115,000. Each unit is comprised of one common share and one warrant exercisable for two years, at a price of $0.08. Share issuance costs of $9,745 were paid in relation to the private placement.

During the year ended February 28, 2018, the Company issued 600,000 shares on the exercise of warrants for gross proceeds of $30,000 and returned 141,666 shares to treasury.

During the year ended February 28, 2017, the Company closed two tranches of a private placement consisting of 6,260,000 units at $0.025 per unit for proceeds of $156,500 of which $29,000 was received in fiscal 2016. Each unit is comprised of one common share and one warrant exercisable for two years, at a price of $0.05 in the first year and $0.10 in the second year. Share issuance costs of $18,343 were paid in relation to the private placement.

During the year ended February 28, 2017, the Company closed a flow-through private placement consisting of 3,000,000 shares at $0.05 per share for proceeds of $150,000. The Company recorded a premium received on flow-through shares of $30,000. During the year ended February 28, 2018, the Company recorded a settlement of flow through share premium liabilities of $30,000 (2017 - $nil).

**(Expressed in Canadian Dollars)**

## 8. SHARE CAPITAL AND EQUITY RESERVES (Cont'd)

### Warrants

Warrant transactions are summarized as follows:

| | Outstanding Warrants | Weighted average exercise price |
|---|---|---|
| Balance, February 29, 2016 | 3,300,000 | $ 0.05 |
| Granted | 6,260,000 | 0.05 |
| Balance, February 28, 2017 | 9,560,000 | $ 0.07 |
| Granted | 2,300,000 | 0.08 |
| Exercised | (600,000) | 0.05 |
| Expired | (3,300,000) | 0.10 |
| Balance, February 28, 2018 | 7,960,000 | $ 0.09 |

As at February 28, 2018, the following warrants were outstanding:

| Number of Warrants | Exercise Price | Expiry Date |
|---|---|---|
| 5,260,000 | $0.10 | April 14, 2018* |
| 400,000 | $0.10 | April 20, 2018** |
| 2,300,000 | $0.08 | May 9, 2019 |
| 7,960,000 | | |

***** Exercise price is $0.05 until April 14, 2017 and $0.10 until April 14, 2018. Subsequently extended to December 31, 2018.
****** Exercise price is $0.05 until April 20, 2017 and $0.10 until April 20, 2018. Subsequently extended to December 31, 2018.

### Stock options

The Company has adopted a formal stock option plan which follows the TSX Venture Exchange ("TSX-V") policy under which it is authorized to grant options to officers, directors and employees to acquire up to 10% of issued and outstanding common stock. Under the plan, the exercise price of each option shall be fixed by the board of directors but shall be not less than the minimum price permitted by the TSX-V. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

A summary of the Company's outstanding share purchase options as at February 28, 2018 and the changes during the year are presented below:

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance – February 28, 2017 and 2016 | - | $ - |
| Granted | 11,100,000 | 0.05 |
| Cancelled | (500,000) | 0.05 |
| Outstanding and exercisable – February 28, 2018 | 10,600,000 | $ 0.05 |

**(Expressed in Canadian Dollars)**

## 8. SHARE CAPITAL AND EQUITY RESERVES (Cont'd)

Additional information regarding stock options outstanding as at February 28, 2018 is as follows:

| Number of Options | Exercise Price ($) | Expiry Date |
|---|---|---|
| 6,500,000 | 0.05 | October 5, 2021 |
| 3,600,000* | 0.055 | December 1, 2021 |
| 500,000 | 0.05 | January 18, 2022 |
| 10,600,000 | | |

*Subsequent to February 28, 2018, 50,000 options were exercised at $0.055 for proceeds of $2,750.

The weighted average fair value of each stock option granted during the year ended February 28, 2018 was $0.05, calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

| | Year ended February 28, 2018 | Year ended February 28, 2017 |
|---|---|---|
| Risk-free interest rate | 1.71% | - |
| Expected life of option | 4 years | - |
| Expected dividend yield | 0% | - |
| Expected stock price volatility | 183.78% | - |

Total share-based payments recognized for stock options granted during the year ended February 28, 2018 was $536,229 (2017 - $nil).

## 9. MANAGEMENT OF CAPITAL

The Company's capital structure consists of items in equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing.

## 10. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

### Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, marketable securities and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The Company's cash is held with major Canadian based financial institutions.

Receivables mainly consist of sales tax refunds due from the governments of Canada and cost recoveries receivable from Secova Metals Corp.

### Currency risk

The Company operates mainly in Canada. The Company mitigates its exposure to foreign currency risk by minimizing the amount of funds in currencies other than the Canadian dollar. The Company does not undertake currency hedging activities but continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash is generally not exposed to interest rate risk because of its short-term maturity. The loan payable does not bear interest and is therefore not subject to interest rate risk.

## 10. FINANCIAL INSTRUMENTS (Cont'd)

### Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's investment in marketable securities is classified as available-for-sale and trade on the stock market. The Company closely monitors its marketable securities, stock market movements and commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

### Fair Value

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities, loan payable and accounts payable to related parties. The fair value of these financial instruments approximates their carrying values due to their short term to maturity. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

*Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* – Inputs that are not based on observable market data.

The fair value of cash and marketable securities are based on level 1 inputs of the fair value hierarchy.

## 11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and development of exploration and evaluation assets in Canada.

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions of the Company for the year ended February 28, 2018 were as follows:

(a) Included in exploration and evaluation assets is $22,902 which relates to accounts payable to related parties.

(b) Included in accounts receivable is $50,559 which relates to cost recoveries in exploration and evaluation assets.

(c) Included in exploration and evaluation assets is $47,222 which relates to accounts payable and accrued liabilities.

(d) Included in accounts payable are share issuance costs of $8,421.

(e) Transferred exploration advances of $64,589 to exploration and evaluation assets.

(f) Returned 141,666 shares with a value of $14,167 to treasury.

**(Expressed in Canadian Dollars)**

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Cont'd)

Significant non-cash transactions of the Company for the year ended February 28, 2017 were as follows:

(a) Included in exploration and evaluation assets is $24,327 which relates to accounts payable and accrued liabilities.
(b) Included in accounts receivable is $20,765 which relates to cost recoveries in exploration and evaluation assets.
(c) Included in exploration and evaluation assets is $219,560 which relates to accounts payable to related parties.
(d) Included in share issuance costs is $11,866 which relates to accounts payable to related parties.
(e) The premium received on flow-through shares issued was determined to be $30,000 and has been recorded as a reduction to share capital.

## 13. INCOME TAXES

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

| | Year ended February 28, 2018 | Year ended February 28, 2017 |
|---|---|---|
| Loss for the year | $ (783,807) | $ (191,482) |
| Expected income tax recovery | $ (204,000) | $ (50,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (52,000) | - |
| Permanent differences | 140,000 | 1,000 |
| Impact of flow through shares | 39,000 | - |
| Share issue costs | (3,000) | (5,000) |
| Adjustment to prior years provision versus statutory tax returns | (108,000) | (101,000) |
| Expiry of non-capital losses | - | 96,000 |
| Change in unrecognized deductible temporary differences | 188,000 | 59,000 |
| **Total income tax expense (recovery)** | **$ -** | **$ -** |

The significant components of the Company's unrecorded deferred tax assets are as follows:

| | 2018 | 2017 |
|---|---|---|
| Deferred tax assets | | |
| Exploration and evaluation assets | $ 347,000 | $ 369,000 |
| Share issue costs | 5,000 | 5,000 |
| Marketable securities | 25,000 | 24,000 |
| Allowable capital losses | 4,000 | 4,000 |
| Non-capital losses available for future periods | 1,335,000 | 1,126,000 |
| Net unrecognized deferred tax asset | $ 1,716,000 | $ 1,528,000 |

No net deferred tax asset has been recognized in respect of the above for the years ended February 28, 2018 and February 29, 2017 because the amount of future taxable profit that will be available to realize such assets is not probable.

**(Expressed in Canadian Dollars)**

## 13. INCOME TAXES (Cont'd)

The significant components of the Company's unused temporary differences and tax losses are as follows:

| | 2018 | Expiry Date Range | 2017 | Expiry Date Range |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Exploration and evaluation assets | $1,153,000 | No expiry date | $1,258,000 | No expiry date |
| Investment tax credit | 48,000 | 2031 - 2034 | 57,000 | 2031 - 2034 |
| Share issue costs | 20,000 | 2019 - 2022 | 17,000 | 2018 - 2021 |
| Marketable securities | 183,000 | No expiry date | 188,000 | No expiry date |
| Allowable capital losses | 14,000 | No expiry date | 14,000 | No expiry date |
| Non-capital losses available for future period | 4,945,000 | 2026 - 2038 | 4,329,000 | 2026 - 2037 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

During the year ended February 28, 2017, the Company issued 3,000,000 common shares on a flow-through basis for gross proceeds of $150,000. The underlying flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's mining properties. During the year ended February 28, 2018 the Company expended the exploration expenditures in full.