# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

**(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 29, 2016 and February 28, 2015 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 29, 2016 and February 28, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***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 24, 2016

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

| | Note | February 29, 2016 | February 28, 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 69,790 | $ 34,008 |
| Marketable securities | 3 | 13,694 | 22,389 |
| Receivables | 4 | 13,977 | 6,502 |
| Prepaid expenses | | - | 2,739 |
| **Total current assets** | | 97,461 | 65,638 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 7 | 3,542,857 | 3,412,095 |
| **Total non-current assets** | | 3,542,857 | 3,412,095 |
| **TOTAL ASSETS** | | $ 3,640,318 | $ 3,477,733 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 118,327 | $ 281,898 |
| Current loan payable | 8 | 50,000 | 50,000 |
| Accounts payable to related parties | 9 | 453,257 | 314,382 |
| **Total current liabilities** | | 621,584 | 646,280 |
| **Non-current liabilities** | | | |
| Long term loan payable | 8 | 144,375 | - |
| **Total non-current liabilities** | | 144,375 | - |
| **TOTAL LIABILITIES** | | 765,959 | 646,280 |
| **EQUITY** | | | |
| Share capital | 10 | 15,994,077 | 15,931,587 |
| Shares subscribed | | 14,833 | (14,167) |
| Equity reserves | 10 | 1,695,756 | 1,679,256 |
| Accumulated other comprehensive loss | 3 | - | (94,861) |
| Deficit | | (14,830,307) | (14,670,362) |
| **TOTAL EQUITY** | | 2,874,359 | 2,831,453 |
| **TOTAL LIABILITIES AND EQUITY** | | $ 3,640,318 | $ 3,477,733 |

**Nature and continuance of operations** (Note 1)
**Subsequent Event** (Note 16)

**Approved by the Board of Directors on June 24, 2016:**

| | |
|---|---|
| *"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 29, 2016 AND FEBRUARY 28, 2015**
**(Expressed in Canadian Dollars)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| **GENERAL AND ADMINISTRATIVE EXPENSES** | | | |
| Consulting fees | | $ - | $ 4,530 |
| Loan service charge | 8 | 19,375 | - |
| Management fees | 9 | 54,000 | 54,000 |
| Office and miscellaneous | | 9,137 | 25,505 |
| Professional fees | 9 | 84,435 | 67,593 |
| Telephone | | 5,518 | 5,178 |
| Transfer agent and regulatory fees | | 14,973 | 15,511 |
| Travel and promotion | 9 | 27,446 | 22,259 |
| | | (214,884) | (194,576) |
| Interest income | | 35 | 136 |
| Recovery of flow-through provision | | 68,847 | - |
| Write-down of mineral properties | | (23,088) | - |
| Gain on extinguishment of accounts payable | | 112,701 | - |
| Gain on sale of property and equipment | 6 | - | 8,040 |
| Permanent impairment of marketable securities | 3 | (103,556) | - |
| Repayment of advances on projects | 5 | - | 5,000 |
| **Loss for the year** | | (159,945) | (181,400) |
| **OTHER COMPREHENSIVE LOSS** | | | |
| Fair value loss on available-for-sale investments | | - | (20,666) |
| **Total comprehensive loss for the year** | | $ (159,945) | $ (202,066) |
| **Basic and diluted loss per common share** | | $ (0.00) | $ (0.00) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 92,115,618 | 91,650,798 |

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 29, 2016 AND FEBRUARY 28, 2015
**(Expressed in Canadian Dollars)**

| | Number of shares | Share Capital | Shares Subscribed | Equity Reserves | Accumulated Other Comprehensive Loss | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance – February 28, 2014** | **91,674,634** | **$ 15,946,587** | **$ (29,167)** | **$ 1,679,256** | **$ (74,195)** | **$ (14,488,962)** | **$ 3,033,519** |
| Shares returned to treasury | (100,000) | (15,000) | 15,000 | - | - | - | - |
| Unrealized loss on available-for-sale investments | - | - | - | - | (20,666) | - | (20,666) |
| Loss for the year | - | - | - | - | - | (181,400) | (181,400) |
| **Balance – February 28, 2015** | **91,574,634** | **15,931,587** | **(14,167)** | **1,679,256** | **(94,861)** | **(14,670,362)** | **2,831,453** |
| Private placement | 3,300,000 | 66,000 | - | 16,500 | - | - | 82,500 |
| Share issuance costs | - | (3,510) | - | - | - | - | (3,510) |
| Shares subscribed | - | - | 29,000 | - | - | - | 29,000 |
| Unrealized loss on available-for-sale investments | - | - | - | - | (8,695) | - | (8,695) |
| Permanent impairment of marketable securities | - | - | - | - | 103,556 | - | 103,556 |
| Loss for the year | - | - | - | - | - | (159,945) | (159,945) |
| **Balance – February 29, 2016** | **94,874,634** | **$ 15,994,077** | **$ 14,833** | **$ 1,695,756** | **$ -** | **$ (14,830,307)** | **$ 2,874,359** |

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 29, 2016 AND FEBRUARY 28, 2015**
**(Expressed in Canadian Dollars)**

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the year | $ (159,945) | $ (181,400) |
| Items not affecting cash | | |
| Gain on sale of property and equipment | - | (8,040) |
| Recovery of flow-through provision | (68,847) | - |
| Write-down of mineral properties | 23,088 | - |
| Gain on extinguishment of accounts payable | (112,701) | - |
| Permanent impairment of marketable securities | 103,556 | - |
| Interest on loans payable | 19,375 | - |
| Changes in non-cash working capital items | | |
| Receivables | (7,475) | (53) |
| Prepaid expenses | 2,739 | (2,681) |
| Accounts payable and accrued liabilities | (29,111) | 15,914 |
| Accounts payable to related parties | 68,255 | 33,553 |
| Net cash used in operating activities | (161,066) | (142,707) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Exploration and evaluation assets expenditures | (91,559) | (49,974) |
| Recovery of exploration and evaluation assets expenditures | 95,417 | 66,156 |
| Option payments received | 60,000 | 15,000 |
| Proceeds from sale of property and equipment | - | 61,087 |
| Net cash provided by investing activities | 63,858 | 92,269 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from private placement | 82,500 | - |
| Share issuance costs | (3,510) | - |
| Shares subscribed | 29,000 | - |
| Proceeds from loan payable | 25,000 | - |
| Net cash provided by financing activities | 132,990 | - |
| **Change in cash** | 35,782 | (50,438) |
| Cash, beginning of the year | 34,008 | 84,446 |
| **Cash, end of the year** | $ 69,790 | $ 34,008 |

**Supplemental disclosure with respect to cash flows** (Note 14).

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 and developing 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 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 29, 2016.

## 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, Tres-Or (Ghana) Limited which is incorporated in Ghana. All significant intercompany balances and transactions have been eliminated upon consolidation.

| Name of subsidiary | Principal activity | Incorporation | Interest February 29, 2016 | Interest February 28, 2015 |
|---|---|---|---|---|
| Tres-Or (Ghana) Ltd. | Participating interest in profit sharing agreement (Note 5) | Ghana | 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 year. 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 year in which the estimate is revised and future years if the revision affects both current and future years. 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;
   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
- classification of financial instruments; and
- determination of the functional currency.

## 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. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

## 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 loan 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 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 loan 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.

## 2. 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*

IFRS 7 is effective for annual periods beginning after January 1, 2015. IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The Company has adopted this policy and it doesn't have a significant effect on the consolidated financial statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

*New accounting policies not yet adopted*

IAS 16 Property, plant, and equipment and IAS 38 Intangible assets.

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.

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.

**(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 29, 2016 | | | February 28, 2015 | | |
|---|---|---|---|---|---|---|
| | Common shares | Market value | Cost | Common shares | Market value | Cost |
| Arctic Star Exploration Corp. | 27,778 | $ 694 | $ 50,000 | 27,778 | $ 1,389 | $ 50,000 |
| Pershimco Resources Inc. | 100,000 | 13,000 | 67,250 | 100,000 | 21,000 | 67,250 |
| | | $ 13,694 | $ 117,250 | | $ 22,389 | $117,250 |

At February 29, 2016, the Company impaired the marketable securities as a result of significant and prolonged decline in fair value and $103,556 from OCI to profit or loss.

## 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 29, 2016 | February 28, 2015 |
|---|---|---|
| Cost recoveries receivable | $ 8,124 | $ - |
| GST and QST receivable | 5,853 | 6,502 |
| | $ 13,977 | $ 6,502 |

## 5. ADVANCES ON PROJECTS

The Company, through its wholly owned subsidiary, entered into a profit sharing agreement with Warwick Mineral Resources Ltd. (“Warwick”), a private Ghanaian company whereby the two parties will collaborate in providing mining and related services to gold mining projects located in Ghana and will share in the net profits on a 50/50 basis. After the profit sharing agreement was signed, a director of Warwick was appointed as a director and officer of the Company’s wholly-owned subsidiary.

As at February 28, 2014, the Company entered into promissory note agreements for advances of $643,905 bearing interest at 12% per annum. These promissory notes are not secured and are repayable on demand. During the year ended February 28, 2015, the Company received a $5,000 repayment and was recorded as a repayment of advances on the statement of operations.

As at February 29, 2016, the Company provided a full valuation allowance for the recovery of the advances and accrued interest. The Company will continue to pursue collection of the promissory notes.

**(Expressed in Canadian Dollars)**

## 6. PROPERTY AND EQUIPMENT

| | Building | Computer equipment | Land | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance, February 28, 2014 | $ 71,291 | $ 14,376 | $ 2,648 | $ 88,315 |
| Disposals | (71,291) | (14,376) | (2,648) | (88,315) |
| Balance, February 28, 2015 and February 29, 2016 | - | - | - | - |
| **Accumulated depreciation** | | | | |
| Balance, February 28, 2014 | 20,892 | 14,376 | - | 35,268 |
| Disposals | (20,892) | (14,376) | - | (35,268) |
| Balance, February 28, 2015 and February 29, 2016 | - | - | - | - |
| **Carrying amounts** | | | | |
| February 28, 2015 and February 29, 2016 | $ - | $ - | $ - | $ - |

During the year ended February 28, 2015, the Company sold its property and equipment with a carrying value of $53,047 for net proceeds of $61,087.

## 7. EXPLORATION AND EVALUATION ASSETS

| | Quebec Gold Projects, Quebec | Fontana and Duvay Gold Projects, Quebec | Other Projects | Total |
|---|---|---|---|---|
| Balance, February 28, 2014 | $ 563,739 | $ 1,159,009 | $ 1,607,991 | $ 3,330,739 |
| Expenditures | | | | |
| Acquisition costs | 1,140 | 50,400 | 3,675 | 55,215 |
| Assays, staking, mapping | - | - | 1,014 | 1,014 |
| Drilling | - | 3,840 | - | 3,840 |
| Geological and geophysical | 24,600 | 49,260 | 22,680 | 96,540 |
| Office, miscellaneous and travel | 2,564 | 5,512 | 5,827 | 13,903 |
| | 28,304 | 109,012 | 33,196 | 170,512 |
| Cost recoveries | (32,757) | (33,433) | (7,966) | (74,156) |
| Option Payments | - | (15,000) | - | (15,000) |
| | (4,453) | 60,579 | 25,230 | 81,356 |
| Balance, February 28, 2015 | 559,286 | 1,219,588 | 1,633,221 | 3,412,095 |
| Expenditures | | | | |
| Acquisition costs | 848 | 195,590 | 830 | 197,268 |
| Assays, staking, mapping | - | - | 354 | 354 |
| Drilling | - | - | 4,597 | 4,597 |
| Geological and geophysical | 11,000 | 75,961 | 7,787 | 94,748 |
| Office, miscellaneous and travel | - | 11,749 | 8,675 | 20,424 |
| | 11,848 | 283,300 | 22,243 | 317,391 |
| Cost recoveries | (8,113) | (87,980) | (7,448) | (103,541) |
| Write-down of mineral properties | (23,088) | - | - | (23,088) |
| Option Payments | - | (60,000) | - | (60,000) |
| | (19,353) | 135,320 | 14,795 | 130,762 |
| Balance, February 29, 2016 | $ 539,933 | $ 1,354,908 | $ 1,648,016 | $ 3,542,857 |

## 7. EXPLORATION AND EVALUATION 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 its assets are in good standing.

### a) Quebec Gold Projects, Quebec, Canada

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.

On March 22, 2011, the Company entered into an agreement with the optionor to purchase the remaining 24% interest in the Quebec Gold projects in conjunction with the Duvay Nord and East Mac Sud claims outlined in note 7(b) below.

On December 20, 2010 the Company purchased the Destor claim block for an $11,088 cash payment and issued 75,000 shares with a value of $12,000 for a 100% interest. During the year ended February 29, 2016, the Company wrote-off acquisition cost of $23,088 due to the Destor claims as all title have expired and the Company will not be pursuing this property any further.

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

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 Gross Metals Royalty (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% 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 to 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 (received);
b. Secova pays the Company the sum of $60,000 on Exchange approval (received);
c. Secova pays the Company the sum of $125,000 and has incurred $500,000 in exploration on the first anniversary of the execution of the Agreement (the "Effective Date") (not received);
d. Secova pays the Company the sum of $300,000 and has incurred a further $750,000 in exploration on the second anniversary of the Effective Date;
e Secova will incur a further $1,000,000 in exploration by the third anniversary of the Effective Date; and
f. Secova will incur a further $1,500,000 in exploration by the fourth anniversary of the Effective Date.

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

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

Secova will act as operator and in circumstances where Secova earns the 90% interest in the Duvay Gold Project, the Company would revert to a 10% carried interest through to commercial production. In addition, Secova would grant to 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, such payment to be equal to $30 for each gold ounce equivalent categorized as "measured", $25 for each gold ounce equivalent categorized as "indicated", and $15 for each gold ounce equivalent categorized as "inferred" to be paid from the proceeds of commercial production. 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. The agreement is subject to TSX Venture Exchange approval.

*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 to 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
- November 30, 2017 - $50,000 cash payments
- 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 a property option agreement with 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 $200,000 on or before April 16, 2013 (not paid) to complete the acquisition.

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

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

The Company was advised that Merrex elected to treat the option as terminated for non-payment and thus during the year ended February 28, 2015, the Company recorded a $300,000 write-off in connection with this option agreement with Merrex.

During the year ended February 29, 2016, the Company and Merrex agreed to reinstate the option and the Company completed the acquisition from Merrex of Merrex's 25% interest in 16 Fontana claims, and as consideration paid Merrex $125,000 (included in the total consideration was $25,000 reinstatement fee).

### 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.

## 8. 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 7b). It is a demand loan and shall be repaid within 90 days of demand for repayment being made by WMJ. Subsequent to the year ended February 29, 2016, the Company made a repayment of $20,000.

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 7b). 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. No additional interest or service charges were incurred as a result of the extension.

**(Expressed in Canadian Dollars)**

## 9. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of $453,257 (February 28, 2015 - $314,382) consists of amounts due to a private company controlled by a director and to a law firm in which a director of the Company is a partner.

During the year ended February 29, 2016, the Company entered into the following transactions with related parties:

(a) Incurred $70,620 (2015 - $78,840) to a company controlled by a director for geological services which have been capitalized to deferred exploration costs and incurred $54,000 (2015 - $54,000) to this company for management services. At February 29, 2016, there was $395,910 (February 28, 2015 - $289,925) owing to this company.

(b) Incurred $34,153 (2015 - $20,835) in professional fees to a law firm in which a director is a partner. At February 29, 2016, there was $57,347 (February 28, 2015 - $24,457) owing to this law firm.

(c) Incurred $10,200 (2015 - $10,200) as automobile allowance (included in travel and promotion) to a private company controlled by a director.

(d) As at February 29, 2016, the Company owed $194,375 (2015 - $50,000) to a company controlled by a director (Note 8).

## 10. 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 Class A preferred shares without par value.

During the year ended February 29, 2016, the Company closed a private placement consisting of 3,300,000 units at $0.025 per unit for proceeds of $82,500. Each unit is comprised of one common share and one warrant exercisable for two years, at a price of $0.05 until December 31, 2016 and $0.10 until December 31, 2017. The Company paid $3,510 of cash share issuance costs in relation to the private placement.

### Warrants

Warrant transactions are summarized as follows:

| | Outstanding Warrants | Weighted average exercise price |
|---|---|---|
| Balance, February 28, 2015 and 2014 | - | $ - |
| Granted | 3,300,000 | 0.05* |
| Balance, February 29, 2016 | 3,300,000 | 0.05 |

*Exercise price is $0.05 until December 31, 2016 and $0.10 until December 31, 2017.

### 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.

**(Expressed in Canadian Dollars)**

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

**Stock options** (Cont'd)

| | Number of options | Weighted average exercise price |
|---|---|---|
| Balance, February 28, 2014 | 3,575,000 | $ 0.15 |
| Expired | (3,175,000) | 0.15 |
| Balance, February 28, 2015 | 400,000 | $ 0.12 |
| Expired | (400,000) | 0.12 |
| Balance and exercisable, February 29, 2016 | - | $ - |

**Shareholders Rights Plan Agreement**

The Company has adopted a shareholder rights plan (the "Rights Plan") to ensure the fair treatment of all Company shareholders in connection with any take-over bid for the outstanding common shares of the Company. The Rights Plan will provide the Company's shareholders and Board of Directors with adequate time to properly evaluate and assess an unsolicited take-over bid. Under such circumstances, the Rights Plan will provide the Board of Directors with sufficient time to explore and develop alternative transactions to maximize shareholder value.

The Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "Permitted Bid" or with the concurrence of the Board of Directors. A Permitted Bid is a bid made by way of take-over bid circular to all holders of the Company's common shares which is open for acceptance for not less than 60 days. If at the end of 60 days, at least 50% of the outstanding shares have been tendered, other than those owned by the offeror and certain related parties, the offeror may take up and pay for the shares but must extend the bid for a further 10 days to allow other shareholders to tender. If a take-over bid fails to meet these minimum standards of the Rights Plan and is not waived by the Board of Directors, each Right would, upon exercise, entitle a Rights holder, other than the acquirer and certain related parties of the acquirer, to purchase additional common shares at a significant discount to market, thus exposing the acquirer to a substantial dilution of its holding.

The Rights Plan will continue in effect until the third annual meeting of the shareholders thereafter.

The Rights Plan attaches one right to each existing Common Share and to all future shares issued while the Rights Plan is in effect. The Rights will be evidenced by certificates for common shares and will not be transferable separately from the common shares.

## 11. 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 year. 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.

## 12. 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.

### Currency risk

The Company operates mainly in Canada and holds a subsidiary in Ghana. 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. Loan payable does not bear interest and is therefore not subject to interest rate risk.

## 12. 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.

## 13. SEGMENTED INFORMATION

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

## 14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions of the Company for the year ended February 29, 2016 were as follows:

(a) Included in exploration and evaluation asset costs is $1,166 which relates to accounts payable and accrued liabilities.

(b) Included in exploration and evaluation costs is $240,277 which relates to accounts payable to related parties.

(c) Received a loan of $125,000 from a company controlled by a director of which $100,000 was paid on behalf of the Company directly to Merrex to complete the acquisition of the Merrex Gold Interest (Note 7b).

(d) Included in exploration and evaluation costs is $8,124 which relates to cost recoveries receivable.

Significant non-cash transactions of the Company for the year ended February 28, 2015 were as follows:

(a) Included in exploration and evaluation asset costs is $4,477 which relates to accounts payable and accrued liabilities.

(b) Included in exploration and evaluation costs is $169,657 which relates to accounts payable to related parties.

(c) 100,000 common shares held by a director of the Company with a value of $15,000 were returned to treasury.

**(Expressed in Canadian Dollars)**

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

(d) Reversal of accounts payable amounting to $5,000 in relation to the exploration and evaluation costs incurred in the prior year.

(e) Received a loan of $50,000 from a company controlled by a director which was received on behalf of the Company by another company controlled by a director of the Company. The fund were advanced to Globex to complete the Globex acquisition (Note 7b)

## 15. INCOME TAXES

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

| | Year ended February 29, 2016 | Year ended February 28, 2015 |
|---|---|---|
| Loss for the year | $ (159,945) | $ (181,400) |
| Expected income tax recovery | $ (42,000) | $ (47,000) |
| Change in statutory tax rates, and other | 9,000 | (16,000) |
| Permanent difference | (3,000) | 2,000 |
| Expiry of non-capital loss | 96,000 | - |
| Adjustment to prior years provision versus statutory tax returns | (14,000) | 85,000 |
| Change in unrecognized deductible temporary differences | (46,000) | (24,000) |
| **Total income tax expense (recovery)** | **$ -** | **$ -** |

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

| | **2016** | **2015** |
|---|---|---|
| Deferred tax assets | | |
| Exploration and evaluation assets | $ 361,000 | $ 348,000 |
| Share issue costs | 1,000 | - |
| Marketable securities | 26,000 | 25,000 |
| Allowable capital losses | 4,000 | - |
| Non-capital losses available for future periods | 1,077,000 | 1,142,000 |
| Net unrecognized deferred tax asset | $ 1,469,000 | $ 1,515,000 |

No net deferred tax asset has been recognized in respect of the above for the years ended February 29, 2016 and February 28, 2015 because the amount of future taxable profit that will be available to realize such assets is not probable.

**(Expressed in Canadian Dollars)**

**15. INCOME TAXES** (Cont'd)

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

| | **2016** | **Expiry Date Range** | **2015** | **Expiry Date Range** |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Exploration and evaluation assets | $1,239,000 | No expiry date | $1,201,000 | No expiry date |
| Investment tax credit | 53,000 | 2023 - 2036 | 49,000 | 2023 - 2035 |
| Share issue costs | 3,000 | 2017 - 2020 | - | - |
| Marketable securities | 198,000 | No expiry date | 189,000 | No expiry date |
| Allowable capital losses | 14,000 | No expiry date | - | No expiry date |
| Non-capital losses available for future period | 4,141,000 | 2017 - 2036 | 4,392,000 | 2016 - 2035 |

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

**16. SUBSEQUENT EVENT**

Subsequent to the year ended February 29, 2016, 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. 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 $2,400 were paid in relation to the private placement.