VICTORY RESOURCES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

Crowe MacKay LLP
Member Crowe Horwath International
1100 - 1177 West Hastings Street
Vancouver, BC V6E 4T5
+1.604.687.4511 Tel
+1.604.687.5805 Fax
+1.800.351.0426 Toll Free
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of
Victory Resources Corporation

We have audited the accompanying consolidated financial statements of Victory Resources Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016, and the consolidated statements of comprehensive income (loss), changes in shareholders' 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.

Auditor's 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 audits 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 auditor's 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, the consolidated financial statements present fairly, in all material respects, the financial position of Victory Resources Corporation and its subsidiaries as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt about the ability of Victory Resources Corporation to continue as a going concern.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
June 23, 2017

VICTORY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	February 28, 2017	February 29, 2016
ASSETS		
Current assets		
Cash	$ 4,575	$ 3,913
Receivables	880	1,681
Prepaid expenses and deposits	961	961
Total current assets	6,416	6,555
Non-current assets		
Reclamation deposit	3,050	3,050
Equipment (Note 4)	-	8,947
Exploration and evaluation assets (Note 5)	1,844,657	1,649,971
Total non-current assets	1,847,707	1,661,968
Total assets	$ 1,854,123	$ 1,668,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	$ 637,062	$ 704,513
Due to related parties (Note 7)	291,402	530,866
Total liabilities	928,464	1,235,379
Shareholders' equity		
Capital stock (Note 8)	26,216,182	26,040,871
Subscription received in advance (Note 13)	70,000	-
Reserves (Note 8)	633,391	617,315
Deficit	(25,993,914)	(26,225,042)
Total shareholders' equity	925,659	433,144
Total liabilities and shareholders' equity	$ 1,854,123	$ 1,668,523

Nature of operations and going concern (Note 1)
Segmented information (Note 9)
Subsequent event (Note 13)

Approved and authorized on behalf of the Board of Directors on June 23, 2017.

"Glen Harder"	Director	*"Roger Frost"*	Director
Glen Harder		Roger Frost	

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

VICTORY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	For the Year Ended February 28, 2017	For the Year Ended February 28, 2016
EXPENSES (RECOVERIES)		
Consulting	$ -	$ 95,538
Depreciation (Note 4)	2,013	9,052
Gain on settlement of accounts payable (Note 7, 8)	(83,491)	(60,368)
Gain on forgiveness of debt (Note 7)	(405,107)	-
Gain on wind-up of subsidiary	(27,751)	-
Investor relations	-	1,748
Loss on foreign exchange	-	28,294
Management and directors fees (Note 7)	88,500	90,000
Office and administration (Note 7)	33,536	29,885
Professional fees (Note 7)	62,297	94,100
Share-based compensation (Note 7, 8)	-	177,050
Transfer agent and filing fees	19,909	16,498
Travel	31,813	46,268
Wages and salaries (Note 7)	58,769	59,665
Write off of equipment (Note 4)	6,934	10,224
Income (loss) for the year	212,578	(597,954)
Other comprehensive income (loss)		
Foreign exchange adjustments on translating foreign subsidiaries	119,873	94,678
Reclassification on wind-up of subsidiary	(85,247)	-
	34,626	94,678
Comprehensive income (loss) for the year	$ 247,204	$ (503,276)
Basic and diluted earnings (loss) per common share	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	99,941,982	94,947,228

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

VICTORY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year Ended February 28, 2017	For the year Ended February 29, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ 212,578	$ (597,954)
Items not affecting cash:		
Depreciation	2,013	9,052
Gain on settlement of accounts payable	(83,491)	(60,368)
Gain on forgiveness of debt	(405,107)	-
Gain on wind-up of subsidiary	(27,751)	-
Loss on foreign exchange	-	28,294
Share-based compensation	-	177,050
Write off of equipment	6,934	10,224
Non-cash working capital item changes:		
Receivables	801	8,688
Prepaid expenses and deposits	-	3,607
Accounts payable and accrued liabilities	(24,900)	113,037
Net cash used in operating activities	(318,923)	(308,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(158,024)	(59,850)
Mining expenditure tax credit	-	18,617
Net cash used in investing activities	(158,024)	(41,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share capital	60,000	225,700
Share issuance costs	(1,577)	(2,335)
Share subscription received in advance	70,000	-
Amounts received from related parties	349,186	113,366
Net cash provided by financing activities	477,609	336,731
Change in cash for the year	662	(12,872)
Cash, beginning of the year	3,913	16,785
Cash, end of the year	$ 4,575	$ 3,913
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 11)

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

VICTORY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock			Reserves				
	Number	**Amount**	**Subscription received in advance**	**Share-based compensation**	**Foreign currency translation**	**Total Reserves**	**Deficit**	**Total equity**
Balance as at February 28, 2015	92,028,498	$ 25,709,880	$ -	$ 281,346	$ 327,037	$ 608,383	$ (25,889,884)	$ 428,379
Private placement	3,848,335	225,700	-	-	-	-	-	225,700
Share issuance costs	-	(2,335)	-	-	-	-	-	(2,335)
Shares for debt	2,152,520	107,626	-	-	-	-	-	107,626
Share-based compensation	-	-	-	177,050	-	177,050	-	177,050
Options expired	-	-	-	(262,796)	-	(262,796)	262,796	-
Foreign currency translation differences	-	-	-	-	94,678	94,678	-	94,678
Loss for year	-	-	-	-	-	-	(597,954)	(597,954)
Balance as February 29, 2016	98,029,353	26,040,871	-	195,600	421,715	617,315	(26,225,042)	433,144
Private placement	1,200,000	60,000	-	-	-	-	-	60,000
Share issuance costs	-	(1,577)	-	-	-	-	-	(1,577)
Shares for debt	3,339,651	116,888	-	-	-	-	-	116,888
Subscription received in advance	-	-	70,000	-	-	-	-	70,000
Options expired	-	-	-	(18,550)	-	(18,550)	18,550	-
Foreign currency translation differences	-	-	-	-	119,873	119,873	-	119,873
Reclassification on wind-up of subsidiary	-	-	-	-	(85,247)	(85,247)	-	(85,247)
Income for year	-	-	-	-	-	-	212,578	212,578
Balance as at February 28, 2017	102,569,004	$ 26,216,182	$ 70,000	$ 177,050	$ 456,341	$ 633,391	$ (25,993,914)	$ 925,659

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Victory Resources Corporation, ("Victory" or the "Company") is a publicly traded junior mineral exploration company. The Company is principally engaged in the acquisition, exploration and evaluation of mineral properties, and has no significant revenues. The common shares of the Company trade on the TSX Venture Exchange ("TSX-V") under the symbol "VR".

The Company was incorporated in British Columbia on February 8, 1984. The Company's head office address is: 13236 Cliffstone Court, Lake Country, BC V4V 2R1. The Company's registered and records office address is: 1400 – 1125 Howe Street, Vancouver BC V6Z 2K8.

In fiscal 2011 the Company incorporated two wholly-owned subsidiaries, Victory Resources Corporation U.S.A., incorporated under the laws of Arizona, U.S.A. in August 2010 and VicRes Mining Mexico S.A. de C.V., incorporated under the laws of Sonora, Mexico in April 2010. In fiscal 2017, Victory Resources Corporation U.S.A. was dissolved.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at February 28, 2017 the Company has a deficit of $25,993,914 (February 29, 2016 - $26,225,042). The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof. These uncertainties raise substantial doubt upon the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, loans proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. BASIS OF PREPARATION

Statement of compliance

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").

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

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

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements include the financial statements of Victory Resources Corporation and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest for 2017	Proportion of Ownership Interest for 2016	Principal Activity
Victory Resources U.S.A.	Arizona, U.S.A.	-	100%	Mineral exploration
VicRes Mining Mexico S.A. de C.V.	Sonora, Mexico	100%	100%	Mineral exploration

During the year ended February 28, 2017, the Company dissolved its wholly-owned subsidiary, Victory Resources U.S.A.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. The functional currency for Victory Resources Corporation, U.S.A. is the US dollar and the functional currency for VicRes Mining Mexico S.A. de C.V. is the Mexican Peso.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

The assessment of the potential impairment of the carrying value and recoverability of exploration and evaluation assets which are included in the consolidated statements of financial position are based on management's best estimate.

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

Use of estimates and judgments (cont'd…)

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recognized any deferred tax assets.

Determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company is Canadian dollars, and the functional currency of its Mexican subsidiary is the Mexican Peso based on the primary economic environment in which each entity operates.

Going concern

The assessment of the Company's ability to continue as a going concern is a significant judgment. See Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term interest bearing variable rate investments, which are readily convertible into a known amount of cash.

Foreign currency translation

The presentation currency of the Company is the Canadian dollar.

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

Foreign currency translation (cont'd...)

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the Statement of Comprehensive Income (Loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the Statement of Comprehensive Income (Loss) to the extent that gains and losses are arising on those non-monetary items are also recognized in other comprehensive income (loss).

Subsidiary

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at year-end rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's exchange difference on translating foreign operations on the Statement of Comprehensive Income (Loss) and are reported as a separate component of shareholders' equity titled "Foreign currency translation". These differences are recognized in the profit or loss in the period in which the operation is disposed of.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the assets.

Loans and receivables ("LAR") - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments ("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 less any provision for impairment.

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

Financial instruments (cont'd...)

Financial assets (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 in other comprehensive income (loss). 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 accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial liabilities are expensed as incurred.

Other financial liabilities ("OFL"): This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Computer	30%
Furniture and fixtures and office equipment	20%
Vehicles	30%

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, is regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property, plant and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

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

Exploration and evaluation assets

Pre-exploration costs

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

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss in the Statement of Comprehensive Income (Loss).

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Reclamation deposits

Cash and cash equivalents which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

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

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss in the Statement of Comprehensive Income (Loss) for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the Statement of Comprehensive Income (Loss).

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss in the Statement of Comprehensive Income (Loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss in the Statement of Comprehensive Income (Loss) over the remaining vesting period.

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

Share-based payments (cont'd...)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in profit or loss the Statement of Comprehensive Income (Loss), unless they are related to the issuance of shares. Amount related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in reserves for unexercised share options are transferred to deficit upon their expiry or cancellation.

Income taxes

Income tax on the profit or loss for the periods presented 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, in which case it is recognized in equity. Current tax expense is the expected tax payable on the 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 recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably 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 consolidated 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A 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 prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned the residual value after the main component of the equity financing (common shares) is valued. Warrants that are issued as payment for agency fees or other transaction costs are accounted for as share-based payments.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares were issued or received.

Newly adopted accounting policies

Effective March 1, 2016, the Company adopted the following accounting policies. There were no significant impacts to the financial statements upon adoption.

The amendments to IAS 1 clarify existing IAS 1 requirements resulting from the disclosure initiative. It is designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements.

The amendments to IFRS 7 Financial Instruments clarify the applicability of the amendments to IFRS 7 Disclosure– Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements.

Future accounting pronouncements

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 financial statements.

The amendments to IAS 7 Statement of Cash Flows require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017.

The amendments to IAS 12 Income Taxes, Recognition of Deferred Tax Assets for Unrealised Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments are effective for reporting periods beginning on or after January 1, 2017.

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

Future accounting pronouncements (cont'd...)

The amendments to IFRS 2 Share-based Payment added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. These amendments are effective for reporting periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. This standard has an effective date of January 1, 2018.

The amendments to IFRS 12 Disclosure of Interests in Other Entities clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10 - B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are effective for reporting periods beginning on or after January 1, 2017.

IFRS 16 Leases was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

IFRIC 22 Foreign Currency Transactions and Advance Consideration interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. This interpretation is effective for reporting periods beginning on or after January 1, 2018.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	Furniture and Fixtures and Office Equipment	Computer	Vehicles	Total
Cost				
Balance, February 28, 2015	$ 66,295	$ 53,165	$ 80,360	$ 199,820
Disposal	(25,430)	-	-	(25,430)
Foreign exchange adjustment	1,104	-	-	1,104
Balance, February 29, 2016	41,969	53,165	80,360	175,494
Disposal	-	-	(80,360)	(80,360)
Balance, February 28, 2017	$ 41,969	$ 53,165	$ -	$ 95,134
Accumulated depreciation				
Balance, February 28, 2015	$ 54,580	$ 49,881	$ 67,579	$ 172,040
Depreciation for the year	1,934	3,284	3,834	9,052
Disposals	(15,206)	-	-	(15,206)
Foreign exchange adjustment	661	-	-	661
Balance, February 29, 2016	41,969	53,165	71,413	166,547
Depreciation for the year	-	-	2,013	2,013
Disposal	-	-	(73,426)	(73,426)
Balance, February 28, 2017	$ 41,969	$ 53,165	$ -	$ 95,134
Carrying amounts				
As at February 29, 2016	$ -	$ -	$ 8,947	$ 8,947
As at February 28, 2017	$ -	$ -	$ -	$ -

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Toni Property	Reforma Project	Rich Lake Claim	Total
Balance, February 29, 2016	$ 1,649,970	$ 1	$ -	$ 1,649,971
Additions:				
Property costs	3,296	-	13,900	17,196
Fieldwork, equipment rental and other	-	-	7,723	7,723
Analysis and report preparation	151,767	-	18,000	169,767
Balance, February 28, 2017	$ 1,805,033	$ 1	$ 39,623	$ 1,844,657

	Toni Property	Reforma Project	Total
Balance, February 28, 2015	$ 1,583,035	$ 1	$ 1,583,036
Additions:			
Property costs	17,476	-	17,476
Fieldwork, equipment rental and other	3,229	-	3,229
Analysis and report preparation	63,895	-	63,895
Drilling	952	-	952
Recovery	(18,617)	-	(18,617)
Balance, February 29, 2016	$ 1,649,970	$ 1	$ 1,649,971

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 mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties are properly registered and in good standing.

Toni Property, Nicola Division, British Columbia

The Company has a 100% interest in the Toni Property free and clear of all charges, encumbrances and claims. As consideration the Company paid $30,000, issued 300,000 common shares and incurred at least $250,000 in cumulative exploration expenditures during the years ended February 28, 2006 and 2007. The agreement is subject to a 2% net smelter return royalty.

Reforma Project

During the year ended February 28, 2014, the Company determined the Reforma Project to be impaired and wrote down the carrying value of the Reforma Project to $1. The Company has earned a 70% interest in the Reforma property.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Rich Lake Lithium Property

During the year ended February 29, 2016, the Company acquired claims in the area designated as the Rich Lake Lithium Property.

During the year ended February 28, 2017, the Company entered a joint venture with Urban Mining Ventures Inc. in which Urban Mining Ventures Inc. will earn 25% of the mineral rights on the Rich Lake Lithium Property.

In order to maintain the option Urban Mining Ventures Inc. shall pay cash and make the following share issuance:

a) $100,000 USD no later than 15 calendar days after the execution date.
b) 85,000,000 shares of its capital stock no later than 21 calendar days after the execution date.

During the year ended February 28, 2017, Urban Mining Ventures Inc. abandoned the joint agreement.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	February 28, 2017	February 29, 2016
Trade payables	$ 617,562	$ 685,013
Accrued liabilities	19,500	19,500
Total	$ 637,062	$ 704,513

All accounts payable and accrued liabilities for the Company fall due within the next 12 months.

7. RELATED PARTY TRANSACTIONS

Management compensation

Key management personnel compensation during the year ended February 28, 2017 and February 29, 2016 are as follows:

	February 28, 2017	February 29, 2016
Salaries and directors fees	$ 87,269	$ 89,665
Management fees	60,000	60,000
Exploration expenses (i)	148,000	63,161
Accounting fees, charged to professional fees	19,100	30,155
Rent expense, charged to office and administration	6,000	6,000
Share-based payments (ii)	-	54,477
	$ 320,369	$ 303,458

(i) Capitalized in exploration and evaluation assets.
(ii) Share-based payments are the fair value of options granted to key management personnel.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd...)

The amounts due to the related parties are as follows:

		February 28, 2017		February 29, 2016
Due to directors and officers	$	288,797	$	416,185
Due to KIM-KC Management Corp (i)		-		120,000
Due to (from) Sierra Iron Ore (ii)		2,437		(2,809)
Due to (from) other related parties		168		(2,510)
	$	291,402	$	530,866

(i) Company controlled by a common director
(ii) Company with common directors

The amounts owing are unsecured, non-interest bearing and have no fixed term for repayment.

During the year ended February 28, 2017, the Company:

a) recognized a gain of $405,107 from forgiveness of debt with a director and related parties of the Company.

b) issued 3,339,651 (2016 – 952,520) common shares to directors of the Company, companies owned by the Company's directors, and other related parties to settle debts aggregating $200,379 (2016 $47,626) which resulted in a gain of $83,491 (2016 - $nil).

8. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at February 28, 2017, the Company has unlimited authorized share capital without par value.

b) Issued share capital:

During the year ended February 28, 2017, the Company:

i) completed a non-brokered private placement of 1,200,000 units for gross proceeds of $60,000. Each unit consists of one common shares issued at $0.05 per share, and one warrant. Each warrant may be exercised by holder to purchase one common share at a price of $0.10 for 24 months from closing. The Company paid $1,577 cash for share issuance costs.

ii) issued 3,339,651 common shares to creditors at a fair value of $116,888 to settle debts aggregating $200,379 which resulted in a gain of $83,491.

During the year ended February 29, 2016, the Company:

i) completed a non-brokered private placement of 1,061,000 units proceeds of $63,660. Each unit consists of one common share issued at $0.06 per share, and one share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase one common share at a price of $0.15 for 24 months from closing. The Company paid $905 cash for share issuance costs.

ii) completed a non-brokered private placement of 2,267,335 units proceeds of $136,040. Each unit consists of one common share issued at $0.06 per share, and one share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase one common share at a price of $0.15 for 24 months from closing. The Company paid $1,430 cash for share issuance costs.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

b) Issued share capital: (cont'd...)

iii) issued 2,152,520 shares to creditors, at a fair value of $0.05 per share, to settle debts aggregating $107,626 which resulted in a gain of $60,368.

iv) completed a non-brokered private placement of 520,000 units proceeds of $26,000. Each unit consists of one common share issued at $0.05 per share, and one share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase one common share at a price of $0.10 for 24 months from closing.

c) Stock options:

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's stock, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

During the year ended February 28, 2017, the Company granted Nil stock options to officers, directors and consultants of the Company.

During the year ended February 29, 2016, the Company granted 3,250,000 stock options to officers, directors and consultants of the Company. The options are exercisable at a price of $0.10 per common share for a period of five years. The estimated fair market value of these options is $177,050 or $0.05 per option.

The weighted average fair value of each stock option granted during the year ended February 28, 2017 was $Nil (2016 - $0.05), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumption.

	Year ended February 28, 2017	Year ended February 29, 2016
Expected annualized volatility	Nil	94.56%
Risk-free interest rate	Nil	0.55%
Dividend yield	Nil	Nil
Expected life	Nil	5.00 years
Share price on grant date	Nil	$0.08

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

c) Stock options (cont'd):

A summary of stock options is presented as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, February 28, 2015	979,187	$	0.36
Granted	3,250,000		0.10
Expired	(927,627)		0.36
Outstanding and exercisable, February 29, 2016	3,301,560		0.11
Expired	(51,560)		0.45
Outstanding and exercisable, February 28, 2017	3,250,000	$	0.10

At February 28, 2017, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options		Exercise Price	Weighted Average Expected Life
August 6, 2020	3,250,000	$	0.10	3.44

d) Warrants:

A summary of warrants is presented as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, February 28, 2015	3,735,001	$	0.15
Issued	3,848,335		0.14
Outstanding, February 29, 2016	7,583,336		0.15
Issued	1,200,000		0.10
Expired	(3,735,001)		0.15
Outstanding, February 28, 2017	5,048,335	$	0.13

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND RESERVES (cont'd...)

d) Warrants (cont'd):

At February 28, 2017, the following warrants were outstanding and exercisable:

	Number of Warrants Outstanding		Exercise Price
May 4, 2017*	1,061,000	$	0.15
August 10, 2017	2,267,335		0.15
February 15, 2018	520,000		0.10
August 30, 2018	1,200,000		0.10
	5,048,335		

*expired subsequently

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of mineral properties. Geographical information is as follows:

		February 28, 2017		February 29, 2016
Equipment				
Canada	$	-	$	8,947
Exploration and evaluation assets				
Canada	$	1,844,656	$	1,649,970
Mexico		1		1
	$	1,844,657	$	1,649,971

		February 28, 2017		February 29, 2016
Net income (loss) for the year				
Canada	$	(713,774)	$	(584,968)
United States		923,323		(12,986)
Mexico		3,029		-
	$	212,578	$	(597,954)

(Expressed in Canadian Dollars)

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

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 and liabilities;

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

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

The Company's financial instruments are classified as follows:

Financial instruments	Classifications
Cash	FVTPL
Accounts payable and accrued liabilities	OFL
Due to related parties	OFL
Reclamation deposit	LAR

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature except as otherwise noted. The fair value of the Company's cash constitutes a Level 1 fair value measurement. The Company does not currently hold any financial instruments that would be included in the classification of AFS.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at February 28, 2017, the Company's receivables consisted of $880 in GST receivable from government authorities in Canada. Substantially all cash balances are held at chartered banks in Canada. The Company's maximum exposure to credit risk is the balance of cash on the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at February 28, 2017, the Company had a cash balance of $4,575 (February 29, 2016 - $3,913) and receivables of $880 (February 29, 2016 - $1,681) to settle current liabilities of $928,464 (February 29, 2016 - $1,235,379). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As of February 28, 2017, the Company did not hold any investments and has no significant interest rate risk.

b) Foreign currency risk

The Company is exposed to changes in foreign exchange rates as expenses in the international subsidiaries, or financial instruments may fluctuate due to changes in rates. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

At February 28, 2017, the Company had $Nil USD and 25,357 Mexican Pesos in cash, and $37,841 USD and 7,803,636 Mexican Pesos in accounts payable.

A 10% fluctuation in the USD/CAD exchange would result in an immaterial affect to these consolidated financial statements.

A 10% fluctuation in the MXP/CAD exchange would result in an immaterial affect to these consolidated financial statements.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended February 28, 2017.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

(Expressed in Canadian Dollars)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions has been excluded from the consolidated statement of cash flows for the year ended February 28, 2017:

a) Included in accounts payable and due to related parties is $665,714 of exploration and evaluation asset costs.

b) Issued of 3,339,651 common shares at a fair value of $116,888, to settle debts aggregating $200,379.

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions has been excluded from the consolidated statement of cash flows for the year ended February 29, 2016:

a) Included in accounts payable and due to related parties is $756,629 of exploration and evaluation asset costs.

b) Issued of 2,152,520 common shares, at a fair value of $0.05 per share, to settle debts aggregating $107,626.

12. INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	February 28, 2017	February 29, 2016
Income (loss) before taxes for the year	$ 212,578	$ (597,954)
Expected income tax expense (recovery)	$ 55,270	$ (155,468)
Non-deductible items	117,670	54,441
Difference in tax rates in other jurisdictions	-	(1,039)
Change in tax benefits not recognized	(172,940)	102,066
Deferred income tax recovery	$ -	$ -

(Expressed in Canadian Dollars)

12. **INCOME TAXES** (cont'd…)

The significant components of the Company's deferred income tax assets not set up are as follows:

	February 28, 2017	February 29, 2016
Non-capital losses	$ 2,694,000	$ 2,582,000
Capital losses	486,000	369,000
Plant and equipment	15,000	39,000
Mineral properties	1,739,000	1,918,000
Eligible capital expenditures	35,000	35,000
Investment tax credits	33,000	33,000
Share issuance costs	1,000	7,000
	5,003,000	4,983,000
Unrecognized deferred tax assets	(5,003,000)	(4,983,000)
Net deferred tax assets	$ -	$ -

The Company has non-capital losses of approximately $9,365,000 (2016 – $8,884,000) which may be available to offset future income for Canadian income tax purposes. Non-capital losses expire as follows:

2028	$ 90,000
2029	183,000
2030	378,000
3031	854,000
2032	1,273,000
2033	1,927,000
2034	1,291,000
2035	1,313,000
2036	1,090,000
2037	966,000
	$ 9,365,000

In addition, the Company has approximately $7,849,000 of unclaimed resource expenses and capital loss of approximately $3,738,000 for Canadian tax purposes which may be carried forward indefinitely.

13. **SUBSEQUENT EVENT**

Subsequent to February 28, 2017, the Company completed a non-brokered private placement of 1,200,000 units for gross proceeds of $60,000 (received). Each unit consists of one common shares issued at $0.05 per share and one warrant. Each warrant may be exercised by holder to purchase one common share at a price of $0.10 expiring on March 19, 2019.