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**STONE RIDGE EXPLORATION CORP.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of  
Stone Ridge Exploration Corp.

We have audited the accompanying financial statements of Stone Ridge Exploration Corp. which comprise the statements of financial position as at February 29, 2016 and February 28, 2015, and the statements of comprehensive loss, changes in equity and cash flows for the years ended February 29, 2016 and February 28, 2015 and the related notes comprising 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 financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Stone Ridge Exploration Corp. as at February 29, 2016 and February 28, 2015, and its financial performance and cash flows for the years ended February 29, 2016 and February 28, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Stone Ridge Exploration Corp. to continue as a going concern.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
June 16, 2016

**STONE RIDGE EXPLORATION CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	Note	February 29, 2016	February 28, 2015
		\$	\$
<b>ASSETS</b>			
CURRENT			
Cash		8,486	580
Amounts receivable		9,494	7,808
		17,980	8,388
DEFERRED COSTS			
EXPLORATION AND EVALUATION ASSET	6	10,000 121,367	125,618
		149,347	134,006
<b>LIABILITIES</b>			
CURRENT			
Accounts payable and accrued liabilities	8	244,850	56,604
Advances from related parties	8	23,500	1,500
		268,350	58,104
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
SHARE CAPITAL	7	261,900	279,900
CONTRIBUTED SURPLUS		183,037	118,500
DEFICIT		(563,940)	(322,498)
		(119,003)	75,902
		149,347	134,006

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)  
COMMITMENTS (Notes 6 and 12)  
SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board on June 16, 2016

/s/ "Robert Coltura" Director      /s/ "Jerry A. Minni" Director

The accompanying notes are an integral part of these financial statements

**STONE RIDGE EXPLORATION CORP.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars)

	Note	Year ended February 29, 2016	Year ended February 28, 2015
		\$	\$
<b>EXPENSES</b>			
Advertising		5,059	415
Management fees	8	46,000	40,500
Office and miscellaneous		3,961	316
Professional fees	8	93,977	10,752
Rent	8	20,052	9,000
Share-based payments	7d) and 8	64,537	-
Transfer agent and filing fees		7,856	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(241,442)</b>	<b>(60,983)</b>
<b>LOSS PER SHARE – Basic and diluted</b>		<b>(0.02)</b>	<b>(0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		<b>9,960,000</b>	<b>4,256,425</b>

The accompanying notes are an integral part of these financial statements

**STONE RIDGE EXPLORATION CORP.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars)

	<b>Common Shares</b>		<b>Contributed Surplus</b>	<b>Subscriptions Received</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>				
		\$	\$	\$	\$	\$
Balance, February 28, 2014	4,225,000	50,500	118,500	100,000	(261,515)	7,485
Shares issued for subscriptions received	5,735,000	229,400	-	(100,000)	-	129,400
Net loss for the year	-	-	-	-	(60,983)	(60,983)
Balance, February 28, 2015	9,960,000	279,900	118,500	-	(322,498)	75,902
Share issue costs	-	(18,000)	-	-	-	(18,000)
Share-based payments (Note 7d))	-	-	64,537	-	-	64,537
Net loss for the year	-	-	-	-	(241,442)	(241,442)
Balance, February 29, 2016	9,960,000	261,900	183,037	-	(563,940)	(119,003)

The accompanying notes are an integral part of these financial statements

**STONE RIDGE EXPLORATION CORP.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Year ended February 29, 2016	Year ended February 28, 2015
	\$	\$
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(241,442)	(60,983)
Item not involving cash:		
Share-based payments	64,537	-
Changes in non-cash working capital balances:		
Amounts receivable	(1,686)	(2,948)
Prepaid expenses	(10,000)	-
Accounts payable and accrued liabilities	188,246	(62,519)
Advances from related party	22,000	1,500
Cash provided by (used in) operating activities	21,655	(124,950)
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	(7,549)	(5,100)
British Columbia Mineral Exploration Tax Credit	11,800	-
Cash provided by (used in) investing activities	4,251	(5,100)
<b>FINANCING ACTIVITIES</b>		
Shares subscriptions received	-	129,400
Share issue costs	(18,000)	-
Cash provided by financing activities	(18,000)	129,400
CHANGE IN CASH	7,906	(650)
CASH, BEGINNING OF YEAR	580	1,230
CASH, END OF YEAR	8,486	580
<b>SUPPLEMENTAL CASH DISCLOSURES</b>		
Interest paid	-	-
Income taxes paid	-	-

The accompanying notes are an integral part of these financial statements

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**STONE RIDGE EXPLORATION CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**  
(Expressed in Canadian dollars)

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1. NATURE OF OPERATIONS

Stone Ridge Exploration Corp. ("the Company") was incorporated on January 26, 2012 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at February 29, 2016, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of \$563,940 as at February 29, 2016, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give affect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on June 16, 2016.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

On March 12, 2015, the Company completed a two-for-one common share split and all share amounts presented have been retroactively restated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.



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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares (continued)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At February 29, 2016, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At February 29, 2016, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and advances from related party are classified as other financial liabilities.

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**STONE RIDGE EXPLORATION CORP.**  
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I) Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At February 29, 2016, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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:

*Significant accounting estimates*

- i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;
- ii. the measurement of deferred income tax assets and liabilities; and
- iii. the inputs used in accounting for share-based payments.

*Significant accounting judgments*

- i. the determination of categories of financial assets and financial liabilities; and
- ii. the evaluation of the Company's ability to continue as a going concern.

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**STONE RIDGE EXPLORATION CORP.**  
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4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

*IAS 1 – Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

*IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after March 1, 2018:

*IFRS 9 – Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

*IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which 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 Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

**STONE RIDGE EXPLORATION CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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6. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance, February 28, 2014	12,648	107,870	120,518
Other exploration costs	-	5,100	5,100
Balance, February 28, 2015	12,648	112,970	125,618
Other exploration costs	-	7,500	7,500
BCMETC credit	-	(11,800)	(11,800)
Balance, February 29, 2016	12,648	108,720	121,367

**Hanson Mineral Property**

Pursuant to an option agreement (the "Original Agreement") dated January 26, 2012, with KGE Management Ltd. ("KGE") and John Chapman, collectively, the "Optionors", the Company was granted an option to acquire a 100% undivided interest in the Hanson Mineral Property (the "Property") in the Omineca Mining Division of British Columbia. The terms of the Original Agreement were amended on February 25, 2012, August 1, 2013, September 19, 2014, February 23, 2015, July 23, 2015, November 13, 2015 and January 14, 2016 (collectively, the "Option Agreement").

In accordance with the Option Agreement, the Company has the option to acquire a 100% undivided interest in the Property by issuing a total of 630,000 common shares of the Company to the Optionors, making cash payments totaling \$161,220, and incurring a total of \$2,600,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	\$	\$
Upon execution of the Original Agreement (paid)	-	10,000	-
Upon listing of the Company's common shares on a Canadian Stock Exchange (the "Listing") <sup>(1)</sup>	125,000	26,220	100,000
On or before the first anniversary of the Listing	-	15,000	35,000
On or before the second anniversary of the Listing	90,000	15,000	-
On or before the third anniversary of the Listing	100,000	40,000	1,165,000
On or before the fourth anniversary of the Listing	315,000	55,000	1,300,000
<b>Total</b>	<b>630,000</b>	<b>161,220</b>	<b>2,600,000</b>

<sup>(1)</sup> The Listing date was April 15, 2016 (see note 13)

The Property is comprised of two mineral claims and a 2.5 kilometre area of influence measured from the outside perimeter of the claims but not including claims already held by third parties.

The Company will also be required to issue an additional 600,000 common shares to the Optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

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6. EXPLORATION AND EVALUATION ASSET (continued)

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The Company has the right to purchase 1.5% of the royalty for \$3 million at any time prior to the commencement of commercial production. Beginning on December 31, 2019 and annually thereafter, the Company will make an annual advance minimum royalty payment of \$25,000.

During the year ended February 29, 2016, the Company received \$11,800 in British Columbia Mining Exploration Tax Credits ("BCMETS").

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

The Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date and 15% on every six month from date of listing. At February 29, 2016, there are no shares held in escrow.

c) Issued and Outstanding as at February 29, 2016: 9,960,000 common shares.

For the year ended February 29, 2016, the Company did not issue any common shares. The Company incurred \$18,000 in legal fees during the year relating to the shares issued subsequent to year end (Note 13a).

For the year ended February 28, 2015, the Company had the following share capital transactions:

- (i) During the year ended February 28, 2015, the Company issued 5,735,000 common shares of the Company at a price of \$0.04 per share for gross proceeds of \$229,400, of which \$100,000 had been collected in the previous year.

d) Stock Options:

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the shareholders which complies with the rules and policies of the Canadian Securities Exchange. Under the Plan, the aggregate number of common shares which may be subject to option at any time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the Optionee. If the Optionee ceases to be qualified to receive options from the Company those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors. Options granted to persons providing investor relations activities to the Company must vest in stages over at least one-year period and no more than one-quarter of such options may be vested in any three month period.

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7. SHARE CAPITAL (continued)

d) Stock Options: (continued)

The following table summarizes stock option transactions during the year:

	Number of Options	Weighted Avg. Exercise Price
Outstanding, February 28, 2015 and 2014	–	\$ –
Granted	800,000	0.10
Outstanding, February 29, 2016	800,000	\$ 0.10

During the year ended February 29, 2016, the Company granted 800,000 stock options to directors and officers of the Company. The options vested immediately upon grant and their fair value of \$64,537 was charged to statement of comprehensive loss. The Company uses the Black-Scholes option pricing model to value stock options which requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

The weighted average assumptions used in calculating the fair value of the options were as follows:

	February 29, 2016
Risk-free rate	1.09%
Exercise price	\$0.10
Expected life of options in years	5
Expected volatility	115%
Expected dividend yield	0%

The weighted average grant date fair value for the options for the year ended February 29, 2016 was \$0.08.

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of a set of representative companies with similar risk profile.

The following table summarizes the stock options outstanding and exercisable:

Exercise Price	Number of Options Outstanding	Exercisable	Expiry Date
\$ 0.10	800,000	800,000	May 5, 2020

The weighted average remaining useful life of outstanding options is 4.18 years as at February 29, 2016.

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8. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	<b>February 29, 2016</b>	<b>February 28, 2015</b>
	\$	\$
Accounts payable and accrued liabilities	138,277	49,928

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

As at February 29, 2016, the Company had received an advance of \$23,500 (2015: \$1,500) from a director of the Company. The amount is non-interest bearing, unsecured and is due upon demand.

The Company had the following related party transactions:

	<b>Year ended February 29, 2016</b>	<b>Year ended February 28, 2015</b>
	\$	\$
Professional fees	21,275	3,990
Rent	20,052	9,000
Total	41,327	12,990

Professional fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. The remuneration of key management is as follows:

	<b>Year ended February 29, 2016</b>	<b>Year ended February 28, 2015</b>
	\$	\$
Management fees	46,000	36,000
Share-based payments	64,537	-
Total	110,537	36,000

Management services were provided by companies owned by two directors of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.



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9. INCOME TAXES

The Company has losses carried forward of \$359,000 available to reduce income taxes in future years which expire between 2032 and 2035.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended February 29, 2016	Year ended February 28, 2015
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	\$ 63,000	\$ 16,000
Effect of income taxes of:		
Other	(17,000)	-
Permanent differences	(12,000)	-
Change in deferred tax assets not recognized	(34,000)	(16,000)
Deferred income tax recovery	\$ -	\$ -

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	February 29, 2016	February 28, 2015
	\$	\$
Non-capital loss carry forwards	84,000	53,000
Mineral properties	(14,000)	(13,000)
Share issue costs	4,000	
Deferred tax assets not recognized	(74,000)	(40,000)
	-	-

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. 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 the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

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11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at February 29, 2016 are as follows:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	\$	\$	\$	\$
Cash	8,486	-	-	8,486

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at February 29, 2016 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

12. COMMITMENTS

- a) The Company entered into an amended agency agreement with Canaccord Genuity (the "Agent") whereby the Agent has agreed to raise on commercially reasonable efforts up to \$550,000 in the initial public offering ("IPO") by the issuance of up to 5,500,000 common shares of the Company at a price of \$0.10 per common share.

Pursuant to the terms of the agency agreement, the Company has agreed to pay to the Agent a commission of 10% of the gross proceeds of the IPO, payable in cash, and a corporate finance fee of \$45,000 payable in cash and 250,000 common shares plus the Agent's legal fees incurred pursuant to the IPO, and any other reasonable expenses of the Agent. The Company has also agreed to grant to the Agent such number of agent's warrants (the "Agent's Warrants") which will entitle the Agent to purchase up to 10% of the common shares sold under the IPO, being up to 550,000 common shares of the Company (the "Agent's Warrant Shares"), at a purchase price of \$0.10 per Agent's Warrant Share until twenty four (24) months from the Listing Date.

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12. COMMITMENTS (continued)

a) (continued)

The Company has also granted the Agent an over-allotment option for up to \$82,500 gross proceeds under the IPO on the same terms as the IPO. The Company has agreed to pay to the Agent a commission of 10% of the gross proceeds realized from the sale and issuance of additional common shares pursuant to the exercise of the over-allotment option, payable in cash. The Company has also agreed to grant to the Agent such number of agent's warrants (the "Agent's Over-Allotment Option Warrant's") which will entitle the Agent to purchase up to 10% of the number of additional common shares sold and issued under the over-allotment option. The agent's Over-Allotment Option Warrants will have the same terms and conditions as the Agent's Warrants.

The IPO closed subsequent to year end (Note 13).

- b) The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 6.

13. SUBSEQUENT EVENTS

- a) In April 2016, the Company completed its Initial Public Offering by issuing 5,500,000 common shares at a price of \$0.10 per common share for gross proceeds of \$550,000. The Agent was paid a cash commission of \$55,000, a corporate finance fee comprised of \$45,000 cash and 250,000 common shares which are subject to a hold period expiring on August 14, 2016. Additionally, the Company has granted agents' warrants to the Agent and members of its selling group entitling them to purchase up to 550,000 common shares at an exercise price of \$0.10 per common share, exercisable on or before April 13, 2018.

The Company's common shares began trading on the Canadian Securities Exchange under the symbol "SO" on Friday, April 15, 2016.

- b) In accordance with the Option Agreement as disclosed in Note 6, the Company issued 125,000 common shares and made a cash payment of \$26,220 to the Optionors.