

CARIBOO ROSE RESOURCES LTD.

Financial Statements

For the Years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

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110-325 Howe Street,
Vancouver, B.C. V6C 1Z7
Tel: (604) 681-7913
Fax: (604) 681-9855

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cariboo Rose Resources Ltd.

We have audited the accompanying financial statements of Cariboo Rose Resources Ltd. (the "Company"), which comprise the statements of financial position as at February 28, 2017 and February 29, 2016, and the statements of loss and 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

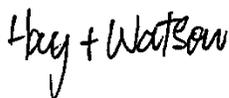
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 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 the Company 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.



Chartered Professional Accountants
Vancouver, British Columbia
June 7, 2017

Cariboo Rose Resources Ltd.
Statements of Financial Position
As at February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

| | 2017 | 2016 |
|--|---------------------|--------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 897,555 | \$ 302,956 |
| Accounts receivable | 13,710 | 39,553 |
| Receivable from related party (Note 11) | 522 | - |
| Investments (Note 4) | 968,484 | 4,242 |
| Prepaid expenses | 3,315 | - |
| | 1,883,586 | 346,751 |
| Receivable from Lorraine Copper Corp. (Note 11) | 12,000 | 12,000 |
| Project deposits | 10,500 | 10,500 |
| Exploration and evaluation assets (Note 5) | 372,600 | 467,251 |
| Equipment (Note 6) | 949 | 1,056 |
| | \$ 2,279,635 | \$ 837,558 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 26,062 | \$ 43,629 |
| Payable to related parties (Note 11) | 25,632 | 12,304 |
| Other liability (Note 8) | 41,494 | - |
| | 93,188 | 55,933 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 7) | 2,324,534 | 1,708,376 |
| Warrant reserve (Note 7) | 485,637 | 121,059 |
| Options reserve (Note 7) | 283,278 | 204,036 |
| Accumulated other comprehensive income (loss) | 370,157 | (23,371) |
| Deficit | (1,277,159) | (1,228,475) |
| | 2,186,447 | 781,625 |
| | \$ 2,279,635 | \$ 837,558 |

Nature and continuance of operations (Note 1)

APPROVED BY THE BOARD

"J.W. Morton"

Director

"D.D. Sharp"

Director

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

Cariboo Rose Resources Ltd.
Statements of Loss and Comprehensive (Income) Loss
For the Years Ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

| | 2017 | 2016 |
|--|---------------------|-------------------|
| Expenses | | |
| Amortization | \$ 993 | \$ 1,005 |
| Consulting | 11,954 | 11,042 |
| Dues and licenses | 799 | 737 |
| Interest and bank charges | 581 | 428 |
| Investor relations | 73,558 | 25,031 |
| Legal and audit | 18,159 | 20,706 |
| Office | 3,612 | 3,606 |
| Rent | 23,720 | 23,794 |
| Salaries and benefits | 16,866 | 16,637 |
| Share-based compensation (Note 7) | 46,656 | - |
| Telephone | 1,675 | 1,605 |
| Transfer and filing fees | 21,160 | 14,926 |
| Loss before the following | 219,733 | 119,517 |
| Other (income)/expense | | |
| Impairment of mineral property interests (Note 5) | 1,137 | 37,387 |
| Interest income | (1,421) | (2,766) |
| Other income (Note 8) | (48,574) | - |
| Gain on sale of claims | (121,942) | - |
| (Gain)/loss on sale on investments | (249) | 11,558 |
| NET LOSS | 48,684 | 165,696 |
| OTHER COMPREHENSIVE (INCOME) LOSS | | |
| Change in unrealized gain on investments | (393,777) | (3,061) |
| Reclassification of realized gain/(loss) on disposal on investments | 249 | (11,558) |
| COMPREHENSIVE (INCOME) LOSS | \$ (344,844) | \$ 151,077 |
| BASIC AND DILUTED LOSS PER SHARE (Note 13) | \$ 0.001 | \$ 0.005 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted | 34,973,759 | 31,089,180 |

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

Cariboo Rose Resources Ltd.
Statements of Changes in Shareholders' Equity
For the Years Ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

| | Number of Common Shares | Share Capital (Note 7) | Warrant Reserve (Note 7) | Options Reserve (Note 7) | Accumulated Other Comprehensive (Loss)/Income | Deficit | Total Equity |
|--|-------------------------------|------------------------------|--------------------------------|--------------------------------|--|----------------|-----------------|
| Balance, March 1, 2015 | 28,516,577 | \$ 1,558,376 | \$ 121,059 | \$ 204,036 | \$ (37,990) | \$ (1,062,779) | \$ 782,702 |
| Private placement, net of issue cost of \$nil | 3,000,000 | 150,000 | - | - | - | - | 150,000 |
| Change in unrealized gain on investments | - | - | - | - | 3,061 | - | 3,061 |
| Reclassification of realized loss on disposal on investments | - | - | - | - | 11,558 | - | 11,558 |
| Net loss for the year | - | - | - | - | - | (165,696) | (165,696) |
| Balance, February 29, 2016 | 31,516,577 | \$ 1,708,376 | \$ 121,059 | \$ 204,036 | \$ (23,371) | \$ (1,228,475) | \$ 781,625 |
| Private placement, net of issue cost of \$131,612 | 13,016,911 | 679,696 | 365,908 | - | - | - | 1,045,604 |
| Sale of flow through tax benefits (Note 8) | - | (90,068) | - | - | - | - | (90,068) |
| Exercise of share purchase warrants | 210,000 | 26,530 | (1,330) | - | - | - | 25,200 |
| Share-based compensation | - | - | - | 79,242 | - | - | 79,242 |
| Change in unrealized gain on investments | - | - | - | - | 393,777 | - | 393,777 |
| Reclassification of realized gain on disposal on investments | - | - | - | - | (249) | - | (249) |
| Net loss for the year | - | - | - | - | - | (48,684) | (48,684) |
| Balance, February 28, 2017 | 44,743,488 | \$ 2,324,534 | \$ 485,637 | \$ 283,278 | \$ 370,157 | \$ (1,277,159) | \$ 2,186,477 |

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

Cariboo Rose Resources Ltd.

Statements of Cash Flows

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian dollars)

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net loss | \$ (48,684) | \$ (165,696) |
| Adjustments to reconcile net loss from operating activities: | | |
| Amortization | 993 | 1,005 |
| Mineral property impairment loss | 1,137 | 37,387 |
| Other income | (48,574) | - |
| Share-based compensation | 46,656 | - |
| Gain on sale of claims | (121,942) | - |
| (Gain)/loss on sale on investment | (249) | 11,558 |
| | (170,663) | (115,746) |
| Changes in non-cash working capital components | | |
| Accounts receivable | (4,335) | 1,188 |
| Receivable from related party | (522) | - |
| Prepaid expenses | (3,315) | - |
| Accounts payable and accrued liabilities | (33,456) | 22,809 |
| Payable to related parties | 13,328 | (4,521) |
| | (198,963) | (96,270) |
| Investing activities | | |
| Purchase of equipment | (886) | (847) |
| Mineral property acquisition costs | (102) | (16,630) |
| Mineral property exploration expenditures | (280,789) | (103,041) |
| Proceeds from sale of investment | 4,535 | 3,441 |
| | (277,242) | (117,077) |
| Financing activities | | |
| Shares and warrants issued for cash, net of issue costs | 1,070,804 | 150,000 |
| | 1,070,804 | 150,000 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 594,599 | (63,347) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 302,956 | 366,303 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 897,555 | \$ 302,956 |
| CASH AND CASH EQUIVALENTS ARE COMPRISED OF: | | |
| Cash in bank | \$ 47,555 | \$ 102,956 |
| Short-term deposits | 850,000 | 200,000 |
| | \$ 897,555 | \$ 302,956 |

Supplemental cash flow information (Note 10)

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

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Cariboo Rose Resources Ltd. (the “Company”) is incorporated in the Province of British Columbia. Its principal business activities are the acquisition and exploration of gold, copper and other precious and base metal properties in Canada. The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flows.

The Company’s shares are listed for trading on the TSX-Venture Exchange (the “Exchange”) under the symbol CRB. Its registered office is located at 110-325 Howe Street, Vancouver, British Columbia V6C 1Z7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations. Such adjustments and reclassifications could be material.

2. BASIS OF PREPARATION

These financial statements were authorized for issue on June 7, 2017 by the directors of the Company.

Statement of Compliance

These financial statements for the Company’s reporting period ended February 28, 2017 have been prepared in accordance with and using accounting policies which are in full compliance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), and as set out in the CPA Canada Handbook – Accounting (the “Handbook”).

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for cash and cash equivalents and other financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value, and are presented in Canadian dollars, the Company’s reporting currency and the functional currency of all of its operations.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Estimates and Judgments

The preparation of these financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, judgments and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Accounting Estimates and Judgments (continued)

Critical accounting estimates are estimates, judgments and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of accounts receivable, determination of realizable amounts of deferred tax assets and liabilities, impairment of the carrying value of non-financial assets, estimation of provisions, measurement of the fair value of tax benefits sold and measurement of equity instruments and share-based compensation.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from equipment and the recognition of deferred tax assets and liabilities.

(b) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash, bank deposits or highly-liquid investments that are readily convertible into known amounts of cash.

(c) Financial Instruments

Financial instruments are classified into various categories. Held to maturity investments and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the statement of financial position, and losses due to impairment are included in operations. All other financial assets and liabilities are carried at amortized cost.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(i) Financial assets

The Company's financial assets include cash and cash equivalents, accounts receivable, receivable from related party, investments, receivable from Lorraine Copper Corp and project deposits.

Held for trading

Cash and cash equivalents are classified as held for trading. Cash and cash equivalents are measured in the fair value hierarchy using Level 1 inputs on a recurring basis.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

(i) Financial assets (continued)

Loans and receivables

Accounts receivable, receivable from related party, receivable from Lorraine Copper Corp. and project deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest rate method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Available-for-sale

Investments are non-derivative financial assets that are either designated as available-for-sale or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include publically listed securities. Shares received as option fees or as consideration on the sale of an asset are recorded at the trading value of the shares on a public exchange on the date they are issued.

All available-for-sale financial assets are measured at fair value. Revaluation gains and losses are recognized in other comprehensive income or loss and reported within equity, except for impairment losses and foreign exchange differences, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income or loss is reclassified from equity to net loss and presented as a reclassification adjustment within other comprehensive income or loss.

Reversals of impairment losses are recognized in other comprehensive income or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(ii) Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities and payable to related parties.

Other financial liabilities

The Company classifies its financial liabilities into the other financial liabilities category. Such financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The carrying amount of the Company's financial assets classified as loans and receivables and financial liabilities classified as other financial liabilities, as at February 28, 2017 and February 29, 2016, approximate their fair values.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and Evaluation Assets

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made. Pre-exploration costs are expensed in the year they are incurred.

All deferred mineral property interests are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable metals to be mined from estimated proven and probable reserves by property.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company's property interest is recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in net loss.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

(e) Joint Arrangements

The Company classifies its interests in joint arrangements as either joint operations or joint ventures. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Where the interest is classified as a joint operation, the Company recognizes its assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), any income from the sale or use of its share of the output of the joint operation, and any expenses (including its share of any expenses incurred jointly) that it has incurred in respect of its interest in the joint operation.

Where the interest is classified as a joint venture, the Company recognizes its interest as an investment and accounts for that investment using the equity method.

(f) Project Deposits

Project deposits consist of term deposits in favour of regulatory authorities held as site restoration deposits for mineral properties. These amounts are expected to be recovered on satisfactory completion of the related exploration activities.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Provisions

(i) Environmental expenditures

The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect on the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to ongoing environmental and reclamation programs are charged to operations as incurred, or depending on their future economic benefits, capitalized and amortized over the estimated remaining life of the related business operation, net of expected recoveries. These costs are recognized when the obligation is incurred and the fair value of the related costs is reasonably determinable. Management's estimate of reclamation and restoration costs has not been included in these financial statements as the amount is not significant.

(ii) Other provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(h) Equipment

Equipment is recorded at cost less accumulated amortization. The Company records amortization on a declining balance basis at the following annual rates. The amortization rates are reduced by one-half in the years of acquisition and disposal.

| | |
|-------------------|------|
| Office equipment | 20% |
| Computer software | 100% |

(i) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that its equipment or mineral exploration and evaluation assets may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset or CGU. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of Non-Financial Assets (continued)

Impairment is recognized immediately in the statement of loss and comprehensive (income) loss. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

(j) Share Capital

Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(k) Flow-through Shares

The sale of tax deductions is recognized as a flow-through liability at the time of share issue at an amount equal to the allocated fair value. This liability is subsequently recognized as a credit in "other income" when the Company has fulfilled the obligation to pass on tax deductions by incurring all eligible expenditures.

(l) Exploration Tax Credits

The Company may receive refundable exploration tax credits and grants from provincial jurisdictions in Canada equal to a specified rate of qualifying expenditures incurred on properties located within that jurisdiction. The Company records these exploration tax credits and grants as a reduction of qualifying expenditures as it incurs the related expenditures.

(m) Income Recognition

Interest from cash and cash equivalents is recorded on an accrual basis when collection is reasonably assured.

(n) Share-based Compensation

The Company has a stock option plan that is described in Note 7. All goods and services received in exchange for the grant of any share-based compensation are measured at their fair values. Where employees are rewarded using share-based compensation, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date, using the Black-Scholes option pricing model, and exclude the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based compensation is ultimately recognized as an expense in profit or loss with a corresponding credit to the option reserve, over the period during which the related share-based compensation vests.

Consideration received on the exercise of share purchase options is recorded as share capital and the related amount originally recorded in options reserve is transferred to share capital.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Loss per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings is performed by presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

(p) Comprehensive Income or Loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available-for-sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

(q) Income Taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current income tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the reporting date, adjusted for amendments to estimates of taxes payable made in previous years.

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 not recognized for: initial recognition of goodwill; 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; and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

(r) New Accounting Standards and Interpretations

The following is a summary of new standards, amendments and interpretations that have been adopted during the year ended February 28, 2017:

(i) IFRS 7, Financial Instruments: Disclosures (“IFRS 7”)

The amendments to IFRS 7 provide clarification on when an entity has a continuing involvement in a financial asset. The amendments also provide clarification of disclosure requirements in condensed interim financial statements when offsetting financial assets and financial liabilities. The application of the amendments to IFRS 7 did not have any material impact on the presented financial statements.

Cariboo Rose Resources Ltd.
Notes to the Financial Statements
February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards and Interpretations (continued)

(ii) IFRS 11, Joint Arrangements (“IFRS 11”)

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in IFRS 3, Business Combinations and other IFRS standards except where those principles conflict with IFRS 11. The application of the amendments to IFRS 11 did not have any material impact on the presented financial statements.

(iii) IAS 1, Presentation of Financial Statements (“IAS 1”)

The amendments in IAS 1 clarify financial statement disclosure and presentation requirements. The application of the amendments to IAS 1 did not have any material impact on the presented financial statements.

(iv) IAS 16, Property, Plant and Equipment (“IAS 16”)

The amendments to IAS 16 provide clarification of acceptable methods of depreciation and amortization. The application of the amendments to IAS 16 did not have any material impact on the presented financial statements.

(v) IAS 34, Interim Financial Statements (“IAS 34”)

The amendment to IAS 34 provides clarification of disclosures required in interim financial statements. The application of the amendments to IAS 34 did not have any material impact on the presented financial statements.

(vi) IAS 38, Intangible Assets (“IAS 38”)

The amendments to IAS 38 provide clarification of acceptable methods of depreciation and amortization. The application of the amendments to IAS 38 did not have any material impact on the presented financial statements.

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these financial statements and include only those which the Company reasonably expects may be applicable to the Company at a future date:

(i) IFRS 2, Share-based Payment (“IFRS 2”)

The amendments to IFRS 2 clarify how entities should account for the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards and Interpretations (continued)

(ii) IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 15, Revenue from contracts with customers (“IFRS 15”)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iv) IFRS 16, Leases (“IFRS 16”)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee 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. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual period beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers is also applied.

(v) IAS 7, Statement of Cash Flows (“IAS 7”)

The amendments in IAS 7 require additional disclosure of changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017.

(vi) IAS 12, Income Taxes (“IAS 12”)

The amendments in IAS 12 clarify the recognition of deferred tax assets for unrealized losses. These amendments are effective for annual periods beginning on or after January 1, 2017.

The Company is currently evaluating the impact of the adoption of the new standards and amendments on its financial statements.

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4. INVESTMENTS

The Company has the following financial instruments carried at fair value using Level 1 valuation techniques:

| | Number of Shares | 2017 | | 2016 | |
|--|---------------------|-------------------|-------------------|------------------|-----------------|
| | | Cost | Fair Value | Cost | Fair Value |
| Consolidated Woodjam Copper Corp. | 49,772 | \$ 19,478 | \$ 3,484 | \$ 19,478 | \$ 1,742 |
| Black Mammoth Metals Corp. (formerly La Quinta Resources Corp.) | - | - | - | 4,286 | 2,500 |
| Western Copper and Gold Corporation | 500,000 | 575,000 | 965,000 | - | - |
| | | \$ 594,478 | \$ 968,484 | \$ 23,764 | \$ 4,242 |

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value using one of the following valuation techniques:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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5. EXPLORATION AND EVALUATION ASSETS

Acquisition and exploration expenditures incurred on mineral properties for the year ended February 28, 2017 are as follows:

| | <u>Carruthers</u> <u>Pass</u> | <u>Canadian</u> <u>Creek</u> | <u>Pat</u> | <u>Cowtrail</u> | <u>Other*</u> | <u>Total</u> |
|-----------------------------------|----------------------------------|---------------------------------|------------|-----------------|---------------|--------------|
| ACQUISITION COSTS | | | | | | |
| Balance, beginning of the year | \$ 99,990 | \$ 46,245 | \$ 414 | \$ - | \$ 31,306 | \$ 177,955 |
| Incurred during the year | - | 103 | - | - | - | 103 |
| Impairment of mineral property | - | - | - | - | (1,137) | (1,137) |
| Balance, end of the year | 99,990 | 46,348 | 414 | - | 30,169 | 176,921 |
| EXPLORATION EXPENDITURES | | | | | | |
| Expenditures for the year: | | | | | | |
| Professional fees and field crews | 1,600 | 176,270 | 800 | - | 26,230 | 204,900 |
| Trenching | - | 18,750 | - | - | - | 18,750 |
| Fees, permits and assessments | - | 250 | - | - | - | 250 |
| Geological | - | 776 | - | - | - | 776 |
| Rental of vehicles and equipment | - | 41,551 | 286 | - | 436 | 42,273 |
| Transportation and fuel | - | 63,119 | 234 | - | 267 | 63,620 |
| Field equipment | - | 4,352 | - | - | 38 | 4,390 |
| Communications | - | 4,396 | - | - | - | 4,396 |
| Food and accommodation | - | 9,263 | 102 | - | 218 | 9,583 |
| Freight | - | 2,870 | - | - | - | 2,870 |
| Project administration | - | 5,038 | - | - | - | 5,038 |
| Assaying | - | 12,050 | - | - | 247 | 12,297 |
| Share-based compensation | - | 32,586 | - | - | - | 32,586 |
| | 1,600 | 371,271 | 1,422 | - | 27,436 | 401,729 |
| Balance, beginning of the year | 64,455 | 198,513 | 60,337 | 56,912 | 215,840 | 596,057 |
| Mineral exploration tax credits | 40 | (40,000) | 200 | - | (2,527) | (42,287) |
| Balance, end of the year | 66,095 | 529,784 | 61,959 | 56,912 | 240,749 | 955,499 |
| OPTION PROCEEDS | | | | | | |
| Balance, beginning of year | (82,274) | (123,073) | (44,502) | (56,912) | - | (306,761) |
| Proceeds from sale of claims | - | (453,059) | - | - | - | (453,059) |
| Balance, end of year | (82,274) | (576,132) | (44,502) | (56,912) | - | (759,820) |
| | \$ 83,811 | \$ - | \$ 17,871 | \$ - | \$ 270,918 | \$ 372,600 |

* Other includes the Monte Christo, Koster Dam, Carlinton, Goofy Newfie, Carb Hosted Gold, Canim and Torrential claims.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition and exploration expenditures incurred on mineral properties for the year ended February 29, 2016 were as follows:

| | <u>Carruthers</u> <u>Pass</u> | <u>Canadian</u> <u>Creek</u> | <u>Pat</u> | <u>Cowtrail</u> | <u>Other*</u> | <u>Total</u> |
|------------------------------------|----------------------------------|---------------------------------|------------|-----------------|---------------|--------------|
| ACQUISITION COSTS | | | | | | |
| Balance, beginning of the year | \$ 99,990 | \$ 46,245 | \$ 414 | \$ - | \$ 14,675 | \$ 161,324 |
| Incurred during the year | - | - | - | - | 16,631 | 16,631 |
| Balance, end of the year | 99,990 | 46,246 | 414 | - | 31,306 | 177,955 |
| EXPLORATION EXPENDITURES | | | | | | |
| Expenditures for the year: | | | | | | |
| Professional fees and field crews | 3,200 | 17,200 | 15,645 | 800 | 54,360 | 91,205 |
| Rental of vehicles and equipment | - | - | 1,885 | - | 7,350 | 9,235 |
| Transportation and fuel | - | - | 1,145 | - | 2,956 | 4,101 |
| Field equipment | - | - | 311 | - | 667 | 978 |
| Communications | - | 363 | - | - | 716 | 1,079 |
| Freight | - | - | 2,283 | - | 12,055 | 14,338 |
| Food and accommodation | - | - | 1,862 | - | 4,772 | 6,634 |
| Assaying | - | - | 82 | - | 528 | 610 |
| | 3,200 | 17,563 | 23,213 | 800 | 83,404 | 128,180 |
| Balance, beginning of the year | 62,215 | 180,950 | 44,088 | 56,912 | 194,284 | 538,449 |
| Mineral exploration tax credits | (960) | - | (6,964) | (240) | (25,021) | (33,185) |
| Impairment of mineral property | - | - | - | (560) | (36,827) | (37,387) |
| Balance, end of the year | 64,455 | 198,513 | 60,337 | 56,912 | 215,840 | 596,057 |
| OPTION PROCEEDS | | | | | | |
| Balance, beginning and end of year | (82,274) | (123,073) | (44,502) | (56,912) | - | (306,761) |
| | \$ 82,171 | \$ 121,685 | \$ 16,249 | \$ - | \$ 247,146 | \$ 467,251 |

* Other includes the Monte Christo, Koster Dam, Carlinton, Goofy Newfie, Carb Hosted Gold, Canim and Torrential claims.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Joint Operation of Exploration and Evaluation Assets

Cowtrail Property, Cariboo Mining Division, British Columbia
(32 claims covering 4,600 hectares)

The Company has granted an option to Dajin Resources Corp. (“Dajin”) to earn a 65% interest in the Cowtrail property. Dajin can exercise the option by completing \$1,000,000 (completed) in exploration expenditures, issuing 50,000 shares (received) and paying \$110,000 in cash (received) on or before November 30, 2011.

By an amendment dated November 25, 2009, the Company and Dajin agreed to eliminate that portion of the area of influence which extended beyond the boundary of the Cowtrail property in consideration of deferral of the \$20,000 option payment due on November 30, 2009 until November 30, 2010.

In fiscal 2012, the Company received the final option payment from Dajin (\$25,000) and received notification from Dajin that it had completed the required exploration expenditures to exercise the option. No further exploration has been performed on the Cowtrail Property since and in fiscal 2013, the Company wrote off all remaining capitalized costs on the property.

Other Exploration and Evaluation Assets

Canadian Creek Project, Whitehorse Mining District, Yukon
(316 claims covering 6,180 hectares)

The Company holds a 100% interest in the Ana, Aztec, Koffee, Nice, Kana, Berg and Maya claims in the Whitehorse Mining District, subject to a requirement to pay 10% of all option payments and monetary benefits received from the Ana and Koffee claims to an underlying purchaser and a 5.0% net profits interest in the Ana claims to Casino Mining Corp.

On November 2, 2016, the Company received title to the 55 Casino B claims and then sold 9 of those claims to Western Copper and Gold Corporation (“Western Copper”) in consideration for 500,000 Western Copper common shares (Note 4).

Carruthers Pass, Omineca Mining Division, British Columbia
(8 claims covering 3,250 hectares)

The Company had an option from Phelps Dodge Corporation of Canada Limited, now Freeport McMoran Exploration, (“Freeport”) to earn a 100% interest in the 3,250-hectare Carruthers Pass property. The Company had exercised the option by completing \$750,000 in exploration expenditures (completed) and issuing \$120,000 (completed) in shares or cash on or before May 31, 2012. Freeport retains a 2.5% net smelter royalty interest, which may be reduced to 1% with a cash payment by the Company of \$1,500,000. Freeport retains certain back-in and other royalty privileges with respect to the property.

Pat Claims, Cariboo Mining Division, British Columbia
(2 claims covering 1,330 hectares)

The Company owns an undivided 100% interest in the Pat claims and is seeking an option partner to continue exploration at Pat.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Other Exploration and Evaluation Assets (continued)

Others

On April 28, 2015, the Company purchased a 30% interest in the Big Valley and Koster Dam projects from Badger Minerals Ltd. (“Badger”). The Company sold the 30% interest it acquired from Badger in the Big Valley project to Eastfield Resources Ltd., a related company (Note 11), for \$40,000.

In addition, the Company terminated its joint venture agreement with Badger on the Koster Dam project.

On June 28, 2016, the Company entered into an option agreement with ALQ Gold Corp. (“ALQ Gold”) whereby ALQ Gold may earn a 50% interest in the Koster Dam property by matching the Company’s prior expenses of \$110,495 within a 12 month period. ALQ Gold may earn an additional 50% interest in the Koster Dam property, for a total interest of 100%, at its sole discretion, by paying the Company \$400,000 within 20 days of completing the initial 50% earn in. If ALQ Gold does not exercise its option to earn the additional 50% interest in the Koster Dam property it will form a joint venture with the Company.

On September 21, 2016, subsequently amended on March 30, 2017, the Company entered into an option agreement with JM Capital II Corp. (“JM Capital”) whereby JM Capital can earn a 60% interest in the Carb Hosted Gold property by making payments totaling \$15,000, issuing 750,000 common shares and completing \$2.85 million in exploration work before January 31, 2020. The exploration work requirement will be paid to the Company in cash and will be applied by the Company to expenditures on the Carb Hosted Gold property.

During the year ended February 29, 2016, the Company recognized mineral property interest impairment of \$1,137 (2016 - \$37,387) on its other properties. The carrying values of these other properties were reduced to their estimated recoverable values of \$nil.

6. EQUIPMENT

| | <u>Office Equipment</u> | <u>Computer Software</u> | <u>Total</u> |
|--|-----------------------------|------------------------------|---------------|
| COST | | | |
| Balance, February 28, 2015 | \$ 2,499 | \$ 2,450 | \$ 4,949 |
| Additions | - | 847 | 847 |
| Balance, February 29, 2016 | 2,499 | 3,297 | 5,796 |
| Additions | - | 886 | 886 |
| Balance, February 28, 2017 | 2,499 | 4,183 | 6,682 |
| ACCUMULATED AMORTIZATION | | | |
| Balance, February 28, 2015 | 1,709 | 2,026 | 3,735 |
| Amortization | 158 | 847 | 1,005 |
| Balance, February 29, 2016 | 1,867 | 2,873 | 4,740 |
| Amortization | 126 | 867 | 993 |
| Balance, February 28, 2017 | 1,993 | 3,740 | 5,733 |
| Net Book Value, February 29, 2016 | \$ 632 | \$ 424 | \$ 1,056 |
| Net Book Value, February 28, 2017 | \$ 506 | \$ 443 | \$ 949 |

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7. SHARE CAPITAL

Authorized

Unlimited common shares without par value
Unlimited preferred shares without par value

On April 28, 2015, the Company completed a private placement of 3,000,000 common shares at \$0.05 per share for gross proceeds of \$150,000.

On July 29, 2016, the Company completed a private placement of 2,858,889 units at \$0.09 per unit for gross proceeds of \$257,300. Each unit was composed of 1 flow-through common share and 1 common share purchase warrant exercisable at \$0.12 for a period of 1 year.

On December 29, 2016, the Company completed a private placement of 3,165,000 units at \$0.07 per unit for gross proceeds of \$221,550. Each unit was composed of 1 common share and 1 common share purchase warrant exercisable at \$0.12 for a period of 2 years. The Company concurrently completed a private placement of 6,835,000 units at \$0.09 per unit for gross proceeds of \$615,150. Each unit was composed of 1 flow-through common share and 1 common share purchase warrant exercisable at \$0.12 for a period of 2 years.

During the year ended February 28, 2017, 210,000 common share purchase warrants were exercised for gross proceeds of \$25,200.

Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Under the plan, the Company may issue up to 3,450,768 options. Options will normally vest entirely on the date of grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants. Options will expire no later than five years from the grant date, except that they will expire within ninety days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately).

Common share purchase options and weighted average exercise prices are as follows:

| | 2017 | | 2016 | |
|--------------------------------------|------------------|---------------------------------|------------------|---------------------------------|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Balance, beginning of the year | 2,700,000 | \$ 0.10 | 2,700,000 | \$ 0.10 |
| Granted | 850,000 | 0.12 | - | - |
| Cancelled | (125,000) | 0.10 | - | - |
| Balance, end of the year | 3,425,000 | 0.10 | 2,700,000 | 0.10 |
| Options exercisable, end of the year | 3,425,000 | \$ 0.10 | 2,700,000 | \$ 0.10 |

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7. SHARE CAPITAL (continued)

Share Purchase Options (continued)

The following common share purchase options are outstanding at February 28, 2017:

| Expiry Date | Options Outstanding | | Weighted Average Remaining Life | Options Exercisable | |
|-------------|---------------------|---------------------|---------------------------------|---------------------|---------------------|
| | Number of shares | Exercise price (\$) | | Number of shares | Exercise price (\$) |
| 13-Dec-21 | 2,575,000 | 0.10 | 4.79 | 2,575,000 | 0.10 |
| 29-Aug-26 | 750,000 | 0.11 | 9.50 | 750,000 | 0.11 |
| 17-Jan-27 | 100,000 | 0.20 | 9.89 | 100,000 | 0.20 |
| | 3,425,000 | | 5.97 | 3,425,000 | |

The Company determines the fair value of the options granted using the Black-Scholes option pricing model. No options were granted during the year ended February 29, 2016. The weighted average grant date fair value of options granted during the year ended February 28, 2017 was \$0.09 using the following assumptions:

| | |
|--|-------------|
| | 2017 |
| Share price | \$0.12 |
| Exercise price | \$0.12 |
| Risk-free interest rate | 0.63% |
| Expected share price volatility | 140.2% |
| Expected average period until exercise | 3 years |
| Expected dividend yield | - |

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase options. Expected volatility was determined based on historic volatility of the Company's share price over a period ending on the grant date of the instrument and commensurate with the instruments expected life. Other features of common share purchase options granted did not affect the calculation of grant date fair value.

Share Purchase Warrants

Common share purchase warrants and weighted average exercise prices are as follows:

| | 2017 | |
|--------------------------------|------------------|---------------------------------|
| | Number of Shares | Weighted Average Exercise Price |
| Balance, beginning of the year | - | \$ - |
| Granted | 13,433,089 | 0.12 |
| Exercised | (210,000) | 0.12 |
| Balance, end of the year | 13,223,089 | 0.12 |

For share purchase warrants exercised, the weighted average share price at the date of exercise was \$0.21 per share.

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7. SHARE CAPITAL (continued)

Share Purchase Warrants (continued)

The following share purchase warrants are outstanding at February 28, 2017:

| Expiry Date | Warrants Outstanding | | Weighted Average Remaining Life |
|-------------|----------------------|---------------------|---------------------------------|
| | Number of shares | Exercise price (\$) | |
| 29-Jul-17 | 2,648,889 | \$0.12 | 0.41 |
| 29-Dec-18 | 10,000,000 | \$0.12 | 1.83 |
| 29-Dec-18 | 574,200 | \$0.07 | 1.83 |
| | 13,223,089 | | 5.91 |

The Company did not issue common share purchase warrants during the year ended February 29, 2016. The Company determined the fair value of the common share purchase warrants issued during the year ended February 28, 2017 using the relative fair values of the components of the units issued. The fair value of the share purchase warrants was determined using the Black-Scholes option pricing model. The weighted average fair value of the common share purchase warrants was \$0.03 using the following assumptions:

| | |
|--|-------------|
| | 2017 |
| Share price | \$0.16 |
| Exercise price | \$0.12 |
| Risk-free interest rate | 0.74% |
| Expected share price volatility | 103.1% |
| Expected average period until exercise | 0.9 years |
| Expected dividend yield | - |

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase warrants. Expected volatility was determined based on historic volatility of the Company's share price over a period ending on the grant date of the instrument and commensurate with the instruments expected life.

8. OTHER LIABILITY

During the year ended February 28, 2017, the Company completed a private placement of 2,858,889 units at a price of \$0.09 per unit for gross proceeds of \$257,300 and a private placement of 6,835,000 units at a price of \$0.09 per unit for gross proceeds of \$615,150. The common shares issued as part of units in these private placements were sold on a "flow-through" basis pursuant to the Income Tax Act (Canada). The allocated fair values of \$48,574 and \$41,494 were, respectively, estimated to be the fair value of the tax deductions sold.. \$48,574 has been recognized as other income in these financial statements as the Company has fulfilled the obligation to pass on these tax deductions by incurring all eligible expenditures. \$41,494 has been recognized as an "other liability" in these financial statements as the Company has not yet fulfilled the obligations required to pass on these tax deductions.

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9. INCOME TAXES

The Company's deferred tax assets and liabilities arise from the following items:

| | 2017 | 2016 |
|---|-------------------|-------------|
| Deferred tax assets (liabilities) arising from: | | |
| Losses deductible against future taxable income | \$ 101,953 | \$ 210,823 |
| Investments | (48,621) | 2,538 |
| Equipment | 1,554 | 1,296 |
| Exploration and evaluation assets | (76,304) | 106,890 |
| Share issue costs | 27,375 | - |
| Valuation allowance | (5,957) | (321,547) |
| Net deferred tax assets (liabilities) | \$ - | \$ - |

The reconciliation of the provision for income taxes is as follows:

| | | |
|---|------------------|-------------|
| Loss before income taxes | \$ 48,684 | \$ 165,697 |
| Combined federal and provincial statutory income tax rates | 26.0% | 26.0% |
| Recovery of income taxes based on combined statutory income tax rates | \$ 12,658 | \$ 43,081 |
| Add (deduct): | | |
| Tax effect of losses not recognized | - | (30,094) |
| Recognition of previously unrecognized tax losses | 138,137 | - |
| Taxable amounts | (157,649) | - |
| Expenses deductible for tax purposes | 6,844 | - |
| Net effect of items that are not taxable or deductible | 10 | (12,987) |
| Provision for (recovery of) income taxes | \$ - | \$ - |

The Company has non-capital losses of approximately \$377,000 and capital losses of \$15,500 for income tax purposes, which may be used to reduce taxable income of future years. If unused, the non-capital losses will expire between 2028 and 2037. The capital losses can be carried forward indefinitely.

In addition, the Company has resource related expenditures (Canadian Exploration Expenses) of \$79,000, most of which can be deducted at a 100% rate and which can be used to offset future Canadian taxable income and can be carried forward indefinitely.

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10. SUPPLEMENTAL CASH FLOW INFORMATION

| | 2017 | 2016 |
|---|-----------------|-------------|
| Supplemental disclosure of non-cash investing activities | | |
| Write-up of short term investments | \$ (393,777) | \$ (3,061) |
| Shares received on disposal of mineral property claims | 575,000 | - |
| Supplemental disclosure of non-cash financing activities | | |
| Transfer from warrant reserve to share capital on exercise of warrants | 1,330 | - |
| Transfer from share capital for fair value of warrants issued on private placements | 365,908 | - |
| Shares issued to finders in connection with private placements | 12,948 | - |
| Warrants issued to finders in connection with private placement | 70,269 | - |
| Supplemental cash flow information | | |
| Interest received | \$ 1,421 | \$ 2,766 |

11. RELATED PARTY DISCLOSURES

Related party transactions are recorded at the exchange amount as agreed to by the parties.

In the normal course of business, the Company will enter into transactions with a related company, Eastfield Resources Ltd. ("Eastfield"), for the use of equipment, services and rental of office space. The Company is related to Eastfield through common key management personnel. During the year, amounts payable for rent, salaries, telephone, office, consulting, convention and travel costs to Eastfield amounted to \$74,957 (2016 - \$82,756). At February 28, 2017, payable to related parties included \$5,040 (2016 - \$6,927) payable to Eastfield.

During the year, geological services totaling \$336,868 (2016 - \$109,475) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer, and Mincord is used on a project by project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. The amounts for geological and exploration services also include payments for services on properties managed by the Company on behalf of joint venturers. At February 28, 2017, payable to related parties included \$20,929 (2016 - \$5,040) payable to Mincord.

During the year ended February 29, 2012, the Company transferred reclamation bonds totaling \$12,000, which had been released by the Ministry of Energy, Mines and Petroleum Resources, to Lorraine Copper Corp., a company with directors in common. This amount remains a receivable from Lorraine Copper Corp. at February 28, 2017.

Remuneration for key management personnel included \$57,026 (2016 - \$Nil) in share-based compensation.

12. SEGMENTED DISCLOSURES

The Company operates in one industry segment, the acquisition and exploration of mineral properties, within Canada. Mineral properties and other capital assets are located in Canada.

13. LOSS PER SHARE

The Company's diluted loss per share is equal to its basic loss per share. Outstanding share purchase options and warrants could potentially dilute basic loss per share in the future but were not included in the calculation of diluted loss per share because they are antidilutive for the years ended February 28, 2017 and February 29, 2016.

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14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain risks, which include credit, liquidity, and market risk. The risks related to financial instruments are managed by the senior management of the Company under policies and directions approved by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents and project deposits are held through major Canadian financial institutions and its accounts receivable include goods and services taxes receivable from the Government of Canada and mineral exploration tax credits receivable from the Government of British Columbia. The receivable from a related party and receivable from Lorraine Copper Corp. are from related parties. The Company monitors the receivable balance and the payments made by related companies in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the related companies, current market and industry conditions and any specific collection issues. The Company considers this risk to be minimal on its cash and cash equivalents, accounts receivable, receivable from related party and receivable from Lorraine Copper Corp. At February 28, 2017, none of the Company's accounts receivable, including the receivable from related party and receivable from Lorraine Copper Corp., are past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Accounts payable and accrued liabilities are due within the current operating period. The Company manages liquidity risk through the management of its capital structure and financial leverage. The table below analyzes the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | February 28, 2017 | | | |
|--|-------------------------------|-------------------------------|------------------|-------------------------|
| | Less than 3 months | 3 months to 1 year | 2-5 years | Over 5 years |
| Accounts payable and accrued liabilities | \$ 26,062 | \$ - | \$ - | \$ - |
| Payables to related parties | 25,632 | - | - | - |
| Total | \$ 51,694 | \$ - | \$ - | \$ - |

| | February 29, 2016 | | | |
|--|-------------------------------|-------------------------------|------------------|-------------------------|
| | Less than 3 months | 3 months to 1 year | 2-5 years | Over 5 years |
| Accounts payable and accrued liabilities | \$ 43,629 | \$ - | \$ - | \$ - |
| Payables to related parties | 12,304 | - | - | - |
| Total | \$ 55,933 | \$ - | \$ - | \$ - |

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14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is comprised of two types of risk: interest rate risk, and equity price risk.

(i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding floating rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities. A 0.5% (2016 – 0.5%) decrease in short term rates would decrease interest income and increase net loss of the Company by approximately \$1,000 (2016 - \$1,000). The impact on equity is the same as the impact on net loss before tax.

(ii) Equity Price Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its available-for-sale equity instruments. All of the Company's listed equity investments (Note 4) are common shares of companies listed on the Toronto Stock Exchange and the Toronto Stock Exchange's Venture Exchange and are monitored by management with decisions on sale taken at the board level. A 10% increase in the S&P/TSX Venture Composite Index at the reporting date would have increased equity by approximately \$96,800 after tax (2016 - \$400); an equal change in the opposite direction would have decreased equity by \$96,800 (2016 - \$400).

15. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level. The Company considers its capital for this purpose to be its shareholders' equity and cash and cash equivalents.

| | February 28, 2017 | February 29, 2016 |
|---------------------------|--------------------------|--------------------------|
| Shareholders' equity | \$ 2,186,447 | \$ 781,625 |
| Cash and cash equivalents | \$ 897,555 | \$ 302,956 |

The Company manages its 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 seek additional financing, or dispose of assets.

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. The annual and any updated budgets are approved by the Board of Directors. The Company has no external restrictions on its capital.

In order to maximize ongoing development efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures for continuing operations.

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15. MANAGEMENT OF CAPITAL (continued)

The Company currently has sufficient capital resources to meet its administrative overhead expenses through its current operating period and it is confident it can raise additional funds to undertake all of its planned business activities. Actual funding requirements may vary from those planned due to a number of factors. Management believes it will be able to raise capital as required in the long term, but recognizes that there will be risks involved that may be beyond their control.