

CARIBOO ROSE RESOURCES LTD.

Financial Statements

For the Years ended February 28, 2018 and 2017
(Expressed in Canadian dollars)

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, 2018 and 2017, 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

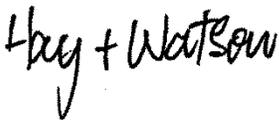
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.



Cariboo Rose Resources Ltd.
Statements of Financial Position
As at February 28, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
ASSETS		
Current		
Cash and cash equivalents	\$ 33,633	\$ 897,555
Accounts receivable	2,616	13,710
Receivable from related party (Note 10)	-	522
Investments (Note 4)	164,738	968,484
Prepaid expenses	-	3,315
	200,987	1,883,586
Receivable from Lorraine Copper Corp. (Note 10)	12,000	12,000
Project deposits	10,500	10,500
Exploration and evaluation assets (Note 5)	1,673,326	372,600
Equipment	1,574	949
	\$ 1,898,387	\$ 2,279,635
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 31,025	\$ 26,062
Payable to related parties (Note 10)	11,708	25,632
Other liability (Note 7)	-	41,494
	42,733	93,188
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	2,402,379	2,324,534
Warrant reserve (Note 6)	510,937	485,637
Options reserve (Note 6)	330,172	283,278
Accumulated other comprehensive (loss) income	(31,090)	370,157
Deficit	(1,356,744)	(1,277,159)
	1,855,654	2,186,447
	\$ 1,898,387	\$ 2,279,635

Nature and continuance of operations (Note 1)

APPROVED BY THE BOARD

"J. W. Morton" Director

"D M Douglas" 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, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
Expenses		
Amortization	\$ -	\$ 993
Consulting	14,900	11,954
Dues and licenses	956	799
Interest and bank charges	507	581
Investor relations	79,958	73,558
Legal and audit	23,051	18,159
Office	4,107	3,612
Rent	24,946	23,720
Salaries and benefits	17,489	16,866
Share-based compensation (Note 6)	46,894	46,656
Telephone	1,883	1,675
Transfer and filing fees	12,788	21,160
Loss before the following	227,479	219,733
Other (income)/expense		
Impairment of mineral property interests (Note 5)	-	1,137
Interest income	(2,814)	(1,421)
Other income (Note 7)	(44,149)	(48,574)
Gain on sale of claims	-	(121,942)
(Gain)/loss on sale on investments	(100,931)	(249)
NET LOSS	79,585	48,684
OTHER COMPREHENSIVE (INCOME) LOSS		
Change in unrealized loss (gain) on investments	295,145	(393,777)
Reclassification of realized gain/(loss) on disposal on investments	106,102	249
COMPREHENSIVE LOSS (INCOME)	\$ 480,832	\$ (344,844)
BASIC AND DILUTED LOSS PER SHARE (Note 12)	\$ 0.002	\$ 0.001
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	45,251,429	34,973,759

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, 2018 and 2017
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital (Note 6)	Warrant Reserve (Note 6)	Options Reserve (Note 6)	Accumulated Other Comprehensive (Loss)/Income	Deficit	Total Equity
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 7)	-	(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 of 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)	2,186,447
Private placement, net of issue cost of \$2,658	1,053,400	80,500	25,300	-	-	-	105,800
Share-based compensation	-	-	-	46,894	-	-	46,894
Sale of flow through tax benefits (Note 7)	-	(2,655)	-	-	-	-	(2,655)
Change in unrealized gain on investments	-	-	-	-	(295,145)	-	(295,145)
Reclassification of realized gain on disposal of investments	-	-	-	-	(106,102)	-	(106,102)
Net loss for the year	-	-	-	-	-	(79,585)	(79,585)
Balance, February 28, 2018	45,796,888	\$ 2,402,379	\$ 510,937	\$ 330,172	\$ (31,090)	\$ (1,356,744)	\$ 1,855,654

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, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
Cash provided by (used in)		
Operating activities		
Net loss	\$ (79,585)	\$ (48,684)
Adjustments to reconcile net loss from operating activities:		
Amortization	-	993
Mineral property impairment loss	-	1,137
Other income	(44,149)	(48,574)
Share-based compensation	46,894	46,656
Gain on sale of claims	-	(121,942)
(Gain) on sale on investment	(100,931)	(249)
	(177,771)	(170,663)
Changes in non-cash working capital components		
Accounts receivable	7,981	(4,335)
Receivable from related party	522	(522)
Prepaid expenses	3,315	(3,315)
Accounts payable and accrued liabilities	13,917	(33,456)
Payable to related parties	(13,924)	13,328
	(165,960)	(198,963)
Investing activities		
Purchase of equipment	(625)	(886)
Mineral property acquisition costs	(1,284)	(102)
Mineral property exploration expenditures	(1,305,283)	(280,789)
Proceeds from sale of investment	503,430	4,535
	(803,762)	(277,242)
Financing activities		
Shares and warrants issued for cash, net of issue costs	105,800	1,070,804
	105,800	1,070,804
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(863,922)	594,599
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	897,555	302,956
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 33,633	\$ 897,555
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash in bank	\$ 33,633	\$ 47,555
Short-term deposits	-	850,000
	\$ 33,633	\$ 897,555

Supplemental cash flow information (Note 9)

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

Cariboo Rose Resources Ltd.

Notes to the Financial Statements

February 28, 2018 and 2017

(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 27, 2018 by the directors of the Company.

Statement of Compliance

These financial statements for the Company’s reporting period ended February 28, 2018 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, 2018 and 2017

(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, 2018 and 2017

(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, 2018 and 2017, approximate their fair values.

Cariboo Rose Resources Ltd.

Notes to the Financial Statements

February 28, 2018 and 2017

(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, 2018 and 2017

(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, 2018 and 2017

(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 6. 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, 2018 and 2017

(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, 2018:

(i) IAS 7, Statement of Cash Flows ("IAS 7")

The amendments in IAS 7 require additional disclosure of changes in liabilities arising from financing activities.

(ii) IAS 12, Income Taxes ("IAS 12")

The amendments in IAS 12 clarify the recognition of deferred tax assets for unrealized losses.

Cariboo Rose Resources Ltd.

Notes to the Financial Statements

February 28, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards and Interpretations (continued)

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.

(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.

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

Cariboo Rose Resources Ltd.

Notes to the Financial Statements

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4. INVESTMENTS

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

	2018			2017	
	Number of Shares	Cost	Fair Value	Cost	Fair Value
Consolidated Woodjam Copper Corp.	49,772	\$ 19,478	\$ 2,738	\$ 19,478	\$ 3,484
Western Copper and Gold Corp	150,000	172,500	162,000	575,000	965,000
		\$ 191,978	\$ 164,738	\$ 594,478	\$ 968,484

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, 2018 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	\$ 46,348	\$ 414	\$ -	\$ 30,169	\$ 176,921
Incurred during the year	752	-	-	-	532	1,284
Impairment of mineral property	-	-	-	-	-	-
Balance, end of the year	100,742	46,348	414	-	30,701	178,205
EXPLORATION EXPENDITURES						
Expenditures for the year:						
Professional fees and field crews	10,000	400,500	-	-	20,800	431,300
Drilling	-	191,649	-	-	-	191,649
Fees, permits and assessments	-	1,733	-	-	-	1,733
Geophysical surveys	-	24,388	-	-	-	24,388
Geological	36	309	-	-	-	345
Rental of vehicles and equipment	-	66,292	-	-	314	66,606
Transportation and fuel	-	354,165	-	-	167	354,332
Field equipment	-	14,252	-	-	22	14,274
Communications	-	10,384	-	-	-	10,384
Food and accommodation	-	32,330	-	-	176	32,506
Freight	-	48,343	-	-	-	48,343
Project administration	-	12,788	-	-	-	12,788
Assaying	-	84,801	-	-	316	85,117
Other	-	26,066	-	-	(389)	25,677
	10,036	1,268,000	-	-	21,406	1,299,442
Balance, beginning of the year	66,095	529,784	61,959	56,912	240,749	955,499
Mineral exploration tax credits	-	-	-	-	-	-
Balance, end of the year	76,131	1,797,784	61,959	56,912	262,155	2,254,941
OPTION PROCEEDS						
Balance, beginning of year	(82,274)	(576,132)	(44,502)	(56,912)	-	(759,820)
Proceeds from sale of claims	-	-	-	-	-	-
Balance, end of year	(82,274)	(576,132)	(44,502)	(56,912)	-	(759,820)
	\$ 94,599	\$ 1,268,000	\$ 17,871	\$ -	\$ 292,856	\$ 1,673,326

* 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 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)

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

In 2011 Dajin Resources Corp. (“Dajin”) earned a 65% interest in the Cowtrail property by completing \$1,000,000 in exploration expenditures, issuing 50,000 shares and paying \$110,000 in cash to the Company. 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.

Canadian Creek Project, Whitehorse Mining District, Yukon (311 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.

Carruthers Pass, Omineca Mining Division, British Columbia (10 claims covering 3,250 hectares)

The Company acquired a 100% interest in the 3,250-hectare Carruthers Pass property from Freeport McMoran Explorations (“Freeport”) by completing \$750,000 in exploration expenditures and issuing \$120,000 in shares and cash. 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.

Others

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 this option agreement was terminated and the Company entered into an option agreement with a ZP Mining Inc. (“ZP Mining”) on November 21, 2017, whereby ZP Mining can earn a 60% interest in the Carb Hosted Gold property by completing \$1.5 million in exploration work and making \$300,000 in payments over a 5.5 years term. In addition, ZP Mining may earn an additional 15% interest in the project by paying the Company an additional \$100,000 and completing a feasibility study within a further 36 months.

On June 30, 2017, the Company entered into an option agreement with Oakley Ventures Inc. (“Oakley Ventures”), whereby Oakley Ventures can earn a 50% interest in the Koster Dam project by completing \$110,495 in exploration work within 12 months and a further 50% interest for a \$400,000 cash payment within the same period.

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6. SHARE CAPITAL

Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

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 one flow-through common share and one common share purchase warrant exercisable at \$0.12 for a period of one 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 one common share and one common share purchase warrant exercisable at \$0.12 for a period of two 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 one flow-through common share and one common share purchase warrant exercisable at \$0.12 for a period of two years.

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

During the year ended February 28, 2018 the Company completed a private placement of 1,053,400 units at \$0.12 for flow-through units and \$0.10 for non flow-through units for gross proceeds of \$105,800. Each unit consisted of one common share and one warrant for the purchase of one additional non flow-through common share at a price of \$0.14 per share for a term of one year.

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:

	2018		2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the year	3,425,000	\$ 0.10	2,700,000	\$ 0.10
Granted	500,000	0.11	850,000	0.12
Cancelled	(475,000)	0.10	(125,000)	0.10
Balance, end of the year	3,450,000	\$ 0.11	3,425,000	\$ 0.10

Cariboo Rose Resources Ltd.

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6. SHARE CAPITAL (continued)

Share Purchase Options (continued)

The following common share purchase options are outstanding at February 28, 2018:

Expiry Date	Options Outstanding		Weighted Average Remaining Life	Options Exercisable	
	Number of shares	Exercise price (\$)		Number of shares	Exercise price (\$)
December 13, 2021	2,300,000	0.10	3.79	2,300,000	0.10
August 29, 2026	550,000	0.11	8.50	550,000	0.11
January 17, 2027	100,000	0.20	8.89	100,000	0.20
October 5, 2027	500,000	0.11	9.62	500,000	0.11
	3,450,000	0.11	5.54	3,450,000	0.11

The Company determines the fair value of the options granted using the Black-Scholes option pricing model. The weighted average grant date fair value of options granted during the year ended February 28, 2018 was \$0.09 (2017 - \$0.09) using the following assumptions:

	2018	2017
Share price	\$0.10	\$0.12
Exercise price	\$0.11	\$0.12
Risk-free interest rate	1.62%	0.63%
Expected share price volatility	216.6%	140.2%
Expected average period until exercise	3 years	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:

	2018		2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the year	13,223,089	\$ 0.12	-	\$ -
Issued	1,030,000	0.14	13,433,089	0.12
Expired	(2,648,889)	0.12	-	-
Exercised	-	-	(210,000)	0.12
Balance, end of the year	11,604,200	\$ 0.12	13,223,089	\$ 0.12

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6. SHARE CAPITAL (continued)

Share Purchase Warrants (continued)

The following share purchase warrants are outstanding at February 28, 2018:

Expiry Date	Warrants Outstanding		Weighted Average Remaining Life
	Number of shares	Exercise price	
December 29, 2018	10,000,000	\$ 0.12	0.83
December 29, 2018	574,200	0.07	0.83
September 5, 2018	1,030,000	0.14	0.50
	11,604,200	\$ 0.12	0.80

The Company determined the fair value of the common share purchase warrants issued during the years ended February 28, 2018 and 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 \$0.04 for 2018 (2017 – \$0.03) using the following assumptions:

	2018	2017
Share price	\$0.12	\$0.16
Exercise price	\$0.14	\$0.12
Risk-free interest rate	1.30%	0.74%
Expected share price volatility	96.1%	103.1%
Expected average period until exercise	1 year	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.

7. TAX DEDUCTIONS SOLD TO INVESTORS

Tax deductions sold to investors on the issue of flow-through shares are initially recorded as a liability equal to the estimated fair value of tax losses expected to be renounced by the Company and are recognized as income on the statement of loss and comprehensive loss on the completion and renunciation of the related expenditures.

	Total
Balance, February 29, 2016	\$ -
Liability incurred on the issue of flow-through shares	90,068
Recognized as other income on incurring and renouncing eligible expenditures	(48,574)
Balance, February 28, 2017	41,494
Liability incurred on the issue of flow-through shares	2,655
Recognized as other income on incurring and renouncing eligible expenditures	(44,149)
Balance, February 28, 2018	\$ -

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8. INCOME TAXES

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

	2018	2017
Deferred tax assets (liabilities) arising from:		
Losses deductible against future taxable income	\$ 338,074	\$ 101,953
Investments	3,677	(48,621)
Equipment	1,613	1,554
Exploration and evaluation assets	(83,737)	(76,304)
Share issue costs	21,895	27,375
Valuation allowance	(281,522)	(5,957)
Net deferred tax assets (liabilities)	\$ -	\$ -

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

Loss before income taxes	\$ 79,585	\$ 48,684
Combined federal and provincial statutory income tax rates	26.2%	26.0%
Recovery of income taxes based on combined statutory income tax rates	\$ 20,825	\$ 12,658
Add (deduct):		
Tax effect of losses not recognized	(49,168)	-
Recognition of previously unrecognized tax losses	-	138,137
Taxable amounts	(5,729)	(157,649)
Expenses deductible for tax purposes	7,027	6,844
Net effect of items that are not taxable or deductible	27,045	10
Provision for (recovery of) income taxes	\$ -	\$ -

The Company has non-capital losses of approximately \$1,252,000 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 2038.

In addition, the Company has resource related expenditures (Canadian Exploration Expenses) of \$1,364,000, 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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9. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Supplemental disclosure of non-cash investing activities		
Write-down (write-up) of short term investments	\$ 295,145	\$ (393,777)
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	25,300	365,908
Shares issued to finders in connection with private placements	2,658	12,948
Warrants issued to finders in connection with private placement	-	70,269
Supplemental cash flow information		
Interest received	\$ 2,814	\$ 1,421

10. 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 \$76,638 (2017 - \$74,957). At February 28, 2018, payable to related parties included \$5,370 (2017 - \$5,040) payable to Eastfield.

During the year, geological services totaling \$876,790 (2017 - \$336,868) 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, 2018, payable to related parties included \$6,338 (2017 - \$20,929) 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, 2018.

Remuneration for key management personnel included \$46,894 (2017 - \$57,026) in share-based compensation.

11. 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.

12. 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, 2018 and 2017.

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13. 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 is held through large Canadian financial institutions. The Company's receivables consist mostly of Goods and Services Tax due from the federal government of Canada and mineral exploration tax credit receivable from the Government of British Columbia. As such, the Company considers this risk to be minimal. As at February 28, 2018, none of the Company's financial instruments subject to credit risk were 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.

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 the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk when holding fixed rate short term deposits of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents investments is limited because these investments are generally highly liquid securities with short-term maturities. As at February 28, 2018, the Company considers its exposure to interest rate risk to be minimal.

(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.

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15. 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 exploration and development of its mineral property interests, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

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

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 updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its surplus 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 from continuing operations.

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.