

# CARIBOO ROSE RESOURCES LTD.

## **Financial Statements**

For the Years ended February 28, 2019 and 2018  
(Expressed in Canadian dollars)

110-325 Howe Street,  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cariboo Rose Resources Ltd.

### Opinion

We have audited the financial statements of Cariboo Rose Resources Ltd. (the "Company"), which comprise the statements of financial position as at February 28, 2019 and 2018, the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the Management Discussion & Analysis for the year ended February 28, 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Essop Mia.



Chartered Professional Accountants  
Vancouver, BC, Canada  
June 28, 2019

**Cariboo Rose Resources Ltd.**  
**Statements of Financial Position**  
**As at February 28, 2019 and 2018**  
(Expressed in Canadian dollars)

	2019	2018
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 43,857	\$ 33,633
Accounts receivable	2,232	2,616
Investments (Note 4)	-	164,738
	<b>46,089</b>	200,987
Receivable from Lorraine Copper Corp. (Note 10)	12,000	12,000
Project deposits	10,500	10,500
Investments (Note 4)	45,731	-
Exploration and evaluation assets (Note 5)	1,709,181	1,673,326
Equipment	3,173	1,574
	<b>\$ 1,826,674</b>	<b>\$ 1,898,387</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 58,639	\$ 31,025
Payable to related parties (Note 10)	58,953	11,708
	<b>117,592</b>	42,733
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	2,402,379	2,402,379
Warrant reserve (Note 6)	510,937	510,937
Options reserve (Note 6)	336,172	330,172
Accumulated other comprehensive loss	(35,097)	(31,090)
Deficit	(1,505,309)	(1,356,744)
	<b>1,709,082</b>	1,855,654
	<b>\$ 1,826,674</b>	<b>\$ 1,898,387</b>

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 Loss**  
**For the Years Ended February 28, 2019 and 2018**  
(Expressed in Canadian dollars)

	2019	2018
<b>Expenses</b>		
Consulting	\$ 10,700	\$ 14,900
Dues and licenses	815	956
Interest and bank charges	362	507
Investor relations	18,974	79,958
Legal and audit	28,126	23,051
Office	3,188	4,107
Rent	27,274	24,946
Salaries and benefits	17,558	17,489
Share-based compensation (Note 6)	6,000	46,894
Telephone	2,044	1,883
Transfer and filing fees	14,814	12,788
<b>Loss before the following</b>	<b>129,855</b>	<b>227,479</b>
<b>Other (income)/expense</b>		
Interest income	(89)	(2,814)
Other income (Note 7)	-	(44,149)
Gain on sale on investments	-	(100,931)
<b>NET LOSS</b>	<b>129,766</b>	<b>79,585</b>
<b>OTHER COMPREHENSIVE (INCOME) LOSS</b>		
Items that may be reclassified to net income or loss		
Change in fair value of equity investments (Note 4)	-	295,145
Reclassification of realized gain on disposal on investments	-	106,102
Items that will not be reclassified to net income or loss		
Change in fair value of equity investments (Note 4)	22,806	-
<b>COMPREHENSIVE LOSS</b>	<b>\$ 152,572</b>	<b>\$ 480,832</b>
<b>BASIC AND DILUTED LOSS PER SHARE (Note 12)</b>	<b>\$ 0.003</b>	<b>\$ 0.002</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted</b>	<b>45,796,888</b>	<b>45,251,429</b>

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, 2019 and 2018**  
(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
<b>Balance, February 28, 2017</b>	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 fair value of investments (Note 4)	-	-	-	-	(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)
<b>Balance, February 28, 2018</b>	45,796,888	\$ 2,402,379	\$ 510,937	\$ 330,172	\$ (31,090)	\$ (1,356,744)	\$ 1,855,654
Share-based compensation	-	-	-	6,000	-	-	6,000
Change in fair value of investments (Note 4)	-	-	-	-	(22,806)	-	(22,806)
Reclassification of realized loss on disposal of investments	-	-	-	-	18,799	(18,799)	-
Net loss for the year	-	-	-	-	-	(129,766)	(129,766)
<b>Balance, February 28, 2019</b>	<b>45,796,888</b>	<b>\$ 2,402,379</b>	<b>\$ 510,937</b>	<b>\$ 336,172</b>	<b>\$ (35,097)</b>	<b>\$ (1,505,309)</b>	<b>\$ 1,709,082</b>

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, 2019 and 2018**  
(Expressed in Canadian dollars)

	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (129,766)	\$ (79,585)
Adjustments to reconcile net loss from operating activities:		
Other income	-	(44,149)
Share-based compensation	6,000	46,894
Gain on sale on investment	-	(100,931)
	<b>(123,766)</b>	<b>(177,771)</b>
Changes in non-cash working capital components		
Accounts receivable	385	7,981
Receivable from related party	-	522
Prepaid expenses	-	3,315
Accounts payable and accrued liabilities	6,660	13,917
Payable to related parties	47,245	(13,924)
	<b>(69,476)</b>	<b>(165,960)</b>
<b>Investing activities</b>		
Purchase of equipment	(1,599)	(625)
Mineral property acquisition costs	(5,630)	(1,284)
Mineral property exploration expenditures	(29,271)	(1,305,283)
Mineral property option proceeds	20,000	-
Proceeds from sale of investment	96,200	503,430
	<b>79,700</b>	<b>(803,762)</b>
<b>Financing activities</b>		
Shares and warrants issued for cash, net of issue costs	-	105,800
	-	105,800
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,224</b>	<b>(863,922)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>33,633</b>	<b>897,555</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 43,857</b>	<b>\$ 33,633</b>
<b>CASH AND CASH EQUIVALENTS ARE COMPRISED OF:</b>		
Cash in bank	\$ 43,857	\$ 33,633
Short-term deposits	-	-
	<b>\$ 43,857</b>	<b>\$ 33,633</b>

**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, 2019 and 2018**

(Expressed in Canadian dollars)

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### **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 28, 2019 by the directors of the Company.

#### **Statement of Compliance**

These financial statements for the Company’s reporting period ended February 28, 2019 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 Standards 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 certain financial instruments classified as fair value through profit or loss or fair value through other comprehensive income, as described in Note 3, 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, 2019 and 2018

(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, the classification of financial instruments, and the recognition of deferred tax assets and liabilities.

#### (b) Cash and Cash Equivalents

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

#### (c) Financial Instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value, plus transaction costs if the financial instrument is not subsequently measured at fair value through profit and loss.

Financial assets are measured subsequently at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL") based on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Financial assets which are investments in equity instruments are measured subsequently at FVTPL unless they are not held for trading and are designated as FVOCI. Financial liabilities are measured subsequently at amortized cost, except for derivatives and certain other specified exceptions measured FVTPL.

<b>Financial instrument</b>	<b>Previous classification under IAS 39</b>	<b>Current classification under IFRS 9</b>
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Receivable from Lorraine Copper Corp.	Loans and receivables	Amortized cost
Investments	Available-for-sale	Designated as FVOCI
Project deposits	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Payable to related parties	Other financial liabilities	Amortized cost

Financial instruments classified as amortized cost are measured at amortized cost using the effective interest method, adjusted as required for credit-impaired financial assets. Financial assets measured at amortized cost are subject to a loss allowance for expected credit losses resulting from default events that are possible within 12 months after the reporting date, or an allowance for lifetime expected credit losses where credit risk has increased significantly since initial recognition. Changes in the amount of expected credit losses are recognized as an impairment gain or loss in profit and loss.

Financial assets are derecognized when the contractual rights to the cash flows expire, for certain transfers, or when there is no reasonable expectation of recovering the financial asset. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

# **Cariboo Rose Resources Ltd.**

## **Notes to the Financial Statements**

**February 28, 2019 and 2018**

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### (c) Financial Instruments (continued)

Fair value measurements are determined based on quoted prices when these are available or other appropriate valuation methods. Gains and losses on investments in equity instruments designated as FVOCI are recognized in other comprehensive income until they are derecognized. Dividends from these investments are recognized in profit and loss.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. Cash and cash equivalents and investments were measured and recognized in the statements of financial position using Level 1 inputs. There were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would have been categorized as Level 2 and 3 in the fair value hierarchy above.

#### (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.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

#### (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.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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.

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.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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 excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based compensation is 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. No amount is recognized for instruments which do not ultimately vest.

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.

#### (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 FVOCI 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.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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, 2019:

##### (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.

The Company adopted IFRS 9 on March 1, 2018 and applied the accounting standard retrospectively, excluding financial instruments derecognized prior to the date of adoption. The adoption of IFRS 9 did not result in any material change in the measurement or classification of the Company’s financial instruments. The classification of the Company’s financial instruments under IFRS 9 compared to the previous classification under IAS 39 is described in Note 3(d). Additional information regarding the election to designate certain investments in equity instruments as FVOCI is provided in Note 4.

##### (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.

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:

##### (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 does not expect the adoption of IFRS 16 to have a significant effect on the measurement or presentation of the financial statements.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 4. INVESTMENTS

The Company has the following investments in equity instruments:

	2019			2018		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Consolidated Woodjam Copper Corp.	49,772	\$ 19,478	\$ 4,231	49,772	\$ 19,478	\$ 2,738
Western Copper and Gold Corp	50,000	57,500	41,500	150,000	172,500	162,000
		76,978	45,731		\$ 191,978	\$ 164,738
Less: non-current portion		(76,978)	(45,731)		-	-
Current portion		\$ -	\$ -		\$ 191,978	\$ 164,738

The Company has irrevocably designated these investments in equity instruments as measured at FVOCI rather than FVTPL as they are not held for trading and the FVOCI classification is considered more appropriate for these strategic investments. The fair value of these equity investments are based on quoted market prices at the reporting dates. The current portion relates to those investments which the Company is reasonably likely to sell within the next 12 months.

Prior to the adoption of IFRS 9 on March 1, 2018, these investments in equity instruments were classified as available-for-sale. There was no impact on the measurement of these investments from the adoption of IFRS 9.

During the year ended February 28, 2018, the Company realized a gain of \$100,931 on the sale of investments in equity instruments and reclassified \$106,102 related to these investments from other comprehensive income to net loss.

During the year ended February 28, 2019, the Company realized a loss on the sale of investments in equity instruments of \$18,799. Under IFRS 9, changes in the fair value of investments in equity instruments classified as FVOCI are no longer reclassified to net income or loss. Accordingly, the loss on sale of investments in the current year has been reclassified from accumulated other comprehensive income to deficit.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 5. EXPLORATION AND EVALUATION ASSETS

Acquisition and exploration expenditures incurred on mineral properties for the year ended February 28, 2019 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>
<b>ACQUISITION COSTS</b>						
Balance, beginning of the year	\$ 100,742	\$ 46,348	\$ 414	\$ -	\$ 30,701	\$ 178,205
Incurred during the year	-	-	-	-	5,630	5,630
Impairment of mineral property	-	-	-	-	-	-
Balance, end of the year	100,742	46,348	414	-	36,331	183,835
<b>EXPLORATION EXPENDITURES</b>						
Expenditures for the year:						
Professional fees and field crews	800	6,800	-	-	21,300	28,900
Fees, permits and assessments	-	6,726	-	-	-	6,726
Geological	38	540	-	-	96	674
Rental of vehicles and equipment	-	-	-	-	1,854	1,854
Transportation and fuel	-	2,309	-	-	998	3,307
Communications	-	140	-	-	-	140
Food and accommodation	-	-	-	-	3,085	3,085
Freight	-	-	-	-	203	203
Assaying	-	-	-	-	5,221	5,221
Other	-	115	-	-	-	115
	838	16,630	-	-	32,757	50,225
Balance, beginning of the year	76,131	1,797,784	61,959	56,912	262,155	2,254,941
Mineral exploration tax credits	-	-	-	-	-	-
Balance, end of the year	76,969	1,814,414	61,959	56,912	294,912	2,305,166
<b>OPTION PROCEEDS</b>						
Balance, beginning of year	(82,274)	(576,132)	(44,502)	(56,912)	-	(759,820)
Proceeds from sale of claims	-	-	-	-	(20,000)	(20,000)
Balance, end of year	(82,274)	(576,132)	(44,502)	(56,912)	(20,000)	(779,820)
	\$ 95,437	\$ 1,284,630	\$ 17,871	\$ -	\$ 311,243	\$ 1,709,181

\* Other includes the Pat, Cowtrail, Koster Dam, Carbonate Hosted Gold, Skookum Cobalt, Coquigold, and Lightning Strike claims.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 5. EXPLORATION AND EVALUATION ASSETS (continued)

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>
<b>ACQUISITION COSTS</b>						
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
<b>EXPLORATION EXPENDITURES</b>						
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
<b>OPTION PROCEEDS</b>						
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, Carbonate Hosted Gold, Canim and Torrential claims.

# **Cariboo Rose Resources Ltd.**

## **Notes to the Financial Statements**

**February 28, 2019 and 2018**

(Expressed in Canadian dollars)

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### **5. EXPLORATION AND EVALUATION ASSETS (continued)**

#### ***Cowtrail Property, Cariboo Mining Division, British Columbia (32 claims covering 4,400 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. In March 2018 Dajin transferred its interest in the Cowtrail property to Cariboo Rose subject to a requirement to share any third party option proceeds with Dajin on a 50%-50% basis for a period of three years. Other than this requirement Cariboo Rose now owns a 100% interest in the project.

#### ***Canadian Creek Project, Whitehorse Mining District, Yukon (301 claims covering 5,871 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 reducing the claim block to 301 claims. Approximately \$1,268,000 was spent on exploration at Canadian Creek in 2017. Assessment work has been filed to the extent that all claims are covered for dates varying between June 2022 and March 2027.

#### ***Carruthers Pass Project, Omineca Mining Division, British Columbia (8 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.

#### ***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.

#### ***Carbonate Hosted Gold Project, Clinton Mining Division, British Columbia (9 claims covering 3,970 hectares)***

The company owns an undivided 100% interest in the Carbonate Hosted Gold claims. On November 21, 2017 the company entered into an option agreement with a ZP Mining Inc. (“ZP Mining”) whereby ZP Mining could earn a 60% interest in the Carbonate Hosted Gold property by completing \$1.5 million in exploration work and making \$300,000 in payments over a 5.5 year term. The agreement with ZP mining was terminated on October 22, 2018 resulting in Cariboo Rose retaining a 100% interest in the project.

#### ***Koster Dam Project, Clinton Mining Division, British Columbia (10 claims covering 4,535 hectares)***

On June 30, 2017, the Company entered into an option agreement with Oakley Ventures Inc. (“Oakley Ventures”), whereby Oakley Ventures can earn a 45% interest in the Koster Dam project by completing \$110,495 in exploration work within 12 months. Oakley can then increase its ownership from 45% to 50% with a payment of \$50,000.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 5. EXPLORATION AND EVALUATION ASSETS (continued)

#### *Skookum Cobalt Project, Fort Steele Mining Division, British Columbia (3 claims covering 643 hectares)*

Three claims have been staked to cover an area extending 3.2 kilometers upstream on the Skookumchuck River from the railway. These claims were staked to cover a historic reference in the 1918 report to the BC Minister of Mines “The discovery of a large iron-pyrite covered ledge on Skookumchuck within half a mile of the Kootenay Central Railway, is interesting, as native copper was found in druses and crevices; the width of the ledge stated to be 20 feet, and the owners refused a bond on the property, preferring to do a winters work before deciding to sell. Further up the Skookumchuck is an ore described as carrying 5% nickel and over 11% cobalt, with 54% arsenic...” An option to earn a 50% interest has been granted to True Grit Resources Ltd. who must fund the first \$250,000 in exploration to earn a 50% interest in the project by the third anniversary.

#### *Coquigold Project, Nicola Mining Division, British Columbia, (5 claims covering 323 hectares)*

The company has staked three claim blocks, subsequently consolidated into two blocks, adjacent to the Coquihalla Highway in response to the recent success being achieved at the Shovelnose gold project owned and operated by Westhaven Ventures Inc. The claims have attributes identified by the BC Geological survey which suggest they are targets for epithermal precious metal mineralization.

#### *Lightning Strike Project, Clinton Mining Division, British Columbia (8 claims covering 1,205 hectares)*

The Company has staked 8 claims covering 1,205 hectares 60 kilometres northeast of the community of 100 mile house, BC.

### 6. SHARE CAPITAL

#### Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

#### 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:

	2019		2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the year	3,450,000	\$ 0.11	3,425,000	\$ 0.10
Granted	300,000	0.05	500,000	0.11
Cancelled	-	-	(475,000)	0.10
Balance, end of the year	3,750,000	\$ 0.10	3,450,000	\$ 0.11
Options exercisable, end of the year	3,750,000	\$ 0.10	3,450,000	\$ 0.11

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 6. SHARE CAPITAL (continued)

#### Share Purchase Options (continued)

The following common share purchase options are outstanding at February 28, 2019:

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	2.79	2,300,000	0.10
September 26, 2023	300,000	0.05	4.58	300,000	0.05
August 29, 2026	550,000	0.11	7.50	550,000	0.11
January 17, 2027	100,000	0.20	7.89	100,000	0.20
October 5, 2027	500,000	0.11	8.62	500,000	0.11
	<b>3,750,000</b>	<b>0.11</b>	<b>4.54</b>	<b>3,750,000</b>	<b>0.11</b>

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, 2019 was \$0.02 (2018 - \$0.09) using the following weighted average inputs and assumptions:

	2019	2018
Share price	<b>\$0.02</b>	\$0.10
Exercise price	<b>\$0.05</b>	\$0.11
Risk-free interest rate	<b>2.22%</b>	1.62%
Expected share price volatility	<b>171%</b>	217%
Expected average period until exercise	<b>3 years</b>	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:

	2019		2018	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of the year	<b>11,604,200</b>	<b>\$ 0.12</b>	13,223,089	\$ 0.12
Issued	-	-	1,030,000	0.14
Expired	<b>(11,604,200)</b>	<b>0.12</b>	(2,648,889)	0.12
Balance, end of the year	-	<b>\$ -</b>	11,604,200	\$ 0.12

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 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.

	<b>Total</b>
<b>Balance, February 28, 2017</b>	\$ 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)
<b>Balance, February 28, 2018 and 2019</b>	\$ -

### 8. INCOME TAXES

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

	<b>2019</b>	2018
Deferred tax assets (liabilities) arising from:		
Losses deductible against future taxable income	\$ 373,870	\$ 338,074
Capital losses deductible against future capital gains	2,538	-
Investments	4,151	3,677
Equipment	1,613	1,613
Exploration and evaluation assets	(78,337)	(83,737)
Share issue costs	14,645	21,895
Valuation allowance	(318,480)	(281,522)
<b>Net deferred tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

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

Loss before income taxes	\$ 129,766	\$ 79,585
Combined federal and provincial statutory income tax rates	27.0%	26.2%
Recovery of income taxes based on combined statutory income tax rates	\$ 35,037	\$ 20,825
Add (deduct):		
Tax effect of losses not recognized	(40,668)	(49,168)
Taxable amounts	-	(5,729)
Expenses deductible for tax purposes	7,251	7,027
Net effect of items that are not taxable or deductible	(1,620)	27,045
<b>Provision for (recovery of) income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has non-capital losses of approximately \$1,385,000 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 2039.

The change in the statutory tax rate from 2018 to 2019 is due to an increase in the British Columbia provincial tax rate during the year.

In addition, the Company has resource related expenditures (Canadian Exploration Expenses) of \$1,419,000, 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.

# Cariboo Rose Resources Ltd.

## Notes to the Financial Statements

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(Expressed in Canadian dollars)

### 9. SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
<b>Supplemental disclosure of non-cash financing activities</b>		
Transfer from share capital for fair value of warrants issued on private placements	-	25,300
Shares issued to finders in connection with private placements	-	2,658
<b>Supplemental cash flow information</b>		
Interest received	\$ 89	\$ 2,814

### 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 \$71,845 (2018 - \$76,638). At February 28, 2019, payable to related parties included \$31,324 (2018 - \$5,370) payable to Eastfield.

During the year, geological services totaling \$43,639 (2018 - \$876,790) 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, 2019, payable to related parties included \$27,292 (2018 - \$6,338) 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, 2019.

Remuneration for key management personnel included \$6,000 (2018 - \$46,894) 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, 2019 and 2018.

# **Cariboo Rose Resources Ltd.**

## **Notes to the Financial Statements**

**February 28, 2019 and 2018**

(Expressed in Canadian dollars)

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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 project deposits and tax credit receivable from the Government of British Columbia. As such, the Company considers this risk to be minimal and has not recognized an expected credit loss allowance on these financial instruments. As at February 28, 2019, 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 and payable to related parties 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, 2019, 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.

# **Cariboo Rose Resources Ltd.**

## **Notes to the Financial Statements**

**February 28, 2019 and 2018**

(Expressed in Canadian dollars)

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### **14. 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.