



ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016
(Expressed In Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Atlantic Industrial Minerals Incorporated

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Atlantic Industrial Minerals Incorporated, which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Atlantic Industrial Minerals Incorporated as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada

"Morgan & Company LLP"

June 28, 2017

Chartered Professional Accountants

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)

| | AS AT | |
|---|---------------------|---------------------|
| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
| ASSETS | | |
| Current | | |
| Cash | \$ 5,033 | \$ 73 |
| Taxes receivable | 1,774 | 4,916 |
| | 6,807 | 4,989 |
| Land | 26,500 | 26,500 |
| Exploration And Evaluation Assets (Note 5) | 881,117 | 831,379 |
| | \$ 914,424 | \$ 862,868 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 6) | \$ 378,072 | \$ 374,823 |
| Due to shareholders (Note 10) | 179,875 | 112,979 |
| | 557,947 | 487,802 |
| Long Term Debt (Note 13) | 350,000 | 350,000 |
| | 907,947 | 837,802 |
| EQUITY | | |
| Share Capital (Note 8) | 1,968,510 | 1,968,510 |
| Reserves (Note 9) | 277,000 | 296,200 |
| Deficit | (2,239,033) | (2,239,644) |
| Total Equity | 6,477 | 25,066 |
| | \$ 914,424 | \$ 862,868 |

Approved on behalf of the Board:



Greg Isenor
Director



John Cumming
Director

See accompanying notes to consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Expressed in Canadian Dollars)

| | YEARS ENDED | |
|--|---------------------|---------------------|
| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
| Expenses | | |
| Consulting fees | \$ 1,525 | \$ 1,300 |
| Filing and transfer agent fees | 21,472 | 13,967 |
| Interest and bank charges | 83 | 1,736 |
| Office expense | 1,925 | 250 |
| Professional fees | 13,995 | 14,340 |
| Loss Before Other Items | \$ (39,000) | \$ (31,593) |
| Other Items | | |
| Write-off of accounts payable | \$ 20,411 | \$ - |
| Net Loss And Comprehensive Loss For The Year | \$ (18,589) | \$ (31,593) |
| Loss Per Share – Basic and Diluted | \$ (0.00) | \$ (0.00) |
| Weighted Average Number Of Common Shares Outstanding: | 24,633,449 | 24,633,449 |

See accompanying notes to consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016
(Expressed in Canadian Dollars)

| | COMMON SHARES WITHOUT PAR VALUE | | RESERVES | | | TOTAL EQUITY |
|-----------------------------------|------------------------------------|---------------------|-------------|-------------------|-----------------------|-----------------|
| | NUMBER OF SHARES | AMOUNT | SHARE-BASED | INVESTMENT | DEFICIT | |
| | | | PAYMENTS | REVALUATION | | |
| Balance, February 28, 2015 | 24,633,449 | \$ 1,968,510 | \$ 19,200 | \$ 277,000 | \$ (2,208,051) | \$ 56,659 |
| Net loss for the year | - | - | - | - | (31,593) | (31,593) |
| Balance, February 28, 2016 | 24,633,449 | \$ 1,968,510 | \$ 19,200 | \$ 277,000 | \$ (2,239,644) | \$ 25,066 |
| Write off expired warrant reserve | - | - | (19,200) | - | 19,200 | - |
| Net loss for the year | - | - | - | - | (18,589) | (18,589) |
| Balance, February 28, 2017 | 24,633,449 | \$ 1,968,510 | \$ - | \$ 277,000 | \$ (2,239,033) | \$ 6,477 |

See accompanying notes to consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)

| | YEARS ENDED | |
|---|-----------------------------|-----------------------------|
| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
| Cash Flows Provided By (Used In): | | |
| Operating Activities | | |
| Net loss for the year | \$ (18,589) | \$ (31,593) |
| Items not involving cash | | |
| Write-off of accounts payable | (20,411) | - |
| Change in non-cash working capital: | | |
| Taxes receivable | 3,142 | 5,966 |
| Accounts payable and accrued liabilities | 23,660 | 27,476 |
| | \$ (12,198) | \$ 1,849 |
| Investing Activity | | |
| Expenditures on exploration and evaluation assets | \$ (49,738) | \$ (71,682) |
| Financing Activity | | |
| Loan from shareholders, net | \$ 66,896 | \$ 69,783 |
| Increase (Decrease) In Cash | \$ 4,960 | \$ (50) |
| Cash, Beginning Of Year | \$ 73 | \$ 123 |
| Cash, End Of Year | \$ 5,033 | \$ 73 |

See accompanying notes to consolidated financial statements.

ATLANTIC INDUSTRIAL MINERALS INCORPORATED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016
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1. NATURE OF OPERATIONS AND GOING CONCERN

Atlantic Industrial Minerals Incorporated (the "Company" or "AIM") was incorporated on November 17, 1992 under the Canada Business Corporations Act. The Company's shares are traded on the NEX board of the TSX Venture Exchange ("TSX-V") under the symbol "Anl".

The registered address and records office of the Company are located at 1246 Hollis Street, Halifax, Nova Scotia, Canada, B3J 1T6. The head office and principal address for business administration is located at Suite 802, 1550 Bedford Highway, Bedford, Nova Scotia, B4A 1E6.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Canada. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

Management cannot provide assurance that the Company and its subsidiaries (the "Group") will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. Management intends to continue to raise additional funding in the form of equity financing from the sale of common stock to improve the working capital position, but there is no assurance that the Group will be successful in achieving this goal. These factors may cast significant doubt on the use of the going concern basis of accounting used in the preparation of these consolidated financial statements. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Group be unable to continue in business, and these adjustments may be material.

2. BASIS OF PRESENTATION

a) *Statement of compliance*

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

The financial statements were authorized for issue on June 28, 2017 by the directors of the Company.

b) *Basis of measurement*

The consolidated financial statements of the Group have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted, which is the Company's functional currency.

c) *Foreign currency translation*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the subsidiaries of the Group is the Canadian dollar.

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2. BASIS OF PRESENTATION (Continued)

c) *Foreign currency translation* (Continued)

Transactions and balances:

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

d) *Critical accounting judgments and estimates*

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates, which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical Judgments

- The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
- Management's capitalization of exploration and evaluation costs and assumptions regarding the future recoverability of such costs are based on, among other things, the Company's estimate of current mineral reserves and resources which are based on engineering and geological estimates, estimated resource prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

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2. BASIS OF PRESENTATION (Continued)

d) Critical accounting judgments and estimates (Continued)

- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's best estimates, as additional information becomes available. The most sensitive estimates affecting the financial statements were the identification and capitalization of exploration costs, determination of impairment in the carrying values for long-lived assets, the existence of contingent assets and liabilities, the valuation of share-based compensation and the valuation of deferred income tax assets.

Areas where estimates are significant to the consolidated financial statements were as follows:

- carrying amounts of the Company's exploration and evaluation assets; and
- the determination of income taxes and the valuation of deferred income tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

| | Country of Incorporation | Percentage owned* | |
|------------------------------|--------------------------|-------------------|------------------|
| | | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
| Great Bras d'Or Springs Inc. | Canada | 100% | 100% |
| Glencoe Resources Inc. | Canada | 100% | 100% |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Group has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

c) Share-based payments

The directors have authorized a stock option plan to issue up to 2,000,000 options to eligible persons. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payments reserve. The fair value of options and warrants is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options and warrants expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

d) Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) *Financial instruments* (Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Group does not have any derivative financial assets and liabilities.

e) *Impairment of assets*

The carrying amount of the Group's assets (which include property, plant and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of operations and comprehensive income/loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and the assets value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) *Impairment of assets* (Continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

f) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. As at February 28, 2017 and February 29, 2016, the Company had no cash equivalents

g) *Income taxes*

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares:

Any premium received by the Group on the issuance of flow-through shares is initially recorded as a liability ("premium liability"). Upon renouncement by the Group of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the premium liability will be reversed. To the extent that suitable deferred tax assets are available, the Group will reduce the deferred tax liability and record a deferred tax recovery.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Restoration and environmental obligations

The Group recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Group's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Group's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Group's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Group's accounting policy for exploration and evaluation assets.

i) Land

Land is stated at historical cost less accumulated impairment losses. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

j) Recent accounting standards not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 9 - Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has yet to assess the full impact of IFRS 9.

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4. CAPITAL MANAGEMENT

The Group's policy is to maintain a capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital, net of accumulated deficit. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

5. EXPLORATION AND EVALUATION ASSETS

| | Glencoe Carbonate Property |
|---|---|
| Property Acquisition Costs | |
| Balance, February 29, 2016 | \$ 437,000 |
| Exploration And Evaluation Costs | |
| Balance, February 29, 2016 | \$ 394,379 |
| Costs incurred during year: | |
| Claim renewals | 840 |
| Drilling and related costs | 34,708 |
| Project administration | 27,415 |
| Government grant | (13,225) |
| Balance, February 28, 2017 | \$ 881,117 |
| Balance, February 29, 2016 | \$ 831,379 |

Glencoe carbonate property

The Company holds a 100% interest in the Glencoe Carbonate property. The Company issued 6,000,000 common shares and 2,000,000 common share purchase warrants for Glencoe Resources Inc. and the Kewstoke Limestone property. A \$50,000 cash payment is also due and has been deferred to the earlier of a completion of an equity financing of not less than \$750,000 or June 14, 2020. The vendors are also entitled to receive a production royalty from these properties based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold.

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6. TRADE PAYABLES AND ACCRUED LIABILITIES

| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
|---------------------|---------------------|---------------------|
| Trade payables | \$ 293,500 | \$ 290,251 |
| Accrued liabilities | 84,572 | 84,572 |
| | \$ 378,072 | \$ 374,823 |

7. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | Years ended | |
|--|---------------------|---------------------|
| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
| Statutory tax rate | 31% | 31% |
| Expected income tax recovery at the statutory tax rate | \$ (6,000) | \$ (10,000) |
| Change in tax assets not recognized | 6,000 | 10,000 |
| Deferred income tax (recovery) | \$ - | \$ - |

The components of the Group's deferred tax assets and liabilities are as follows:

| Deferred Tax Assets | 2017 | 2016 |
|------------------------------------|-----------|-----------|
| Exploration and evaluation assets | \$ 22,000 | \$ 22,000 |
| Non capital losses | 402,000 | 396,000 |
| Share issuance costs and other | 2,000 | 2,000 |
| Deferred tax assets | 426,000 | 420,000 |
| Deferred tax assets not recognized | (426,000) | (420,000) |
| Net deferred tax asset | \$ - | \$ - |

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

At February 28, 2017, the Group has \$1,296,000 (2016 – \$1,276,000) of non-capital losses available for deduction in future years expiring over various years to 2035.

The Company also has Canadian and foreign resource related expenditures totaling approximately \$951,000 (2016 - \$901,000) which can be used to offset future income taxes.

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8. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended February 28, 2017 was based on the loss attributable to common shareholders of \$18,589 (2016 - \$31,593) and the weighted average number of common shares outstanding of 24,633,449 (2016 – 24,633,449).

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the years ended February 28, 2017 and February 29, 2016 are as follows:

| | Number of options 2017 | Weighted average exercise price | Number of options 2016 | Weighted average exercise price |
|---|---------------------------------------|--|---------------------------------------|--|
| Options outstanding, beginning of year | 600,000 | \$0.10 | 600,000 | \$0.10 |
| Options expired | (600,000) | - | - | - |
| Options exercisable and outstanding, end of year | - | - | 600,000 | \$0.10 |

No options were issued or exercised during the year ended February 28, 2017. There are no options outstanding at February 28, 2017.

Warrants

There are nil outstanding warrants at February 28, 2017

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9. RESERVES

a) Share based payments reserve

During the year ended February 28, 2013, the Company issued 2,000,000 common share purchase warrants with a value of \$27,000 (before write off of \$7,800 and \$19,200 on expiry of the warrants) which were capitalized as property acquisition costs.

The share based payments reserve records items recognized as share based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, or are forfeited, the amount previously recorded as an expense will be transferred to deficit.

b) Investment revaluation reserve

On March 23, 2009, the Company received back 3,615,872 of its common shares as part of the terms of the sale of Kelly Rock Limited to Municipal Capital Incorporated. These shares were determined to have a fair value of \$85,000 however the original par value was \$362,000. The difference of \$277,000 has been recognized as a contribution of capital to the investment revaluation reserve.

10. RELATED PARTY TRANSACTIONS

Acquisition of Glencoe Resources Inc. and the Kewstoke property

On August 31, 2012, the Company acquired the remaining 50% of Glencoe Resources Inc. (Glencoe) and the Kewstoke limestone property (Kewstoke). At the time of the transaction one of the vendors was a director of the subsidiary of the Company. As a result of the transaction, this vendor has become a principal shareholder and has been subsequently nominated as a director of the Company. The Company issued 6,000,000 common shares and 2,000,000 common share purchase warrants for Glencoe and Kewstoke. An additional \$50,000 cash payment is due the earlier of; completion of an equity financing of not less than \$750,000 or June 14, 2017. The vendors are also entitled to receive a production royalty from these properties based on the greater of \$1.50 per tonne or 5% of the gross selling price of all carbonate product sold.

Related party balances

The following amounts are due to three (2016 – three) directors of the Company or Companies controlled by the directors:

| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
|--|---------------------|---------------------|
| Included in due to shareholders | \$ 179,875 | \$ 112,979 |
| Included in accounts payable and accrued liabilities | 64,350 | 64,350 |
| Included in long-term debt | 350,000 | 350,000 |
| | \$ 594,225 | \$ 527,329 |

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The Company also owes \$3,445 (2016 - \$3,445) to a corporation with common directors for invoices paid on the Company's behalf.

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11. FINANCIAL RISK MANAGEMENT

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has a planning and budgeting process in place to help determine the funds required to support the Group's normal operating requirements on an ongoing basis. The Group ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Group's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Group's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

In the years ended February 28, 2017 and February 28, 2016, the Group received funds from specific shareholders to help with current obligations and mitigate the liquidity risk.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Group does not hedge its exposure to fluctuations in foreign exchange rates. The Group is not exposed to currency risk as it incurs expenditures that are denominated in Canadian dollars, its functional currency.

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11. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to interest rate risk as the Company has no applicable financial instruments.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
|------|-----------------------------|-----------------------------|
| Cash | \$ 5,033 | \$ 73 |

Financial liabilities included in the statement of financial position are as follows:

| | FEBRUARY 28 2017 | FEBRUARY 29 2016 |
|--|-----------------------------|-----------------------------|
| Trade payables and accrued liabilities | \$ 378,072 | \$ 374,823 |
| Due to shareholders | 179,875 | 112,979 |
| Long term debt | 350,000 | 350,000 |
| | \$ 907,947 | \$ 837,802 |

Fair value

The fair value of the Group's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The following is an analysis of the Group's financial assets measured at fair value as at February 28, 2017 and February 29, 2016:

| | As at February 28, 2017 | | |
|---------------------------|-------------------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 5,033 | \$ - | \$ - |

| | As at February 29, 2016 | | |
|---------------------------|-------------------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 73 | \$ - | \$ - |

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12. SEGMENTED INFORMATION

Operating segments

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The Group's non-current assets are located in Canada.

13. LONG TERM DEBT

On February 1, 2017, an extension to the 2014 payment deferral agreement was signed to defer \$300,000 in current payables that arose from current and prior year consulting and legal fees payable to two directors of the Company. A further \$50,000 in property payments was also deferred to the same directors. The debt is deferred to the earlier of equity financings aggregating not less than \$750,000 and June 14, 2020. The debt is unsecured, non-interest bearing and without specific payments terms.

14. SUBSEQUENT EVENTS

At the date of these financial statements, there were no events known to the Company that have not been recorded and that would have had a material effect on these financial statements.