

# **CRYSTAL EXPLORATION INC.**

Financial Statements

For the years ended February 28, 2017 and February 29, 2016

Expressed in Canadian Dollars



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## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of  
Crystal Exploration Inc.

We have audited the accompanying financial statements of Crystal Exploration Inc. which comprise the statements of financial position as at February 28, 2017 and February 29, 2016, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position Crystal Exploration Inc. 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 as issued by the International Accounting Standards Board.

### **Emphasis of Matter**

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

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
June 26, 2017

CRYSTAL EXPLORATION INC.  
 Statements of Financial Position  
 As of February 28, 2017 and February 29, 2016  
 Expressed in Canadian Dollars

	February 28, 2017	February 29, 2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 76,734	\$ 45,006
Amounts receivable	12,659	13,297
Prepaid expenses and deposits	34,065	4,282
	123,458	62,585
Exploration and evaluation assets (note 4)	937,792	364,729
<b>Total Assets</b>	<b>\$ 1,061,250</b>	<b>\$ 427,314</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 7)	\$ 141,292	\$ 65,590
Deferred flow-through liability (note 9)	11,881	4,495
<b>Total Liabilities</b>	<b>153,173</b>	<b>70,085</b>
<b>Equity</b>		
Share capital (note 5)	2,515,843	1,435,160
Option and warrant reserve (note 5)	455,430	343,871
Deficit	(2,063,196)	(1,421,802)
<b>Total Equity</b>	<b>908,077</b>	<b>357,229</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,061,250</b>	<b>\$ 427,314</b>

NATURE OF OPERATIONS AND GOING CONCERN (note 1)

SUBSEQUENT EVENT (note 11)

Authorized for issuance on behalf of the Board on June 26, 2017

Director (signed by) "Jim Greig"

Director (signed by) "Sean Mager"

*The accompanying notes form an integral part of these financial statements.*

CRYSTAL EXPLORATION INC.  
 Statements of Comprehensive Loss  
 For the years ended February 28, 2017 and February 29, 2016  
 Expressed in Canadian Dollars

	Year ended February 28, 2017	Year ended February 29, 2016
<b>Expenses</b>		
Investor relations expenses	\$ 213,206	\$ 58,746
Management and consulting fees	257,137	12,582
Office and administration	27,075	23,855
Professional fees	79,957	41,200
Property acquisition and exploration costs (note 4)	-	12,820
Regulatory and filing fees	44,136	20,541
Share based compensation (note 5 (c))	81,293	106,606
Loss before other items	(702,804)	(276,350)
<b>Other items:</b>		
Settlement of flow-through liability (note 9)	62,481	37,138
Foreign exchange loss	(1,071)	-
<b>Net loss and comprehensive loss for the year</b>	<b>(641,394)</b>	<b>(239,212)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>24,824,243</b>	<b>16,686,669</b>

*The accompanying notes form an integral part of these financial statements.*

CRYSTAL EXPLORATION INC.

Statements of Changes in Equity

For the years ended February 28, 2017 and February 29, 2016

Expressed in Canadian Dollars

	Number of shares	Share capital	Option and warrant reserve	Deficit	Total equity
	(#)	(\$)	(\$)	(\$)	(\$)
<b>Balance at February 28, 2015</b>	<b>14,462,500</b>	<b>932,106</b>	<b>236,311</b>	<b>(1,182,590)</b>	<b>(14,173)</b>
Shares issued for cash	4,923,333	536,500	-	-	536,500
Flow-through premium liability	-	(41,633)	-	-	(41,633)
Share issuance costs	-	(40,859)	-	-	(40,859)
Finders warrants issued	-	(954)	954	-	-
Shares issued for exploration and evaluation assets (note 4)	500,000	50,000	-	-	50,000
Shared-based payments	-	-	106,606	-	106,606
Comprehensive loss	-	-	-	(239,212)	(239,212)
<b>Balance at February 29, 2016</b>	<b>19,885,833</b>	<b>1,435,160</b>	<b>343,871</b>	<b>(1,421,802)</b>	<b>357,229</b>
Shares issued for cash (note 5)	10,071,639	1,177,680	-	-	1,177,680
Share subscription receivable	-	(6,750)	-	-	(6,750)
Value of attached warrants	-	(12,260)	12,260	-	-
Flow-through premium liability	-	(69,800)	-	-	(69,800)
Shares issued for exploration and evaluation assets (note 4)	500,000	75,000	-	-	75,000
Share issuance costs	-	(65,181)	-	-	(65,181)
Finders warrants issued	-	(18,006)	18,006	-	-
Share based payments	-	-	81,293	-	81,293
Comprehensive loss	-	-	-	(641,394)	(641,394)
<b>Balance at February 28, 2017</b>	<b>30,457,472</b>	<b>2,515,843</b>	<b>455,430</b>	<b>(2,063,196)</b>	<b>908,077</b>

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

CRYSTAL EXPLORATION INC.  
 Statements of Cash Flows  
 For the years ended February 28, 2017 and February 29, 2016  
 Expressed in Canadian Dollars

	February 28, 2017	February 29, 2016
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (641,394)	\$ (239,212)
Items not affecting cash:		
Share-based payments	81,293	106,606
Settlement of flow-through liability	(62,414)	(37,138)
Changes in non-cash working capital items:		
Amounts receivable	638	(10,284)
Prepaid expenses and deposits	(29,783)	(4,282)
Accounts payable and accrued liabilities	75,702	26,849
<b>Cash used in operating activities</b>	<b>(575,958)</b>	<b>(157,461)</b>
<b>Investing activity</b>		
Exploration and evaluation expenditures	(498,063)	(314,729)
<b>Cash used in investing activity</b>	<b>(498,063)</b>	<b>(314,729)</b>
<b>Financing activities</b>		
Proceeds from private placement	1,170,930	536,500
Share issuance costs	(65,181)	(40,859)
<b>Cash provided by financing activities</b>	<b>1,105,749</b>	<b>495,641</b>
Net increase in cash for the year	31,728	23,451
Cash, beginning of year	45,006	21,555
<b>Cash, end of year</b>	<b>\$ 76,734</b>	<b>\$ 45,006</b>
<b>Non-cash transactions and supplemental disclosures</b>		
Finders warrants	\$ 18,006	\$ 954
Shares issued for E&E	\$ 75,000	\$ 50,000

*The accompanying notes form an integral part of these financial statements.*

**1. Nature of operations and going concern**

Crystal Exploration Inc. (formerly Trigold Resources Inc.) (“Crystal” or the “Company”) was incorporated under the British Columbia Business Corporations Act on November 9, 2010 and has its shares listed for trading on the TSX Venture Exchange under the symbol “CEI”. The Company’s head office is located at suite 800-1199 West Hastings Street, Vancouver V6E 3T5, Canada. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired. Crystal is an exploration stage company and is in the process of identifying and acquiring mineral properties.

These financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable amount of time. At February 28, 2017, the Company had working capital deficit of \$29,715 (February 29, 2016 - \$7,500) and an accumulated deficit of \$2,063,196 (February 29, 2016 - \$1,421,802). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future, which indicate the existence of a material uncertainty that may cast significant doubts about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

**2. Basis of presentation**

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

These financial statements were authorized for issue by the Board of Directors of the Company on June 26, 2017.

These financial statements are presented in Canadian dollars which is also the functional currency of the Company. The use of the symbol “\$” herein is in reference to Canadian dollars. Disclosures for amounts denominated in currencies other than Canadian dollars use the International Standards Organization 3-letter symbol for such foreign currency.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

**3. Significant accounting policies (continued)**

a) Management estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

*Estimates and assumptions*

Share-based payments

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair values at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profits. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

Impairment of exploration and evaluation assets

Recognition of exploration and evaluation property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established, and takes into considerations variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

**3. Significant accounting policies (continued)**

*Judgments*

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available.

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

b) Cash

Cash is comprised of cash on hand and cash on deposit with the Company's financial institution on which it earns variable amounts of interest.

c) Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be probable. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

d) Financial instruments

Financial instruments are classified into one of five categories and, depending on the category, will either be measured at amortized cost using the effective interest method or fair value. Held to maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost. Financial assets and liabilities classified as fair value through profit or loss ("FVTPL") and available for sale financial assets are carried on the statement of financial position at their fair values, where such fair value is determinable. Changes in the fair value of fair value through profit or loss financial instruments are recognized in profit or loss in the period in which they occur, and changes in the fair value of available for sale financial assets are recognized as a component of other comprehensive income until the related financial assets are derecognized or impaired at which time accumulated changes in fair value in accumulated other comprehensive income are recognized in profit or loss. The Company classifies its cash as FVTPL. Accounts payable are classified as other financial liabilities.

The Company accounts for financial assets on the trade date, being the date on which the Company commits to buy or sell the financial asset. Transaction costs related to financial assets or financial liabilities classified as other than fair value through profit and loss will be added to the initial carrying value of the financial asset or liability. Transaction costs related to financial assets or financial liabilities classified as fair value through profit and loss are recognized immediately in profit or loss. Where transaction costs relate to available for sale financial assets they will be charged to other comprehensive income immediately after capitalization as available for sale assets are measured at fair value.

**3. Significant accounting policies (continued)**

d) Financial instruments (continued)

The Company assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that a counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when indicators suggest that there are measurable decreases in the estimated future cash flows.

e) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss. Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current taxes are determined using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income taxes are recorded using the liability method where by deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

f) Exploration and evaluation assets

Exploration and evaluation property acquisition costs and exploration costs directly related to specific properties are capitalized as exploration and evaluation assets and are classified as intangible assets, commencing on the date that the Company acquires legal rights to explore a property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. Exploration costs may include costs such as materials used, surveying costs, drilling costs, payments made to contractors, analysing historical exploration data, geophysical studies, and depreciation on equipment used during the exploration stage. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the capitalized costs of the related property are reclassified as mining assets, which will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

**3. Significant accounting policies (continued)**

f) Exploration and evaluation assets (continued)

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties.

g) Government assistance

British Columbia Mining Exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property and are recorded when it is probable the Company will receive the tax credits.

h) Loss per share

Loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding stock options and warrants. In the periods when the Company reports a net loss, the effect of potential issuances of shares under stock options and warrants is anti-dilutive. When diluted earnings per share is calculated, only those stock options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the years ended February 28, 2017 and February 29, 2016, all the outstanding stock options and warrants were anti-dilutive as the Company reported a net loss.

i) Share-based payments

Share-based payments related to the issuance of stock options to employees and others providing similar services pursuant to the Company's stock option plan, is measured at grant date, for using the fair value method whereby compensation expense is recorded in profit or loss with a corresponding increase to option and warrant reserve in equity. Share-based payments related to warrants and options issued to non-employees are measured at the fair value of the goods or services received using the graded vesting method. When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. Consideration paid on the exercise of stock options and warrants is recorded as an increase to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in option and warrant reserve is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options that may not vest.

**3. Significant accounting policies (continued)**

i) Share-based payments (continued)

The Company recognizes share issue costs for the fair value of agents' warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to contributed surplus. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

j) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where 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 can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance costs. When some or all of the economic benefits required to settle a provision is 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.

As at February 28, 2017 and February 29, 2016, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

k) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

l) Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("Deferred flow-through liability").

The Company may, from time to time, issue flow-through shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the issuance of a flow-through share, it is bifurcated into equity (share) and liability (flow-through) components on the issue date to the extent that a premium exists. The equity portion is measured at the market value and the residual premium is allocated as a liability. The liability is recorded at the fair value of the obligation to renounce the expenditures that the issuer has incurred. This is effectively the "premium" the investor attributes to a flow-through share versus an ordinary share.

**3. Significant accounting policies (continued)**

l) Flow-through shares (continued)

When the expenditures are renounced, the Company reduces the deferred flow-through liability and records a recovery on settlement of flow-through liability. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense.

Flow-through shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

m) Recent accounting pronouncements

The Company adopted the following accounting standards on March 1, 2016. These amendments did not have a material impact on the Company's financial statements.

IAS 16 – Property, plant and equipment: In May 2014, the IASB amended IAS 16, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for property, plant and equipment that is based on revenue that is generated by an activity that includes the use of an asset is not allowed.

IAS 38 – Intangible assets: In May 2014, the IASB amended IAS 38, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for intangible assets that is based on revenue that is generated by an activity that includes the use of an intangible asset is not allowed. Exceptions are allowed where the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after March 1, 2017, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has not yet begun the process of assessing the impact that this new standard will have on its financial statements or whether to early adopt the standard.

**3. Significant accounting policies (continued)**

m) Recent accounting pronouncements (continued)

New accounting standards effective March 1, 2018

IFRS 9 – Financial instruments, classification and measurement: IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

IFRS 7 – Financial Instruments, disclosure: IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16 – Leases In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

**4. Exploration and evaluation assets**

Diamond Permits in Nunavut, Canada

Total costs incurred on the Diamond Permits are summarized as follows:

	Acquisition	Exploration	Total
Balance, February 28, 2015	\$ -	\$ -	\$ -
Acquisition costs	150,881	-	150,881
Geology	-	18,795	18,795
Assay	-	193,053	193,053
Other	-	2,000	2,000
Balance, February 29, 2016	150,881	213,848	364,729
Acquisition costs	125,000	-	125,000
Fieldwork	-	97,305	97,305
Geology	-	165,210	160,504
Community relations	-	5,511	5,511
Assay	-	179,787	179,787
Permits	-	250	250
<b>Balance, February 28, 2017</b>	<b>\$ 275,881</b>	<b>\$ 661,911</b>	<b>\$ 937,792</b>

During the year ended February 29, 2016, the Company signed a property purchase agreement ("Agreement") to acquire a 100% interest in eight Prospecting Permits (the 'Property') totaling 1,150 km<sup>2</sup> located in Nunavut, Canada from private owners (the "Vendor"). As consideration, the Company paid a total of \$75,000 in cash and issued 1,000,000 common shares of the Company with a fair value of \$125,000.

During the year ended February 29, 2016, the Company capitalized certain acquisition costs of \$25,881 in relation to the Agreement. The Company has also agreed to pay the Vendor a 1% royalty interest on the Property. The Company also has the sole and exclusive option to purchase the NSR royalty interest at a purchase price of \$3,000,000 at any time.

The Company has also agreed to make the following additional performance payments to the Vendor, upon the completion of the following milestones:

- annual payments of \$50,000 on each anniversary date, August 5<sup>th</sup>, for the first four years, payable by the Company in either cash or common shares of the Company ("Performance Shares"), or any combination thereof, in its sole discretion (paid in cash);
- payment of \$50,000 for each new discovery of a kimberlite pipe or dyke on the Property, payable by the Company in either cash or Performance Shares, or any combination thereof, in its sole discretion;
- issue 500,000 Performance Shares on completion of an inferred mineral resource estimate by a qualified independent geologist or mining engineer of not less than 5,000,000 tonnes on each kimberlite pipe or dyke; and
- issue 500,000 Performance Shares upon completion of a feasibility study.

During the year ended February 29, 2016, the Company incurred \$12,820 in exploration costs on the property before the Agreement was entered into. Therefore, these costs have been expensed on the statement of comprehensive loss.

**5. Share capital**

a) Common shares

The Company's articles authorize an unlimited number of Class "A" common shares without par value. A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
Balance, February 29, 2016	19,885,833	\$ 1,435,160
Shares issued for cash	10,071,639	1,177,680
Subscriptions receivable	-	(6,750)
Value of attached warrants	-	(12,260)
Flow-through premium liability	-	(69,800)
Shares issued for exploration property	500,000	75,000
Share issuance costs	-	(65,181)
Finders warrants issued	-	(18,006)
<b>Balance, February 28, 2017</b>	<b>30,457,472</b>	<b>\$ 2,541,093</b>

Share capital transactions during the year ended February 28, 2017:

On August 12, 2016, the Company closed a non-brokered private placement of 6,609,639 non-flow-through units ("NFT Units") at a price of \$0.11 per NFT Unit for gross proceeds of \$727,060 and 1,010,000 flow-through units ("FT Units") at a price of \$0.135 per FT unit for gross proceeds of \$136,350. Each NFT Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 for a period of twelve months from the date of issuance of the warrant. Each FT Unit consists of one common share and one-half of one common share purchase warrant.

Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 for a period of twelve months from the date of issuance of the warrant.

On December 19, 2016, the Company issued 670,000 non-flow-through common share units ("NFT Units") at a price of \$0.11 per unit for gross proceeds of \$73,700 and 1,782,000 flow-through units ("FT Units") at a price of \$0.135 cents per share for gross proceeds of \$240,570. Each NFT and FT Units consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 per share for 12 months from the date of issue, expiring on December 19, 2017.

Share capital transactions during the year ended February 29, 2016:

On July 13, 2015, the Company completed the first tranche of a non-brokered private placement of 2,165,000 non-flow-through units ("NFT Units") at a price of \$0.10 per NFT Unit for gross proceeds of \$216,500. Each NFT Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 until July 13, 2016. In addition to the NFT Units, the Company issued 85,000 flow-through common shares at a price of \$0.12 for gross proceeds of \$10,200 (Note 9 and 10). The Company issued an aggregate of 31,800 finders' warrants at a fair value of \$954, paid a total of \$6,360 in finders' fees and \$1,970 in filing and legal fees as share issuance costs in connection with the private placement.

**5. Share capital (continued)**

a) Common shares (continued)

Share capital transactions during the year ended February 29, 2016 (continued):

On September 18, 2015, the Company completed the second tranche of a non-brokered private placement of 550,000 NFT Units at a price of \$0.10 per NFT Unit for gross proceeds of \$55,000. Each NFT Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 until September 18, 2016. In addition to the NFT Units, the Company issued 41,666 flow-through common shares at a price of \$0.12 for gross proceeds of \$5,000 (Note 9 and 10). The Company issued an aggregate of 8,000 finders' warrants at a value of nil, paid a total of \$1,600 in finders' fees and \$4,825 in filing and legal fees as share issuance costs in connection with the private placement.

On December 18, 2015, the Company closed a non-brokered private placement of 2,081,667 flow-through common shares at a price of \$0.12 for gross proceeds of \$249,800 (Note 9 and 10). The Company paid a total of \$16,000 in finders' fees and \$10,104 in filing and legal fees as share issuance costs in connection with the private placement.

b) Warrants

A summary of share purchase warrant activity in the periods is as follows:

	Number of warrants	Weighted average exercise price
Balance, February 28, 2015	-	\$ -
Issued	1,397,300	0.15
Balance, February 29, 2016	1,397,300	0.15
Expired	(1,397,300)	0.15
Issued	5,353,225	0.15
<b>Balance, February 28, 2017</b>	<b>5,353,225</b>	<b>\$ 0.15</b>

As part of the August 12, 2016 NFT Unit and FT unit private placement, the Company issued 3,809,819 warrants. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 until August 12, 2017. In connection with this private placement the Company issued an aggregate of 199,666 finders' warrants. The finders' warrants entitle the finders to purchase one common share of the Company at a price of \$0.15 until August 12, 2017. The fair value of finders' fees granted was \$14,379 and was recorded as offset against share capital during year ended February 28, 2017.

As part of the December 19, 2016 NFT Unit and FT unit private placement, the Company issued 1,226,000 warrants. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 until December 19, 2017. In connection with this private placement the Company issued an aggregate of 117,740 finders' warrants. The finders' warrants entitle the finders to purchase one common share of the Company at a price of \$0.15 until December 19, 2017. The fair value of finders' fees granted was \$3,627 and was recorded as offset against share capital during year ended February 28, 2017.

5. Share capital (continued)

b) Warrants (continued)

A summary of the warrants outstanding and exercisable is as follows:

February 28, 2017			February 29, 2016		
Exercise price	Number of warrants	Weighted average remaining life (years)	Exercise price	Number of warrants	Weighted average remaining life (years)
\$ 0.15	3,809,819	0.32	\$ 0.15	1,082,500	0.29
0.15	199,666	0.02	0.15	31,800	0.01
0.15	1,226,000	0.18	0.15	275,000	0.11
0.15	117,740	0.02	0.15	8,000	-
<b>\$ 0.15</b>	<b>5,353,225</b>	<b>0.54</b>	<b>\$ 0.15</b>	<b>1,397,300</b>	<b>0.41</b>

c) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than death, one year after the death of an optionee or on the fifth anniversary of the date the option was granted. All options vest when granted unless otherwise specified by the Board of Directors.

A summary of stock option activity in the periods is as follows:

	Number of options	Weighted average exercise price
Balance, February 29, 2016	1,900,000	\$ 0.110
Issued	550,000	0.145
<b>Balance, February 28, 2017</b>	<b>2,450,000</b>	<b>\$ 0.120</b>

On August 22, 2016, the Company granted incentive stock options consultants to acquire an aggregate of 300,000 common shares, vesting 1/4 on November 23, 2016, 1/4 on February 23, 2017, 1/4 on May 23, 2017 and 1/4 on August 23, 2017. The options are exercisable at a price of \$0.145 cents per share for a period of five years.

On October 24, 2016, the Company granted incentive stock options a director to acquire an aggregate of 50,000 common shares, vesting 1/3 on grant date, 1/3 on October 25, 2017 and 1/3 on October 25, 2018. The options are exercisable at a price of \$0.145 cents per share for a period of five years.

On October 24, 2016, the Company granted incentive stock options consultants to acquire an aggregate of 200,000 common shares, vesting 1/4 on January 25, 2017, 1/4 on April 25, 2017, 1/4 on July 25, 2017 and 1/4 on October 25, 2017. The options are exercisable at a price of \$0.145 cents per share for a period of five years.

**5. Share capital (continued)**

c) Stock options (continued)

These incentive stock options have been granted in accordance with the Company's stock option plan. The estimated fair value of these options was recognized as share-based payment expense in the amount of \$37,250. During the year ended February 28, 2017, \$44,043 was recognized as share-based payment expense in connection with options granted in the prior year, which vest in the current year.

On January 15, 2016, the Company's Board of Directors granted stock options to acquire up to an aggregate 1,900,000 common shares of the Company under the Plan, vesting 2/3 on grant and 1/3 on January 15, 2017. The stock options were exercisable at a price of \$0.11 per common share and had an expiry date of on January 15, 2021 or earlier in accordance with the terms of the Plan. The estimated fair value of these options was recognized as share-based payment expense in the amount of \$106,606.

The fair values of the options granted during the years ended February 28, 2017 and February 29, 2016 were calculated using Black-Scholes model with the following weighted average assumptions:

	February 29, 2017	February 29, 2016
Weighted average assumptions:		
Risk-free interest rate	0.92%	0.48%
Forfeiture rate	0%	0%
Expected dividend yield	0%	0%
Expected option life (years)	5.00	1.14
Expected stock price volatility	118%	143%
Share price on grant date	\$0.12	\$0.09
Fair market value of the option on grant date	\$0.10	\$0.08

A summary of the options outstanding and exercisable is as follows:

February 28, 2017			February 29, 2016		
Exercise price	Number of options	Weighted average remaining life (years)	Exercise price	Number of options	Weighted average remaining life (years)
\$ 0.110	1,900,000	3.88	\$ 0.11	1,900,000	4.88
0.145	550,000	1.02	-	-	-
<b>\$ 0.144</b>	<b>2,450,000</b>	<b>4.91</b>	<b>\$ 0.11</b>	<b>1,900,000</b>	<b>4.88</b>

**6. Financial instruments and risk management**

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

**6. Financial instruments and risk management (continued)**

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

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. Market prices are comprised of three types of risk: currency risk, interest rate risk, commodity price risk.

*Currency risk*

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's share capital as well as the Company's reporting currency is denominated in Canadian dollars. Management has assessed that the Company's current exposure to currency risk is low, but acknowledges this may change in the future.

*Interest rate risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be minimal.

*Commodity price risk*

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

**6. Financial instruments and risk management (continued)**

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash.

The Company has assessed its exposure to credit risk on its cash and has determined that such risk is minimal. The majority of the Company's cash are held with financial institutions in Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board. As at February 28, 2017, all of the Company's account payable and accrued liabilities of \$141,292 is due within one year.

Determination of fair value

The statement of financial position carrying amounts for cash and accounts payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Financial assets and liabilities measured at fair value are grouped into three Levels or a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: unobservable inputs for the asset or liability.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

**6. Financial instruments and risk management (continued)**

As at February 28, 2017:

Asset:	Level 1	Level 2	Level 3	Total
Cash	\$ 76,734	-	-	\$ 76,734

As at February 29, 2016:

Asset:	Level 1	Level 2	Level 3	Total
Cash	\$ 45,006	-	-	\$ 45,006

**7. Related party transactions**

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the years ended	February 28, 2017	February 29, 2016
Management fees paid to companies controlled by directors, officers, and former officers	\$ 242,637	\$ 7,500
Professional fees paid to companies controlled by an officer and a former officer	42,348	10,933
Geological consultation fees capitalized - companies controlled by an officer and a director	157,506	37,800
Share based payments	46,483	106,606
	<b>\$ 488,974</b>	<b>\$ 162,839</b>

Key management compensation

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. The remuneration of key management personnel is summarized below:

For the years ended	February 28, 2017	February 29, 2016
Short term benefits	\$ 203,348	\$ 18,433
Share-based payments	46,483	95,384
	<b>\$ 249,831</b>	<b>\$ 113,817</b>

At February 28, 2017, accounts payable and accrued liabilities include \$100,421 (2016 - \$26,138) due to key management, directors of the Company and companies controlled by management or directors for services provided. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

**8. Income taxes**

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

	2017	2016
Combined statutory tax rate	26.00%	26.00%
Income tax recovery at combined statutory rate	\$ (166,762)	\$ (62,195)
Permanent differences and other	(106,645)	(24,598)
Flow-through renunciation	98,000	68,900
Tax benefits not recognized	175,407	17,893
Provision for income taxes	\$ -	\$ -

Significant components of the Company's unrecognized deferred tax assets (liabilities) are as follows:

	2017		2016	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Non-capital loss carry forwards	\$ 1,720,244	447,263	\$ 814,578	\$ 211,790
Share issuance costs	83,415	21,688	81,434	21,173
Exploration and evaluation assets	(118,643)	(30,847)	114,362	29,734
Total gross deferred income tax assets	1,685,016	438,104	1,010,374	262,697
Less: unrecognized deferred income tax assets	(1,685,016)	(438,104)	(1,010,374)	(262,697)
<b>Total deferred income tax assets</b>	<b>\$ -</b>	<b>- \$</b>	<b>- \$</b>	<b>-</b>

As at February 28, 2017, the Company had approximately \$1,720,000 (2016 - \$814,000) non-capital loss carry forwards available to reduce taxable income for future years. These losses expire as follows:

February 28, 2031	\$ 11,000
February 28, 2032	98,000
February 28, 2033	192,000
February 28, 2034	97,000
February 28, 2035	434,000
February 29, 2036	215,000
February 29, 2037	673,000
	<b><u>\$ 1,720,000</u></b>

During the year ended February 28, 2017, the Company issued flow-through common shares of \$376,920 (2016 - \$265,000) and renounced \$376,920 (2016 - \$265,000) of resources expenditures (Notes 5 (a) and 9). Expenditures related to the use of flow-through share proceeds are included in exploration and evaluation assets but are not available as a tax deduction to the Company as the tax benefits of these expenditures are renounced to the investors. As at February 28, 2017, the Company has \$63,800 in unspent flow-through funds which must be incurred by December 31, 2017 under the look back rules.

**9. Flow-through premium liability**

During the year ended February 28, 2017, the Company issued 2,792,000 flow-through units (Note 5 (a)) for gross proceeds of \$376,920 and recognized a deferred flow-through premium of \$69,800, non-cash, as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at February 28, 2017, the flow-through premium liability outstanding relating to these flow-through shares was \$11,881. The Company is still required to spend approximately \$63,800 in eligible exploration expenditures as at February 28, 2017 relating to these flow-through shares.

During the year ended February 29, 2016, the Company issued 2,208,833 flow-through units (Note 5 (a)) for gross proceeds of \$265,000 and recognized a deferred flow-through premium of \$41,633, non-cash, as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. During fiscal 2016 the Company recognized \$37,137 as reduction of the deferred flow-through premium liability based on the amount of eligible expenditures spent as at February 29, 2016. As at February 29, 2016, the flow-through premium liability outstanding was \$4,495.

**10. Capital management**

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

As at February 28, 2017, the Company considers the aggregate of its share capital, reserves and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash on hand.

**11. Subsequent event**

On April 4, 2017, the TSX Venture Exchange has accepted the filing of a property purchase agreement dated March 24, 2017, between the Company and North Arrow Minerals Inc., whereby the Company agrees to purchase two mineral claims and one mining lease (the Contwoyto property) in Nunavut. In consideration, the Company will pay \$100,000 (\$50,000 in the first year) and issue one million common shares over two years (500,000 shares in the first year). An additional one million common shares will be issued in stages based on milestones.

On June 12, 2017, the Company proposed to issue up to 10,000,000 units at a price of \$0.10 per unit for gross proceeds of up to \$1,000,000. Each unit will consist of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at an exercise price of \$0.18 per share for 24 months from the date of issue of the warrant. In the event that the shares of the Company trade at a price greater than \$0.25 per share for a period of 20 consecutive days, then the Company may deliver a notice to the warrant holders that they must exercise the warrants within the next 30 days or the warrants will expire. As of the date of the audit report, this proposed private placement had not been closed.