

**CAIRO RESOURCES INC.**

**Financial Statements**

**Years Ended February 28, 2017 and February 29, 2016**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF CAIRO RESOURCES INC.

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

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

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

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

We believe that the audit evidence we have obtained 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 of Cairo Resources 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.

#### *Emphasis of Matter*

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

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 28, 2017

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**CAIRO RESOURCES INC.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	February 28, 2017	February 29, 2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 42,820	\$ 3,616
GST receivable	880	2,991
Prepaid expenses	882	1,480
	<b>\$ 44,582</b>	<b>\$ 8,087</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 6)	\$ 10,539	\$ 10,044
<b>Shareholders' Equity (Deficiency)</b>		
Capital Stock (note 5)	372,726	274,076
Reserves (note 5)	101,904	101,904
Deficit	(440,587)	(377,937)
	34,043	(1,957)
	<b>\$ 44,582</b>	<b>\$ 8,087</b>

Approved on behalf of the Board:

"Darryl Cardey" (signed)

Director

"Michael Sadhra" (signed)

Director

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

**CAIRO RESOURCES INC.**  
**Statements of Loss and Comprehensive Loss**  
**Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

	<b>2017</b>	<b>2016</b>
<b>Expenses</b>		
Filing fees	\$ 8,542	\$ 4,797
General and administrative (Note 6)	21,937	29,647
Professional fees	13,120	7,115
Transaction costs	19,051	-
<b>Net Loss and Comprehensive Loss for the Year</b>	<b>\$ (62,650)</b>	<b>\$ (41,559)</b>
<b>Basic and Diluted Loss Per Common Share</b>	<b>\$ (0.04)</b>	<b>\$ (0.05)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>1,414,807</b>	<b>914,807</b>

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

**CAIRO RESOURCES INC.**  
**Statements of Changes in Equity (Deficiency)**  
**Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

	Capital Stock		Reserves	Deficit	Equity (Deficiency)
	Number	Amount			
<b>Balance, February 28, 2015</b>	<b>914,807</b>	<b>\$ 274,076</b>	<b>\$ 101,904</b>	<b>\$ (336,378)</b>	<b>\$ 39,602</b>
Net loss for the year	-	-	-	(41,559)	(41,559)
<b>Balance, February 29, 2016</b>	<b>914,807</b>	<b>274,076</b>	<b>101,904</b>	<b>(377,937)</b>	<b>(1,957)</b>
Proceeds from issuance of common shares	666,666	100,000	-	-	100,000
Share issue costs	-	(1,350)	-	-	(1,350)
Net loss for the year	-	-	-	(62,650)	(62,650)
<b>Balance, February 28, 2017</b>	<b>1,581,473</b>	<b>\$ 372,726</b>	<b>\$ 101,904</b>	<b>\$ (440,587)</b>	<b>\$ 34,043</b>

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

**CAIRO RESOURCES INC.**  
**Statements of Cash Flows**  
**Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Loss for the year	\$ (62,650)	\$ (41,559)
Changes in working capital balances		
GST receivable	2,111	(2,294)
Prepaid expenses	598	(1,063)
Accounts payable and accrued liabilities	495	(8,264)
<b>Cash Used in Operating Activities</b>	<b>(59,446)</b>	<b>(53,180)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares	100,000	-
Share issuance costs paid	(1,350)	(1,451)
<b>Cash Provided by (Used in) Financing Activities</b>	<b>98,650</b>	<b>(1,451)</b>
<b>Inflow (Outflow) of Cash</b>	<b>39,204</b>	<b>(54,631)</b>
<b>Cash, Beginning of Year</b>	<b>3,616</b>	<b>58,247</b>
<b>Cash, End of Year</b>	<b>\$ 42,820</b>	<b>\$ 3,616</b>

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

## CAIRO RESOURCES INC.

### Notes to the Financial Statements

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

(Expressed in Canadian Dollars)

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#### 1. NATURE AND CONTINUANCE OF OPERATIONS

Cairo Resources Inc. (the "Company") was incorporated under the *Business Corporations Act* of British Columbia on February 8, 2010. The Company was classified as a capital pool corporation ("CPC"), as defined in TSX Venture Exchange Policy 2.4, and the Company's common shares traded on the TSX Venture Exchange (the "TSX-V"). As a CPC, the principal business of the Company is to identify, evaluate and then acquire an interest in a business or assets (the "Qualifying Transaction") within 24 months from the date the Company's shares were listed for trading on the TSX-V.

At an annual and special meeting of its shareholders held on November 27, 2013, the Company received majority disinterested shareholder approval to transfer to the TSX-V's NEX board (the "NEX"); and conditional upon listing on the NEX, to cancel 200,000 escrowed common shares held by principals of the Company. The Company's application to the TSX-V for transfer to NEX was accepted, and the TSX-V advised that the Company's trading symbol would change from "QAI.P" to "QAI.H".

On May 7, 2014, the Company announced that it was unable to complete a Qualifying Transaction within its 24-month deadline, including extensions, and that it was required by the TSX-V to transfer its listing from the Tier 2 board of the TSX-V to the NEX. Upon listing on the NEX, the Company cancelled 200,000 escrowed common shares held by the principals of the Company.

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended February 28, 2017, the Company realized a loss of \$62,650 (2016 - \$41,559) and as at February 28, 2017 had a deficit of \$440,587 (2016 - \$377,937).

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses. At present, the Company has not completed its Qualifying Transaction within the required period and consequently has no current operating income or cash flows. Without additional financing, the Company will be unable to fund its ongoing operations for the next twelve months. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The head office and records office of the Company are located at 1430 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

**CAIRO RESOURCES INC.**  
**Notes to the Financial Statements**  
**For the Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION**

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for financial assets and liabilities classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

The significant accounting policies set out in note 3 have been applied consistently to all periods presented.

The Company's functional and presentation currency is the Canadian dollar.

(b) Approval of the financial statements

These financial statements of the Company were approved by the Board of Directors and authorized for issue on June 28, 2017.

(c) Critical accounting judgments and 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include accrued liabilities and the recoverability of deferred tax assets.

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

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements is included in the going concern assessment (see note 1).

(d) Recent accounting pronouncements not yet applied

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee that are mandatory for future accounting periods. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 9 *Financial Instruments: Classification and Measurement* addresses classification and measurement of financial assets and liabilities, including impairment of financial assets, and hedge accounting. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The accounting model for financial liabilities is largely unchanged from IAS 39 *Financial Instruments: Recognition and Measurement*, except for the presentation of the impact of credit risk on financial liabilities designated at FVTPL.

**CAIRO RESOURCES INC.**  
**Notes to the Financial Statements**  
**For the Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION** (continued)

(d) Recent accounting pronouncements not yet applied (continued)

The new general hedge accounting principles under IFRS 9 are aimed to align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it is expected to provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. IFRS 9 is mandatorily effective for annual periods beginning on or after March 1, 2018. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

The amendment to IAS 7 *Statement of Cash Flows* requires entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment is mandatorily effective for annual periods beginning on or after March 1, 2017.

**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, FVTPL, loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

*Fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category of financial assets.

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method. The Company has no assets classified as loans and receivables.

## CAIRO RESOURCES INC.

### Notes to the Financial Statements

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

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Financial assets (continued)

*Held-to-maturity*

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

*Available-for-sale*

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. The Company has no assets classified as AFS.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories:

*Borrowings and other financial liabilities*

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

## CAIRO RESOURCES INC.

### Notes to the Financial Statements

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

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(b) Cash

The Company considers cash to include amounts held in banks. The Company places its cash with major financial institutions in Canada.

(c) Share-based payments

The Company accounts for share-based payments using a fair value based method with respect to all share-based payments, to directors, employees and service providers. For directors and employees, the fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. For service providers, the fair value of the options is measured at the fair value of the goods or services received, unless related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of capital stock. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. The fair value is recognized as an expense with a corresponding increase in equity. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

Upon the exercise of the stock option, consideration received and the related amount transferred from reserves are recorded as capital stock.

(d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

**CAIRO RESOURCES INC.**  
**Notes to the Financial Statements**  
**For the Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

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

(e) Income taxes

Income tax expense comprises 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 income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

(f) Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share options and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

**4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) 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. Concentration of credit risk exists with respect to the Company's cash, as all amounts are held at a single major Canadian financial institution.

Credit risk is minimized by ensuring that these financial assets are placed with a major Canadian financial institution with a strong investment-grade rating by a primary ratings agency.

## CAIRO RESOURCES INC.

### Notes to the Financial Statements

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

(Expressed in Canadian Dollars)

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#### 4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At February 28, 2017, the Company had cash of \$42,820 (2016 - \$3,616) available to meet short-term business requirements and current liabilities of \$10,539 (2016 - \$10,044). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant market risk.

#### 5. CAPITAL STOCK

(a) Authorized

The Company has authorized an unlimited number of common shares without par value. As at February 28, 2017, the Company had outstanding 1,581,473 (2016 - 914,807) shares.

(b) Issued and outstanding

*2017*

On May 31, 2016, the Company completed a non-brokered private placement of 666,666 common shares at a price of \$0.15 for gross proceeds of \$100,000. The Company incurred \$1,350 of share issue costs related to the private placement, which was offset against capital stock.

(c) Escrow shares

As at February 28, 2017 and February 29, 2016, there are 299,999 common shares being held in escrow and are subject to a TSX-V mandated CPC Escrow Agreement. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities or in accordance with the CPC Escrow Agreement following the Company's completion of a Qualifying Transaction.

**CAIRO RESOURCES INC.**  
**Notes to the Financial Statements**  
**For the Years Ended February 28, 2017 and February 29, 2016**  
**(Expressed in Canadian Dollars)**

**5. CAPITAL STOCK (continued)**

(d) Stock options

The Company adopted a stock option plan (the "Plan") that allows the Company to issue options to certain directors, officers, employees and consultants of the Company. The Board shall specify the number of shares that will be placed under option, the option price and the period during which options may be exercised. The number of options granted to one person shall not exceed 5% of the outstanding shares at the time of granting the options. If employment with the Company is terminated, other than through death, options not exercised will expire within the later of 12 months after completion of the Qualifying Transaction and 90 days after the termination date. Until a Qualifying Transaction is completed, the maximum number of shares to be reserved under the Plan shall not exceed 158,147 which is 10% of the issued common shares of the Company at the closing of the Company's initial public offerings. Following the completion of a Qualifying Transaction the maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the shares issued and outstanding as at the date of the grant of options.

During the years ended February 28, 2017 and February 29, 2016, the Company did not grant any stock options.

The following summarizes the Company's stock options outstanding and stock option transactions for the years ended February 28, 2017 and February 29, 2016:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Outstanding and exercisable, February 28, 2015 and February 29, 2016</b>	20,000	\$ 0.65
Expired	(20,000)	\$ 0.65
<b>Outstanding and exercisable, February 28, 2017</b>	-	\$ 0.65

(e) Warrants

There were no warrants outstanding for the years ended February 28, 2017 and February 29, 2016.

## CAIRO RESOURCES INC.

### Notes to the Financial Statements

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

(Expressed in Canadian Dollars)

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#### 6. RELATED PARTY TRANSACTIONS

The Company's related party and key management personnel consist of a company owned by the executive officer and directors as follows:

	<b>Relationship</b>	<b>Nature of Transactions</b>
CDM Capital Partners Inc.	Partially owned by two directors, the President, CEO and CFO of the Company	Rent

During the year ended February 28, 2017, the Company paid \$9,000 (2016 - \$9,000) for rent to CDM Capital Partners Inc. and owed them \$nil (2016 - \$1,733) at year-end.

#### 7. CAPITAL MANAGEMENT

The Company is actively looking to acquire an interest in a business or assets, and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

There have been no changes to the Company's approach to capital management during the year.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing.

**CAIRO RESOURCES INC.****Notes to the Financial Statements****For the Years Ended February 28, 2017 and February 29, 2016****(Expressed in Canadian Dollars)****8. INCOME TAXES**

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 26.0% (2016 - 26%) as follows:

	<b>2017</b>	<b>2016</b>
Net loss for the year	\$ (62,650)	\$ (41,559)
Statutory income tax rate	26.0%	26.0%
Income tax recovery at Canadian statutory rate	(16,289)	(10,805)
Temporary differences	(351)	-
Unused tax losses	16,640	10,805
Total income tax recovery	\$ -	\$ -

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

	<b>2017</b>	<b>2016</b>
Non-capital losses	\$ 426,781	\$ 363,385
Share issuance costs	2,027	1,423
	\$ 428,808	\$ 364,808

At February 28, 2017, the Company has tax loss carry-forwards of approximately \$427,000, which expire between 2030 and 2037.