LORRAINE COPPER CORP.

Financial Statements
For the Years Ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lorraine Copper Corp.

We have audited the accompanying financial statements of Lorraine Copper Corp. (the "Company"), 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 shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 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 to the financial statements, which discloses that the ability of the Company to continue as a going concern is dependent upon obtaining additional financing within the next fiscal year, that there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company and that these financial statements do not reflect any adjustments or reclassifications, which could be material, which would be necessary if the Company was unable to continue as a going concern.

Hay + Watson

Chartered Professional Accountants
Vancouver, British Columbia
June 7, 2017

Lorraine Copper Corp.
Statements of Financial Position
As at February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

		2017		2016
ASSETS				
Current				
Cash and cash equivalents	**$**	**46,817**	$	13,517
Accounts receivable		**2,066**		5,036
Prepaid expenses		**18,575**		-
		67,458		18,553
Receivable from a related party (Note 11)		**6,500**		-
Project deposits		**64,000**		12,000
Exploration and evaluation assets (Note 4)		**4,138,545**		3,964,703
Equipment (Note 5)		**526**		633
	$	**4,277,029**	$	3,995,889
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**22,451**	$	28,324
Payable to related parties (Note 11)		**7,500**		12,347
Other liability (Note 8)		**8,228**		-
		38,179		40,671
Promissory note (Note 6)		**184,366**		117,428
Payable to Cariboo Rose Resources Ltd. (Note 11)		**12,000**		12,000
		234,545		170,099
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**6,340,235**		5,615,856
Warrant reserve (Note 7)		**245,632**		130,538
Options reserve (Note 7)		**363,239**		310,248
Deficit		**(2,906,622)**		(2,230,852)
		4,042,484		3,825,790
	$	**4,277,029**	$	3,995,889

Nature and continuation of operations (Note 1)

APPROVED BY THE BOARD

"D.D. Sharp" **Director**

"J. W. Morton" **Director**

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

Lorraine Copper Corp.
Statements of Loss and Comprehensive Loss
For the Years Ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	2017	2016
Expenses		
Amortization	**$ 146**	$ 158
Bank charges	**308**	296
Consulting	**8,400**	8,400
Dues and licenses	**541**	47
Investor relations	**25,111**	19,707
Legal and audit	**30,934**	19,541
Office	**5,991**	6,462
Rent	**23,720**	23,794
Salaries and benefits	**16,866**	16,637
Share-based compensation	**33,682**	-
Telephone	**1,675**	1,605
Transfer and filing fees	**23,236**	21,386
Loss before the following	**170,610**	118,033
Other (income)/expense		
Interest expense	**16,938**	10,800
Interest income	**(6)**	(7)
Other income (Note 8)	**(11,772)**	-
Impairment of mineral property interest (Note 4)	**500,000**	1,000,000
NET LOSS AND COMPREHENSIVE LOSS	**$ 675,770**	$ 1,128,826
BASIC AND DILUTED LOSS PER SHARE (Note 13)	**$ 0.023**	$ 0.049
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted	**29,600,933**	22,832,501

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

Lorraine Copper Corp.
Statements of Changes in Shareholders' Equity
For the Years Ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital (Note 7)	Warrant Reserve (Note 7)	Options Reserve (Note 7)	Deficit	Total Equity
Balance, March 1, 2015	22,832,501	$ 5,615,856	$ 130,538	$ 310,248	$ (1,102,026)	$ 4,954,616
Net loss for the year	-	-	-	-	(1,128,826)	(1,128,826)
Balance, February 29, 2016	22,832,501	$ 5,615,856	$ 130,538	$ 310,248	$ (2,230,852)	$ 3,825,790
Private placement, net of issue cost of $23,340	7,086,250	265,879	115,094	-	-	380,973
Sale of flow through tax benefits (Note 8)	-	(20,000)	-	-	-	(20,000)
Shares issued for acquisition of mineral property (Note 4)	7,700,000	478,500	-	-	-	478,500
Share-based compensation	-	-	-	52,991	-	52,991
Net loss for the year	-	-	-	-	(675,770)	(675,770)
Balance, February 28, 2017	37,618,751	$ 6,340,235	$ 245,632	$ 363,239	$ (2,906,622)	$ 4,042,484

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

Lorraine Copper Corp.
Statements of Cash Flows
For the Years Ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

		2017		2016
Cash provided by (used in)				
Operating Activities				
Net loss	**$**	**(675,770)**	$	(1,128,826)
Item not requiring cash				
Amortization		**146**		158
Impairment of mineral property interest		**500,000**		1,000,000
Share-based compensation		**33,682**		-
Other income		**(11,772)**		-
		(153,714)		(128,668)
Changes in non-cash working capital components				
Accounts receivable		**(630)**		454
Receivable from related party		**(6,500)**		-
Prepaid expense		**(18,575)**		-
Promissory note interest payable		**16,938**		10,800
Payable to related parties		**(8,264)**		16,197
Accounts payable and accrued liabilities		**(5,873)**		6,609
		(176,618)		(94,608)
Investing Activities				
Purchase of equipment		**(39)**		-
Mineral property acquisition costs		**(102,579)**		-
Mineral property exploration expenditures		**(66,437)**		(11,947)
Project deposits		**(52,000)**		-
		(221,055)		(11,947)
Financing Activities				
Shares and warrants issued for cash, net of issue costs		**380,973**		-
Promissory note proceeds		**100,000**		-
Repayment of promissory note		**(50,000)**		-
		430,973		-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**33,300**		(106,555)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**13,517**		120,072
CASH AND CASH EQUIVALENTS, END OF YEAR	**$**	**46,817**	$	13,517

Supplemental cash flow information (Note 10)

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

1. NATURE AND CONTINUATION OF OPERATIONS

Lorraine Copper Corp. (the "Company") was incorporated in the Province of British Columbia on October 23, 2007 and the common shares are listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol of LLC. The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flows.

The Company's registered office is located at 110-325 Howe Street, Vancouver, British Columbia V6C 1Z7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. At February 28, 2017, the Company had working capital of $29,279 (2016 – working capital deficiency of $22,118), an accumulated deficit of $2,906,622 (2016 - $2,230,852) and a net loss and comprehensive loss for the year of $675,770 (2016 - $1,128,826). The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations. Such adjustments and reclassifications could be material.

2. BASIS OF PREPARATION

These financial statements were authorized for issue on June 7, 2017 by the directors of the Company.

Statement of Compliance

These financial statements for the Company's reporting period ended February 28, 2017 have been prepared in accordance with and using accounting policies which are in full compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), and as set out in the CPA Canada Handbook – Accounting (the "Handbook").

Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for cash and cash equivalents and other financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value (Note 3), and are presented in Canadian dollars, the Company's reporting currency and the functional currency of all of its operations.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Estimates and Judgments

The preparation of these financial statements required management to make estimates, judgments and assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Accounting Estimates and Judgments (continued)

Critical accounting estimates are estimates, judgments and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of accounts receivable, determination of realizable amounts of deferred tax assets and liabilities, impairment of the carrying value of non-financial assets, estimation of provisions and measurement of equity instruments.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from equipment and the recognition of deferred tax assets and liabilities.

(b) Cash and Cash Equivalents

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

(c) Financial Instruments

Financial instruments are classified into various categories. Held to maturity investments and loans and receivables are measured at amortized cost, with amortization of premiums or discounts, losses and impairment included in current period interest income or expense. Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as FVTPL when the financial instrument is held for trading or designated as FVTPL. Financial instruments at FVTPL are measured at fair market value with all gains and losses included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the statement of financial position, and losses due to impairment are included in operations. All other financial assets and liabilities are carried at amortized cost.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

(i) Financial assets

The Company's financial assets include cash and cash equivalents, accounts receivable, receivable from a related party and project deposits.

Held for trading
Cash and cash equivalents are classified as held for trading. Cash and cash equivalents are measured in the fair value hierarchy using Level 1 inputs on a recurring basis.

Loans and receivables
Accounts receivable, receivable from a related party and project deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest rate method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(ii) Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, payables to related parties, payable to Cariboo Rose Resources Ltd. and the promissory note.

Other financial liabilities
The Company classifies its financial liabilities into the other financial liabilities category. Such financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

The carrying amount of the Company's financial assets classified as loans and receivables and financial liabilities classified as other financial liabilities as at February 28, 2017 and February 29, 2016 approximate their fair values.

(d) Exploration and Evaluation Assets

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made. Pre-exploration costs are expensed in the year they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and Evaluation Assets (continued)

All deferred mineral property interests are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable metals to be mined from estimated proven and probable reserves by property.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Proceeds received on the sale or option of the Company's property interest is recorded as a reduction of the mineral property cost. When proceeds received in respect of a property exceed its carrying cost, such excess is recognized in the statement of loss and comprehensive loss.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

(e) Joint Arrangements

The Company classifies its interests in joint arrangements as either joint operations or joint ventures. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Where the interest is classified as a joint operation, the Company recognizes it assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), any income from the sale or use of its share of the output of the joint operation, and any expenses (including its share of any expenses incurred jointly) that it has incurred in respect of its interest in the joint operation.

Where the interest is classified as a joint venture, the Company recognizes its interest as an investment and accounts for that investment using the equity method.

(f) Project Deposits

Project deposits consist of term deposits in favour of regulatory authorities held as site restoration deposits for mineral properties. These amounts are expected to be recovered on satisfactory completion of the related exploration activities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Provisions

(i) Environmental expenditures

The operations of the Company have been, and may in the future be, affected by changes in environmental regulations, including those relating to future reclamation and site restoration. The likelihood of new regulations and their overall effect on the Company are unknown and unpredictable. The Company plans to meet and, if possible, surpass standards set by legislation, by applying technically proven and economically feasible measures.

Environmental expenditures relating to ongoing environmental and reclamation programs are charged to operations as incurred, or depending on their future economic benefits, capitalized and amortized over the estimated remaining life of the related business operation, net of expected recoveries. These costs are recognized when the obligation is incurred and the fair value of the related costs is reasonably determinable. Management's estimate of reclamation and restoration costs has not been included in these financial statements as the amount is not significant.

(ii) Other provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(h) Equipment

Equipment is recorded at cost less accumulated amortization. The Company records amortization on a declining balance basis at the following annual rates. The amortization rates are reduced by one-half in the years of acquisition and disposal.

Office equipment	20%
Computer software	100%

(i) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that its equipment or mineral exploration and evaluation assets may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment is recognized immediately in the statement of loss and comprehensive loss. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share Capital

Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(k) Flow-through shares

The sale of tax deductions is recognized as a flow-through liability at the time of share issue at an amount equal to the allocated fair value. This liability is subsequently recognized as a credit to other income when the Company has fulfilled the obligation to pass on tax deductions to subscribers by incurring all eligible expenditures.

(l) Exploration Tax Credits

The Company may receive refundable exploration tax credits and grants from provincial jurisdictions in Canada equal to a specified rate of qualifying expenditures incurred on properties located within that jurisdiction. The Company records these exploration tax credits and grants as a reduction of qualifying expenditures as it incurs the related expenditures.

(m) Income Recognition

Interest from cash and cash equivalents is recorded on an accrual basis when collection is reasonably assured.

(n) Share-based Compensation

The Company has a stock option plan that is described in Note 7. All goods and services received in exchange for the grant of any share-based compensation are measured at their fair values. Where employees are rewarded using share-based compensation, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date, using the Black-Scholes option pricing model, and exclude the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based compensation is ultimately recognized as an expense in profit or loss with a corresponding credit to the option reserve, over the period during which the related share-based compensation vests.

Consideration received on the exercise of share purchase options is recorded as share capital and the related amount originally recorded in options reserve is transferred to share capital.

(o) Loss per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The computation of diluted earnings is performed by presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants if they would be anti-dilutive.

(p) Comprehensive Income or Loss

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income Taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current income tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the reporting date, adjusted for amendments to estimates of taxes payable made in previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for: initial recognition of goodwill; initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they are related to taxes levied by the same tax authority on the same taxable entity.

(r) New Accounting Standards and Interpretations

The following is a summary of new standards, amendments and interpretations that have been adopted during the year ended February 28, 2017:

(i) IFRS 7, Financial Instruments: Disclosures (“IFRS 7”)

The amendments to IFRS 7 provide clarification on when an entity has a continuing involvement in a financial asset. The amendments also provide clarification of disclosure requirements in condensed interim financial statements when offsetting financial assets and financial liabilities. The application of the amendments to IFRS 7 did not have any material impact on the presented financial statements.

(ii) IFRS 11, Joint Arrangements (“IFRS 11”)

The amendments to IFRS 11 provide guidance on the accounting for acquisition of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combination accounting in IFRS 3, Business Combinations and other IFRS standards except where those principles conflict with IFRS 11. The application of the amendments to IFRS 11 did not have any material impact on the presented financial statements.

(iii) IAS 1, Presentation of Financial Statements (“IAS 1”)

The amendments in IAS 1 clarify financial statement disclosure and presentation requirements. The application of the amendments to IAS 1 did not have any material impact on the presented financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards and Interpretations (continued)

(iv) IAS 16, Property, Plant and Equipment (“IAS 16”)

The amendments to IAS 16 provide clarification of acceptable methods of depreciation and amortization. The application of the amendments to IAS 16 did not have any material impact on the presented financial statements.

(v) IAS 34, Interim Financial Statements (“IAS 34”)

The amendment to IAS 34 provides clarification of disclosures required in interim financial statements. The application of the amendments to IAS 34 did not have any material impact on the presented financial statements.

(vi) IAS 38, Intangible Assets (“IAS 38”)

The amendments to IAS 38 provide clarification of acceptable methods of depreciation and amortization. The application of the amendments to IAS 38 did not have any material impact on the presented financial statements.

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these financial statements and include only those which the Company reasonably expects may be applicable to the Company at a future date:

(i) IFRS 2, Share-based Payment (“IFRS 2”)

The amendments to IFRS 2 clarify how entities should account for the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) IFRS 15, Revenue from contracts with customers (“IFRS 15”)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(iv) IFRS 16, Leases (“IFRS 16”)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual period beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers is also applied.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Accounting Standards and Interpretations (continued)

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

The amendments in IAS 7 require additional disclosure of changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017.

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

The amendments in IAS 12 clarify the recognition of deferred tax assets for unrealized losses. These amendments are effective for annual periods beginning on or after January 1, 2017.

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

4. EXPLORATION AND EVALUATION ASSETS

Acquisition and exploration expenditures incurred on mineral properties for the year ended February 28, 2017 are as follows:

	Lorraine	Okeover	Lust Dust	Total
ACQUISITION COSTS				
Balance, beginning of the year	$ 4,861,975	$ -	$ -	$ 4,861,975
Incurred during year	-	228,579	352,500	581,079
Balance, end of the year	4,861,975	228,579	352,500	5,443,054
EXPLORATION EXPENDITURES				
Expenditures for the year:				
Professional fees and field crews	3,600	41,680	11,540	56,820
Rental of vehicles and equipment	-	3,637	-	3,637
Geological	1,430	48	1,462	2,940
Transport and fuel	-	2,343	-	2,343
Food and accommodation	-	4,323	-	4,323
Field equipment	-	239	-	239
Freight	-	16	-	16
Communications	-	389	-	389
Assaying	-	3,277	-	3,277
Other	-	15	54	69
Share-based compensation	1,312	14,594	3,404	19,310
	6,342	70,561	16,460	93,363
Balance, beginning of the year	102,728	-	-	102,728
Mineral exploration tax credits	(600)	-	-	(600)
Balance, end of the year	108,470	70,561	16,460	195,491
IMPAIRMENT OF MINERAL PROPERTY				
Balance, beginning of the year	(1,000,000)	-	-	(1,000,000)
Impairment of mineral property	(500,000)	-	-	(500,000)
Balance, end of the year	(1,500,000)	-	-	(1,500,000)
	$ 3,470,445	$ 299,140	$ 368,960	$ 4,138,545

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition and exploration expenditures incurred on the Lorraine-Jajay mineral property for the year ended February 29, 2016 are:

	2016
ACQUISITION COSTS	$ 4,861,975
EXPLORATION EXPENDITURES	
Professional fees and field crews	14,000
	14,000
Balance, beginning of the year	92,928
Mineral exploration tax credit	(4,200)
Balance, end of the year	102,728
IMPAIRMENT OF MINERAL PROPERTY	(1,000,000)
	$ 3,964,703

Lorraine-Jajay Project, Omineca Mining Division, British Columbia

The Company acquired the Lorraine-Jajay mineral property through the plan of arrangement with Eastfield Resources Ltd. ("Eastfield"), a related company (Note 11)) and Lysander Minerals Corporation. Subject to an option agreement, Teck Resources Limited ("Teck") earned a 51% joint venture interest in the property by completing $9,000,000 of exploration expenditures by December 31, 2010. Teck was entitled to increase its interest to 60% by funding, at a minimum $500,000 annually until completion of a feasibility study on the property, and further increase its interest to 65% by arranging or providing the financing for production. However, as Teck did not meet the minimum funding requirements for three consecutive years, the additional interest option was terminated and a joint venture was formed as of January 16, 2014. The interests of the joint venturers are 51% Teck and 49% the Company.

On November 26, 2015, the Company entered into an agreement to acquire Teck's 51% joint venture interest in the Lorraine-Jajay mineral property. This agreement was terminated on May 3, 2016; the ownership of the property remains unchanged.

Due to the prolonged depressed economic environment for mineral exploration stage companies and a delay in exploration and evaluation work on the mineral property interest, the Company performed a detailed review of impairment indicators during the year. Based on this review, the Company estimated the recoverable amount of its mineral property interest using the value in use methodology and determined that the carrying amount of the mineral property interest exceeded the estimated recoverable amount. An impairment estimate of $500,000 was therefore recorded at February 28, 2017 (2016 - $1,000,000). The value in use estimate was calculated using a discounted cash flow methodology, which included assumptions on future commodity prices, mineral reserves and resources identified from current exploration and evaluation activities, capital expenditures, operating costs, discount rates, future foreign exchange rates and future inflation rates.

The discount rate used of 10% is the pre-tax rate that reflects current market assessments of the time value of money for the Company and the risks specific to the mineral property interests and does not reflect risks for which the future cash flow estimate have already been adjusted.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Okeover Project, Vancouver Mining Division, British Columbia

On April 28, 2016, the Company acquired a 40% interest in the Okeover copper molybdenum project located near Powell River on the southern British Columbia coast from Eastfield. Under the terms of the agreement the Company paid $40,000 to Eastfield and assumed responsibilities to cover its proportionate share of assessment work requirements on the property. In addition, the Company will pay Eastfield 20% of any future option payments resulting from 3rd party agreements with the project for a period of three years.

On September 21, 2016, the Company acquired the remaining 60% interest in the Okeover project from Prophecy Development Corp. ("Prophecy") in consideration for issuing 2,200,000 common shares (Note 7) and assuming the $19,079 payable by Prophecy to Eastfield. In addition, the Company will pay Prophecy 30% of any and all payments or proceeds, up to a maximum of $3,333,334, in perpetuity, received from any agreement for the sale, joint venture, royalty, streaming or other arrangement in connection with the project, provided that any such agreement is executed by the Company within 5 years from the date of the agreement.

As at February 28, 2017, the Company controls a 100% interest in the Okeover project, subject to a 2.5% net smelter royalty.

Lust Dust Property, Omineca Mining Division, British Columbia

On June 14, 2016, the Company acquired a 100% interest in the Lust Dust property in north-central B.C. from ALQ Gold Corp. ("ALQ") in consideration for $50,000, the issuance of 5,500,000 common shares (Note 7) and the obligation to incur aggregate exploration expenditures of $100,000 on or before September 19, 2017.

5. EQUIPMENT

	Office Equipment	Computer Software	Total
COST			
Balance, February 28, 2015 and February 29, 2016	$ 2,498	$ 188	$ 2,686
Additions	-	40	40
Balance, February 28, 2017	2,498	228	2,726
ACCUMULATED AMORTIZATION			
Balance, February 28, 2015	1,707	188	1,895
Amortization	158	-	158
Balance, February 29, 2016	1,865	188	2,053
Amortization	127	20	147
Balance, February 28, 2017	**1,992**	**208**	**2,200**
Net Book Value, February 29, 2016	$ 633	$ -	$ 633
Net Book Value, February 28, 2017	**$ 506**	**$ 20**	**$ 526**

6. PROMISSORY NOTE

On December 15, 2013, the Company issued a $100,000 unsecured promissory note to Eastfield (Note 11). The promissory note had an initial term of 18 months and bears interest at a rate of 10% per annum, which was payable at the end of the term together with the principal. Eastfield has extended the term of the unsecured promissory note to June 15, 2018.

On April 26, 2016 and September 21, 2016, respectively, the Company issued additional unsecured promissory notes to Eastfield for $50,000 and $50,000. These promissory notes have a term of 24 months and bear interest at a rate of 10% per annum, which is payable at the end of the term together with the principal.

During the year ended February 28, 2017, the Company repaid $50,000 of principal on the outstanding balance of the promissory notes.

7. SHARE CAPITAL

Authorized
Unlimited common shares without par value
Unlimited preferred shares without par value

During the year ended February 29, 2016, the Company completed a common share consolidation at a ratio of two existing common shares for one new common share.

The Company completed an issue of 2,000,000 units at $0.05 per unit on May 25, 2016. Each unit is comprised of one flow-through share and one share purchase warrant for the purchase of one non-flow-through share at an exercise price of $0.05 per share for a period of five years. An additional 86,250 common shares were issued as finder's fees in connection with the private placement.

On June 14, 2016, 5,500,000 common shares were issued to ALQ Gold Corp. as part of the acquisition of a 100% interest in the Lust Dust property (Note 4).

On September 21, 2016, 2,200,000 common shares were issued to Prophecy Development Corp. as part of the acquisition of a 60% interest in the Okeover project (Note 4).

On October 28, 2016, the Company completed a private placement of 4,723,500 units at a price of $0.06 per unit. Each unit is composed of one common shares and one common share purchase warrant with an exercise price of $0.10 per share for a period of two years. The Company also issued 276,500 common shares as finder's fees in connection with the private placement.

Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Under the plan, the Company may issue up to 3,033,250 options. Presently granted options will normally vest entirely at the date of grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants. Options will expire no later than five years from the grant date, except that they will expire within ninety days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately).

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Share Purchase Options (continued)

Common share purchase options and weighted average exercise prices are as follows:

	2017		**2016**	
	Number of Shares	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**
Balance, beginning of the year	**1,925,000**	**$ 0.20**	**2,162,500**	**$ 0.20**
Granted	**2,075,000**	**0.06**	**-**	**-**
Expired	**(1,925,000)**	**0.20**	**(237,500)**	**0.20**
Balance, end of the year	**2,075,000**	**0.06**	**1,925,000**	**0.20**
Options exercisable, end of the year	**2,075,000**	**$ 0.06**	**1,925,000**	**$ 0.20**

The following common share purchase options are outstanding at February 28, 2017:

	Options Outstanding			**Options Exercisable**	
Expiry Date	**Number of shares**	**Exercise price ($)**	**Weighted Average Remaining Life**	**Number of shares**	**Exercise price ($)**
03-May-26	1,100,000	0.05	9.18	1,100,000	0.05
03-Nov-26	875,000	0.06	9.68	875,000	0.06
17-Jan-27	100,000	0.10	9.89	100,000	0.10
	2,075,000		9.43	2,075,000	

The Company determines the fair value of the option granted using the Black-Scholes option pricing model. During the year ended February 29, 2016, the Company did not grant any common share purchase options. Certain common share purchase options granted during the year ended February 28, 2017 were identified by the Company as replacement equity instruments for the original common share purchase options cancelled during the year ended February 28, 2017. The incremental fair value between the replacement common share purchase options and the original common share purchase options was determined to be nominal. The weighted average grant date fair value of new options granted during the year ended February 28, 2017 was $0.05 using the following assumptions:

	2017
Share price	**$0.06**
Exercise price	**$0.06**
Risk-free interest rate	**0.62%**
Expected share price volatility	**154%**
Expected average period until exercise	**3 years**
Expected dividend yield	**-**

The effects of early exercise were incorporated in the estimate of the expected life of the common share purchase options. Expected volatility was determined based on historic volatility of the Company's share price over a period ending on the grant date of the instrument and commensurate with the instruments expected life. Other features of common share purchase options granted did not affect the calculation of grant date fair value.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

Share Purchase Warrants

Common share purchase warrants and weighted average exercise prices are as follows:

	2017			2016		
	Number of Shares	Weighted Average Exercise Price		Number of Shares	Weighted Average Exercise Price	
Balance, beginning of the year	**1,000,000**	**$**	**0.12**	1,750,000	$	0.15
Issued	**6,723,500**		**0.09**	-		-
Expired	**-**		**-**	(750,000)		0.20
Balance, end of the year	**7,723,500**	**$**	**0.09**	1,000,000	$	0.12

The following warrants are outstanding at February 28, 2017:

Expiry Date	Warrants Outstanding: Number of shares	Warrants Outstanding: Exercise price ($)	Weighted Average Remaining Life
27-Oct-18	4,723,500	0.10	1.66
10-Sep-19	1,000,000	0.12	2.53
26-May-21	2,000,000	0.05	4.24
	7,723,500		2.44

The Company did not issue any common share purchase warrants during the year ended February 29, 2016. The Company determined the fair value of the common share purchase warrants granted during the year ended February 28, 2017 using the relative fair values of the components of the units issued. The fair value of the common share purchase warrant component was determined using the Black-Scholes option pricing model. The weighted average fair value of the common share purchase warrant component was $0.02, using the following assumptions:

	2017
Share price	**$0.05**
Exercise price	**$0.09**
Risk-free interest rate	**0.58%**
Expected share price volatility	**180%**
Expected average period until exercise	**1.3 years**
Expected dividend yield	**-**

The estimates of expected life incorporated an estimate of the potential early exercise of these warrants. The estimates of expected volatility were based on the historically observed volatility of the Company for a period generally commensurate with the expected lives of the instruments.

(Expressed in Canadian dollars)

8. OTHER LIABILITY

During the year ended February 28, 2017, the Company completed a private placement of 2,000,000 units at a price of $0.05 per unit for gross proceeds of $100,000. The common share issued as part of the unit in the private placement was sold on a "flow-through" basis pursuant to the Income Tax Act (Canada). The allocated fair value of $20,000 is estimated to be the fair value of the tax deductions sold of which $11,772 has been recognized as other income in these financial statements as the Company has fulfilled the obligation to pass on these tax deductions by incurring all eligible expenditures. The balance of $8,228 has been recognized as an other liability in these financial statements as the Company has not yet fulfilled the obligation to pass on these tax deductions.

9. INCOME TAXES

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

		2017		**2016**
Deferred income tax assets (liabilities) arising from:				
Losses deductible against future taxable income	**$**	**221,919**	$	180,740
Equipment		**788**		749
Exploration and evaluation assets		**418,771**		319,791
Share issue costs		**4,985**		195
Valuation allowance		**(646,463)**		(501,475)
Net deferred income tax assets (liabilities)	**$**	**-**	$	-

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

		2017		**2016**
Loss before income taxes	**$**	**675,770**	$	1,128,826
Combined federal and provincial statutory income tax rates		**26.00%**		26.00%
Recovery of income taxes based on combined statutory income tax rates		**175,700**		293,495
Add (deduct):				
Tax effect of losses not recognized		**(41,244)**		(33,518)
Expenses deductible for tax purposes		**1,279**		65
Net effect of items that are not taxable or deductible		**(135,735)**		(260,042)
Provision for (recovery of) income taxes	**$**	**-**	$	-

The Company has non-capital losses of approximately $854,000 for income tax purposes, which may be used to reduce taxable income of future years. If unused, these non-capital losses will expire between 2030 and 2037.

In addition, the Company has resource related expenditures (Canadian Exploration Expenses) of $636,000, most of which can be deducted at a 100% rate and which can be used to offset future Canadian taxable income and can be carried forward indefinitely.

(Expressed in Canadian dollars)

10. SUPPLEMENTAL CASH FLOW INFORMATION

		2017		2016
Supplemental disclosure of non-cash investing activities				
Common shares issued to acquire mineral property interests	**$**	**478,500**	$	-
Supplemental disclosure of non-cash financing activities				
Transfer from share capital for fair value of warrants issued on private placements		**115,093**		-
Shares issued to finders in connection with private placements		**20,903**		-
Supplemental cash flow information				
Interest received	**$**	**6**	$	7

11. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties.

In the normal course of business, the Company enters into transactions with Eastfield for the use of equipment, services and rental of office space. The Company is related to Eastfield through common directors. During the year, amounts payable for rent, salaries, telephone, office, consulting, and investor relations to Eastfield amounted to $69,014 (2016 - $76,639). At February 28, 2017, payable to related parties included $4,083 (2016 - $12,347) payable to Eastfield.

During the year, geological services totaling $70,505 (2016 - $14,000) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer, and is used on a project by project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. At February 28, 2017, payable to related parties included $3,417 (2016 - $Nil) payable to Mincord.

In the year ended February 28, 2011, reclamation bonds of $12,000, which had been released by the Ministry of Energy, Mines and Petroleum Resources to Cariboo Rose Resources Ltd., a related company with directors in common, were transferred to the Company. This amount remains owing to Cariboo Rose at February 28, 2017.

Remuneration for key management personnel included $33,056 (2016 - $Nil) in share-based compensation.

The Company has issued unsecured promissory notes to a related company, Eastfield (Note 6). The total principal and accrued and unpaid interest outstanding on these unsecured promissory notes is $184,366 at February 28, 2017 (2016 - $117,428). During the year ended February 28, 2017, the Company incurred $16,938 of interest expense related to these unsecured promissory notes (2016 - $10,800).

During the year ended February 28, 2017, the Company acquired a 40% interest in the Okeover property (Note 4) from Eastfield for consideration of $40,000 and 20% of any future option payments resulting from 3rd party agreements with the property made by the Company for a period of 3 years. In addition, during the year ended February 28, 2017, the Company purchased Prophecy Development Corp.'s 60% interest in the Okeover property (Note 4), which includes a $6,500 receivable from Eastfield. As at February 28, 2017, the receivable from a related party includes $6,500 (2016 - $Nil) due from Eastfield related to a project deposit on the Okeover property.

12. SEGMENTED DISCLOSURES

The Company operates in one industry segment, the acquisition and exploration of mineral properties, within Canada. Mineral properties and other capital assets are located in Canada.

(Expressed in Canadian dollars)

13. LOSS PER SHARE

The Company's diluted loss per share is equal to its basic loss per share. Outstanding share purchase options and warrants could potentially dilute basic loss per share in the future but were not included in the calculation of diluted loss per share because they are antidilutive for the years ended February 28, 2017 and February 29, 2016.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain risks, which include credit, liquidity and market risk. The risks related to financial instruments are managed by the senior management of the Company under policies and directions approved by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents and project deposits are held through major Canadian financial institutions. Its accounts receivable include goods and services taxes receivable from the Government of Canada and mineral exploration tax credit receivable from the Government of British Columbia. The Company's receivable from a related party is due from Eastfield.

The Company considers this risk to be minimal on its cash and cash equivalents, goods and services taxes receivable and mineral exploration tax credits receivable. For amounts due from a related party, the Company monitors the receivable balance and the payments made by the related company in order to determine if an allowance for estimated credit losses is required. When determining the allowance for estimated credit losses the Company will consider historical experience with the related company, current market and industry conditions and any specific collection issues. At February 28, 2017, none of the Company's accounts receivable are past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. The following tables are the remaining contractual maturities of the Company's non-derivative financial liabilities at the statement of financial position date. The amounts are gross and undiscounted, and include estimated interest payments.

February 28, 2017

	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Accounts payable and accrued liabilities	$ 22,451	$ -	$ -	$ -
Payables to related parties	7,500	-	-	-
Promissory note	-	-	184,366	-
Payable to Cariboo Rose Resources Ltd.	-	-	-	12,000
Total	$ 29,951	$ -	$ 184,366	$ 12,000

February 29, 2016

	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years
Accounts payable and accrued liabilities	$ 28,324	$ -	$ -	$ -
Payables to related parties	12,347	-	-	-
Promissory note	-	-	117,428	-
Payable to Cariboo Rose Resources Ltd.	-	-	-	12,000
Total	$ 40,671	$ -	$ 117,428	$ 12,000

(Expressed in Canadian dollars)

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is comprised of interest rate risk.

(i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding floating rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities. At February 28, 2017, the Company is not exposed to significant interest rate risk.

15. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level. The Company considers its capital for this purpose to be its shareholders' equity and cash and cash equivalents.

	February 28, 2017	February 29, 2016
Shareholders' equity	$ 4,042,484	$ 3,825,790
Cash and cash equivalents	$ 46,817	$ 13,517

The Company manages its 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 seek additional financing, or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and any updated budgets are approved by the Board of Directors. The Company has no external restrictions on its capital.

In order to maximize ongoing development efforts, the Company does not currently pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures for continuing operations.

The Company currently has sufficient capital resources to meet its administrative overhead expenses and it is confident it can raise additional funds to undertake all of its planned business activities through its current operating period. Actual funding requirements may vary from those planned due to a number of factors. Management believes it will be able to raise capital as required in the long term, but recognizes that there will be risks involved that may be beyond their control.

16. SUBSEQUENT EVENTS

On May 16, 2017, the Company granted 950,000 common share purchase options exercisable at $0.07 per share for a term of 10 years.