VATIC VENTURES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED

FEBRUARY 28, 2014 AND 2013

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Vatic Ventures Corp.

We have audited the accompanying consolidated financial statements of Vatic Ventures Corp., which comprise the consolidated statements of financial position as at February 28, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, changes in 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Vatic Ventures Corp. as at February 28, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

June 30, 2014

VATIC VENTURES CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		February 28, 2014		February 28, 2013
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	4,139	$	43,649
Amounts receivable (Note 12)		17,943		53,656
Deposit and prepaid expenses		-		10,728
		22,082		108,033
Non-current				
Equipment (Note 5)		4,951		6,224
Exploration and evaluation assets (Note 6)		193,765		417,265
Total assets	$	220,798	$	531,522
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)	$	342,116	$	235,031
Loans payable (Note 8)		117,392		188,477
Due to related parties (Note 12)		99,929		64,489
Total liabilities		559,437		487,997
EQUITY (DEFICIENCY)				
Share capital (Note 9)		2,839,049		2,511,696
Share-based payment reserve (Note 9)		97,617		119,292
Warrant reserve (Note 9)		29,205		11,658
Deficit		(3,304,510)		(2,599,121)
Total equity (deficiency)		(338,639)		43,525
Total liabilities and equity (deficiency)	$	220,798	$	531,522

Nature of operations and going concern (Note 1)
Commitments (Note 16)

Approved by the Board of Directors

"Nasim Tyab"	*"Matt Mikulic"*
Director	Director

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

VATIC VENTURES CORP.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

		Years ended February 28, 2014		February 28, 2013
Expenses				
Amortization (Note 5)	$	1,273	$	1,583
Business development		625		110,424
Consulting fees		100,644		159,113
Financing cost		11,269		-
Investor relations		-		55,600
Management fees (Note 12)		201,500		139,500
Office and miscellaneous		25,921		29,538
Professional fees		60,449		102,174
Property investigation		-		18,014
Rent		13,950		22,275
Salaries and wages		8,773		31,943
Share-based payments (Note 9 and 12)		-		97,823
Settlement of option agreement		14,400		-
Transfer agent and filing fees		35,265		30,188
Travel		7,867		13,411
Total expenses		(481,936)		(811,586)
Interest income		16		185
Interest expense		(15,144)		(3,722)
Write-down of exploration and evaluation assets (Note 6)		(230,000)		(950,269)
		(245,128)		(953,806)
Net and comprehensive loss for the year	$	(727,064)	$	(1,765,392)
Weighted average number of common shares outstanding (basic and diluted)		5,152,923		2,312,768
Basic and diluted net loss per share	$	(0.14)	$	(0.76)

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

VATIC VENTURES CORP.

Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Deficit	Total
Balance, February 29, 2012	2,004,625	$ 1,618,414	$ 14,915	$ 29,843	$ (857,018)	$ 806,154
Net loss for the year	-	-	-	-	(1,765,392)	(1,765,392)
Private placement	745,576	566,210	-	-	-	566,210
Share issued for acquisition of exploration and evaluation assets	607,266	395,541	-	-	-	395,541
Finder's fee	-	(56,811)	-	-	-	(56,811)
Fair value of agent's warrants granted	-	(11,658)	11,658	-	-	-
Fair value of agent's warrants expired	-	-	(14,915)	-	14,915	-
Fair value of options expired	-	-	-	(8,374)	8,374	-
Share-based payment	-	-	-	97,823	-	97,823
Balance, February 28, 2013	**3,357,467**	**2,511,696**	**11,658**	**119,292**	**(2,599,121)**	**43,525**
Net loss for the year	-	-	-	-	(727,064)	(727,064)
Private placement	5,958,332	357,500	-	-	-	357,500
Finder's fee	-	(12,600)	-	-	-	(12,600)
Fair value of agent's warrants granted	-	(17,547)	17,547	-	-	-
Fair value of options expired	-	-	-	(21,675)	21,675	-
Balance, February 28, 2014	**9,315,799**	**$ 2,839,049**	**$ 29,205**	**$ 97,617**	**$ (3,304,510)**	**$ (338,639)**

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

VATIC VENTURES CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended February 28, 2014	February 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (727,064)	$ (1,765,392)
Adjustments for:		
Amortization	1,273	1,583
Interest income	(16)	(185)
Interest expense	14,916	3,722
Share-based payments	-	97,823
Write-down of exploration and evaluation assets	230,000	950,269
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	35,711	(5,640)
Decrease in prepaid expenses	10,728	2,717
Increase in due to related parties	35,440	35,633
Increase in accounts payable and accrued liabilities	110,587	166,393
Net cash used in operating activities	(288,425)	(513,077)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16	185
Exploration and evaluation assets	-	(345,998)
Net cash used in investing activities	16	(345,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital	318,500	566,210
Share issuance costs	(12,600)	(56,811)
Loans payable	(57,001)	184,755
Net cash provided by financing activities	248,899	694,154
Decrease in cash and cash equivalents	(39,510)	(164,736)
Cash and cash equivalents, beginning of the year	43,649	208,385
Cash and cash equivalents, end of the year	$ 4,139	$ 43,649

Supplemental disclosure with respect to cash flows (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Vatic Ventures Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on October 30, 2007 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("Exchange") Policy 2.4 until January 26, 2011. On January 26, 2011, the Company completed its Qualifying Transaction (the "Transaction") and received the final exchange bulletin for the Transaction from the Exchange. As a result, the Company's shares are listed for trading on the Exchange under the trading symbol "VCV".

Following the completion of the Transaction, the Company is listed as a Tier 2 mining exploration issuer. The Company operates in a single business segment focusing on mineral exploration in British Columbia, Canada and Sinaloa, Mexico. To date, the Company has not generated any revenue from its mineral exploration activities and has met its cash requirements primarily through share issuances and interest income. Until the Company attains profitability, it will be necessary to raise additional financing for general working capital and for exploration costs on its properties. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

On September 23, 2013, the Company completed a share consolidation in which one post consolidation common share replaced eight pre-consolidation common shares (note 9). Upon Exchange approval of the share consolidation, the Company began trading on a post-consolidation basis under the symbol "VCV" on September 23, 2013. As such, all current and comparative share capital amounts have been restated to account for the 8 to 1 common share consolidation.

The head office, principal address, registered address and records office of the Company are located at 1008 Homer Street, Suite 318, Vancouver, British Columbia, Canada, V6B 2X1.

On June 20, 2012, the Company incorporated two wholly owned subsidiaries VV Mining Exploration Services Mexico S. DE. R. I. and VV Mining Mexico S. DE R. I. C. V. to carry out the exploration activities of the La Silla West claims in the State of Sinaloa, Mexico. As at February 28, 2014, the two subsidiaries were inactive. These financial statements present the consolidated operations of the Company and its subsidiaries.

As at February 28, 2014, the Company had a cumulative deficit of $3,304,510 (February 28, 2013 - $2,599,121) and a working capital deficiency of $537,355 (February 28, 2013 - $379,964). The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. However, the Company's future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance 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").

The accounting policies set out in Note 3 have been applied consistently to all periods.

Approval of the financial statements

The consolidated financial statements of the Company for the year ended February 28, 2014, were reviewed by the Audit Committee and approved and authorized for issue on June 30, 2014 by the Board of Directors of the Company.

Basis of preparation

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiaries, VV Mining Exploration Services Mexico S. DE. R. I. and VV Mining Mexico S. DE R. I. C. V. The two subsidiaries were incorporated in Mexico on June 20, 2012. Details of controlled entities are as follows,

	Country of incorporation	Percentage owned February 28, 2014
VV Mining Exploration Services Mexico S. DE. R. I.	Mexico	100%
VV Mining Mexico S. DE R. I. C. V.	Mexico	100%

All inter-company transactions and balances have been eliminated upon consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

Significant Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Significant Accounting Judgments (cont'd...)

1) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available.

3) Impairment

The assessment of indications of impairment of exploration and evaluation assets and related determination of the net recoverable amount and write-down of the assets, where applicable.

Significant Accounting Estimates and Assumptions

The estimates and associated 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 of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

1) Estimated Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical and industry experience. Adjustments to useful life are made when considered necessary. Amortization charges are disclosed in Note 5.

2) Share-Based Payments

Equity-settled share-based awards are recognized as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of an option valuation model – Black-Scholes, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life, and is expensed over the vesting period. Using different input estimates or models produces different option values, which would result in the recognition of a higher or lower expense.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and term deposits that are readily convertible to known amounts of cash and/or with original maturities of three months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The functional currency of the Company and its subsidiaries is measured using the currency of the primary economic environment in which it operates. The financial statements are presented in Canadian dollars which is the Company's and its subsidiaries' functional and presentation currency.

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

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

Financial instruments

The Company classifies its financial assets and liabilities into one of the following categories, depending on the purpose for which the financial instrument was acquired. The Company's accounting policy for each category is as follows:

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL")

Financial assets and financial liabilities classified as FVTPL are acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value based on market prices, with any resulting gains and losses reflected in net income for the period in which they arise.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity which an entity has the intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income when the financial asset is derecognized or impaired, and through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Available-for-sale investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment of financial assets

At each reporting date the Company assesses whether there is any 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 the group of financial assets.

Transaction costs related to financial instruments other than FVTPL are capitalized as part of the cost of the financial instrument.

The Company does not use any derivative or hedging instruments.

Financial liabilities

Financial liabilities are classified as other financial liabilities or FVTPL, based on the purpose for which the liability was incurred. The Company's liabilities comprise accounts payable and accrued liabilities and due to related parties, all of which are classified as other financial liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

The Company classified its financial instruments as follows:

- Cash and cash equivalents are classified as FVTPL.
- Amounts receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities have been classified as other financial liabilities.
- Amounts due to related parties are classified as other financial liabilities.
- Loans payable are classified as other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of operations and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

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 bases. 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 income 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, the deferred tax asset is reduced.

Property and Equipment

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Property and Equipment (cont'd...)

Amortization

The amortization rates applicable to each category of property and equipment are as follows:

Class of equipment	Amortization rate
Furniture and fixtures	20% declining balance
Computer equipment	45% declining balance

One-half the normal amortization is taken in the year of acquisition.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

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

(Loss) earnings per share

Basic (loss) earnings per share is computed by dividing the net loss or income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the flow-through share into 1) share capital based on the fair value of the Company's shares at the date of announcement , and 2) a flow-through share premium, equal to the residual value of the units issued, if any, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced (or expected to be renounced) to the shareholders. The premium is recognized as deferred tax recovery and the related deferred tax liability is recognized as a tax provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through shares (cont'd...)

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

Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that have vested.

If and when the share options are exercised, the applicable amounts of share-based payment reserve are transferred to share capital. If the share options are cancelled or expire unexercised, the related amount is transferred to deficit.

Valuation of equity units issued in private placements

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to the common shares based on the market trading price of common shares at the time the units are issued, with any excess value allocated to the warrants.

The fair value of common shares issued in the private placements are determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount is transferred to deficit.

Exploration and evaluation expenditures

Costs incurred prior to the Company obtaining legal title are expensed in the period in which they are incurred.

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property by property basis. These direct expenditures include such costs as surveying costs, drilling costs, labour and contractor costs, materials used and licensing and permit fees.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation expenditures (cont'd...)

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to operations.

Currently, the Brookmere properties of the Company are at the exploration stage.

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

Management reviews capitalized costs on its mineral properties at each reporting period and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the sale of the property.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized, however, for corporate income tax purposes; the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

Payments on mineral property Option Agreements are made at the discretion of the Company and, accordingly, are recorded on a cash basis.

The Company's entitlement to mineral exploration tax credits are accounted for on a cash basis.

Impairment of assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Restoration, rehabilitation, and environmental obligations

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. As at February 28, 2014 and 2013, the Company has no known restoration, rehabilitation or environmental obligations.

New Accounting Standards Adopted

The Company has adopted these accounting standards effective March 1, 2013. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

- IFRS 7 Financial Instruments Disclosures
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS 13 Fair Value Measurement

Accounting standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting years beginning after January 1, 2014 or later years. None of these are expected to have a significant effect on the financial statements:

IFRS 9 Financial Instruments (2010)

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from International Accounting Standards ("IAS") 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at FVTPL; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Applicable to annual periods beginning on or after January 1, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting standards, amendments and interpretations not yet effective (cont'd...)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual periods beginning on or after March 1, 2014.

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- IFRS 2 — Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

Applicable to annual periods beginning on or after July 1, 2014.

4. CASH AND CASH EQUIVALENTS

	February 28, 2014	February 28, 2013
Cash at bank	$ 4,139	$ 4,039
Term deposit	-	39,610
Cash and cash equivalents	$ 4,139	$ 43,649

The term deposit was a 30 day term deposit with 0.45% annual interest rate which matured on March 15, 2013, and was withdrawn on March 28, 2013.

5. EQUIPMENT

	Computer equipment	Furniture & fixtures	Total
Cost:			
At February 29, 2012 and February 28, 2013	$ 1,770	$ 8,068	$ 9,838
Amortization:			
At February 29, 2012	398	1,633	2,031
Charges for the year	296	1,287	1,583
At February 28, 2013	$ 694	$ 2,920	$ 3,614
Net book value:			
At February 28, 2013	**$ 1,076**	**$ 5,148**	**$ 6,224**

	Computer equipment	Furniture & fixtures	Total
Cost:			
At February 28, 2013 and 2014	$ 1,770	$ 8,068	$ 9,838
Amortization:			
At February 28, 2013	694	2,920	3,614
Charges for the year	243	1,030	1,273
At February 28, 2014	$ 937	$ 3,950	$ 4,887
Net book value:			
At February 28, 2014	**$ 833**	**$ 4,118**	**$ 4,951**

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition and exploration costs on its mineral properties.

	Canada	Mexico	Mexico	
	Brookmere Property	La Silla West Property	La Silla Property	Total
Balance of costs				
Total acquisition costs	$ 119,700	$ 213,000	$ -	$332,700
Total deferred exploration costs	272,065	-	-	272,065
Balance, February 29, 2012	$ 391,765	$ 213,000	$ -	$604,765
Additions				
Acquisition costs				
Cash	$ -	$ 80,625	$ 116,000	$196,625
Shares	25,500	91,641	278,400	395,541
Total acquisition costs	25,500	172,266	394,400	592,166
Exploration costs				
Property tax	-	-	110,032	110,032
Property assessments	-	12,230	-	12,230
Field work	-	8,273	-	8,273
Geological consulting	-	35,742	-	35,742
Legal fees	-	579	-	579
Maps	-	473	-	473
Travel and accomodation	-	3,274	-	3,274
Total exploration costs	**-**	**60,571**	**110,032**	**170,603**
Total acquisition costs	145,200	385,266	394,400	924,866
Total deferred exploration costs	272,065	60,571	110,032	442,668
Write-down of exploration and evaluation assets	-	(445,837)	(504,432)	(950,269)
Balance, February 28, 2013	**$ 417,265**	**$ -**	**$ -**	**$417,265**

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

		Canada		
		Brookmere Property		Total
Balance of costs				
Total acquisition costs	$	145,200	$	145,200
Total deferred exploration costs		272,065		272,065
Balance, February 28, 2013	$	417,265	$	417,265
Additions				
Exploration costs				
Field work	$	6,500	$	6,500
Total exploration costs		**6,500**		**6,500**
Total acquisition costs		145,200		145,200
Total deferred exploration costs		278,565		278,565
Write-down of exploration and evaluation assets		(230,000)		(230,000)
Balance, February 28, 2014	**$**	**193,765**	**$**	**193,765**

BROOKMERE PROPERTY

On May 17, 2010 and further amended on January 14, 2011, the Company entered into a mineral property option agreement (the "Agreement") with Eastland Management Ltd. ("Eastland"). Pursuant to the terms of the Agreement, the Company has the option to acquire a 100% undivided interest in 14 claims (the "Brookmere Property") located southwest of Merritt, British Columbia, Canada.

To acquire a 100% undivided interest in the Brookemere property and to exercise the option, the Company is to pay Eastland:

1) $15,000 cash (paid) upon execution of the agreement.

2) Issue 83,750 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $67,000) of the Company upon issuance of the Final Exchange Bulletin.

3) Issue 25,000 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $16,000) of the Company on or before the first year anniversary of the bulletin.

4) Issue 37,500 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $25,500) of the Company on or before the second year anniversary of the bulletin.

Upon the commencement of commercial production, the Company shall pay Eastland a 1.5% Net Smelter Returns Royalty. Upon execution of the agreement and the Company receiving the Geological Report, the Company shall pay $15,000 (paid) to Eastland, which amount shall be non-refundable in the event the agreement is terminated.

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

BROOKMERE PROPERTY (cont'd...)

Rider Capital Corp. received 8,375 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) as a finder's fee in connection with the transaction (common shares were issued and valued at $6,700).

On February 13, 2013, the Company entered into an option agreement with Quadro Resources Corp. ("Quadro"). Quadro is related to the Company through common directors. The Company granted an exclusive right and option to Quadro to acquire, subject to the terms and conditions of this option agreement, a 51% interest in the property subject to a 1.5% Net Smelter Return royalty in favor of the Underlying Vendor. On March 7, 2014, the Company amended the option agreement in respect to the mineral property.

Pursuant to the terms of the amending agreement, Quadro has to complete the following within the time limit as follows:

a. $110,000 of exploration expenditures by March 31, 2015;

b. a further $250,000 of exploration expenditures by March 31, 2016; and

c. a further $500,000 of exploration expenditures by March 31, 2017.

As at February 28, 2014, the Company dropped 8 of the 14 claims that comprise the Brookmere Property, and the Company recorded $230,000 as an impairment charge to write-off part of the property.

LA SILLA WEST PROPERTY, SINALOA, MEXICO

The Company entered into an initial mineral property option agreement with K.J. Gold Canada Ltd. ("K.J. Gold") and its wholly owned Mexican subsidiary on April 6, 2011. The agreement ("Option Agreement") was finalized on November 30, 2011 and approved by the Exchange on December 13, 2011. The Company can acquire an undivided 100% interest in certain mineral claims known as the La Silla West property (the "La Silla West Property") located in Sinaloa, Mexico.

In order for the Company to exercise its option (the "Option") and earn an undivided 100% right, title and interest from the optionor (the "Optionor"), the Company had to:

1) upon execution of the Option Agreement, pay the optionor $15,000 cash (paid);

2) on approval by the Exchange, issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $105,000) and pay $75,000 cash (paid) to the Optionor;

3) on or before the first anniversary date of the Option Agreement, pay the optionor an additional $75,000 (paid) cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $85,000);

4) on or before the second anniversary date of the Option Agreement, pay the optionor an additional $75,000 cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)). The Company would have acquired a 50% interest in the property;

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

LA SILLA WEST PROPERTY, SINALOA, MEXICO (cont'd...)

5) on or before the third anniversary date of the Option Agreement, pay the optionor an additional $75,000 cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)). The Company would have acquired a 75% interest in the property.

6) on or before the fourth anniversary date of the Option Agreement, pay the optionor an additional $75,000 cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)). The Company would have acquired a 100% interest in the property.

Upon the commencement of commercial production, the Company was to pay K.J. Gold a 2.0% Net Smelter Returns Royalty (the "NSR").

The Company would have acquired a 50% interest in the property once the first 375,000 shares of the Company (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) were issued and $225,000 is paid. After the acquisition of the 50% interest, the Company had the choice to enter into a joint venture with the optionor with respect to the joint development of the property rather than pursue the acquisition of a further interest.

The Company had to pay a Finder's fee of $26,250 and issue 46,875 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) to the finder in consideration for the finder introducing K.J. Gold to the Company:

- Cash payment of $7,500 (paid) and issue 12,500 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $10,500) on the closing date;

- Cash payment of $5,625 (outstanding) and issue 9,766 (issued and valued at $6,641) common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the one year anniversary of the closing date;

- Cash payment of $5,625 (outstanding) and issue 9,375 (outstanding) common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the two year anniversary of the closing date;

- Cash payment of $3,750 and issue 8,984 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the three year anniversary of the closing date; and

- Cash payment of $3,750 and issue 6,250 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the four year anniversary of the closing date.

As at February 28, 2013, the Company questioned the viability of La Silla West Property and recorded $445,837 as an impairment charge to write-off the property.

On November 19, 2013 and amended on June 7, 2014, the option agreement for La Silla West Property was terminated. In consideration of termination, the Company had to pay directly to K.J. Gold the total sum of $32,000 in the following three installments:

- Cash payments of $12,000 by November 11, 2013 (paid);
- Cash payments of $20,000 (paid $2,400) by June 7, 2014;

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

LA SILLA PROPERTY, SINALOA, MEXICO

On April 16, 2012, the Company entered into an agreement (the "Option Agreement") with Minera Meridian Minerals S.R.L. de C.V. ("Minera Meridian") to acquire the right to earn an undivided 100% interest in mineral claims located in Sinaloa, Mexico. Under the terms of the Option agreement, the Company was required to issue common shares and make the cash payments according to the following schedule, with value added tax of 16% (or whatever the rate may be at the time of each payment):

- 375,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $240,000) of the Company and a $100,000 cash payment (paid) to Minera Meridian on the closing date;
- 187,500 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) of the Company and a $100,000 cash payment to Minera Meridian on the first anniversary of the closing date;
- 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) of the Company and a $100,000 cash payment to Minera Meridian on the second anniversary of the closing date;
- 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) of the Company and a $100,000 cash payment to Minera Meridian on the third anniversary of the closing date.

The Company would have acquired a 70% interest in the property after fulfilling the above payments. The Company would have had to make the final payment of 375,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) and $750,000 to Minera Meridian to acquire the remaining 30% interest.

Additionally, with the first payment to Minera Meridian, the Company also issued 60,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) valued at $38,400 and paid $16,000 for value added tax of 16%.

As at February 28, 2013, the Company questioned the viability of the La Silla property and recorded $504,432 as an impairment charge to write-off the property.

On June 28, 2013, the Company terminated its option agreement with Minera Meridian Minerales S.R.L. de C.V. The Company has no further mining properties in Mexico.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 28, 2014	February 28, 2013
Accounts payable	$293,775	$208,576
Accrued liabilities	48,341	26,455
	$342,116	$235,031

8. LOANS PAYABLE

During the year ended February 28, 2013, the Company obtained loans from 3 arms-length parties, Quarry Bay Equity, Jacques Martel and Coventry Partners Inc.

As at February 28, 2013, the loans payable consisted of a $32,500 loan from Coventry Partners Inc. ("Coventry"), a $117,455 loan from Quarry Bay Equity ("Quarry") and a $34,800 loan from Jacques Martel. The Company also accrued $3,722 interest on the loans for an aggregate balance of $188,477. All the loans are unsecured, due on demand and bear an annual interest rate of 12%.

During the year ended February 28, 2014, the Company paid $32,500 to Coventry, at which time Coventry forgave the outstanding interest of $3,717. The Company also paid $56,000 to Quarry.

As at February 28, 2014, the loans payable consisted of a $61,455 loan disclosed above from Quarry and a $37,300 loan from Jacques Martel. The Company also accrued $18,637 interest on the loans for an aggregate balance of $117,392. All the loans are unsecured, due on demand and bear an annual interest rate of 12%.

Principal	Additional principal	Accrued interest expenses	Payment	Interest forgiven	Loan balance at February 28, 2014
$ 32,500	$ -	$ 3,717	$ (32,500)	$ (3,717)	$ -
117,455	-	13,622	(56,000)	-	75,077
34,800	2,500	5,016	-	-	42,316
$ 184,755	$ 2,500	$ 22,354	$ (88,500)		$ 117,392

Principal	Accrued interest expenses	Loan balance at February 28, 2013
$ 32,500	$ 1,673	$ 34,173
117,455	1,640	119,095
34,800	409	35,209
$ 184,755	$ 3,722	$ 188,477

9. SHARE CAPITAL

Authorized: unlimited common shares without par value

On September 23, 2013, the Company completed a share consolidation in which one (1) post-consolidated common share replaced eight (8) pre-consolidated common shares. All information relating to basic and diluted loss per share, the weighted average number of common shares outstanding, the issued and outstanding common shares, common shares issued, share options, warrants, and commitments to exploration and evaluation assets (Note 6) have been adjusted retroactively to reflect the impact of the share consolidation in these consolidated financial statements.

On October 22, 2013, the Company closed the first tranche of a non-brokered private placement of 4,808,334 units at a price of $0.06 per unit for total proceeds of $288,500. Each unit will be issued as a non flow-through unit consisting of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 36 months following the closing date.

A finder's fee of $8,700 in cash and 145,000 agents' warrants with a fair value of $12,587 in connection with the private placement closed on October 22, 2013. The fair value of the warrants was calculated using a risk free rate of 1.35%, and expected life of 3 years, a volatility of 232% and an expected dividend rate of 0.00%.

9. SHARE CAPITAL (cont'd...)

On January 21, 2014, the Company closed the second tranche of a non-brokered private placement of 416,666 units at a price of $0.06 per unit for total proceeds of $25,000. Each unit will be issued as a non flow-through unit consisting of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 36 months following the closing date.

A finder's fee of $1,500 in cash and 25,000 agents' warrants with a fair value of $2,405 in connection with the private placement closed on January 21, 2014. The fair value of the warrants was calculated using a risk free rate of 1.24%, and expected life of 3 years, a volatility of 226% and an expected dividend rate of 0.00%.

On February 28, 2014, the Company closed the first tranche of a non-brokered private placement of 733,332 units at a price of $0.06 per unit for total proceeds of $44,000. Each unit will be issued as a non flow-through unit consisting of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 36 months following the closing date.

A finder's fee of $2,400 in cash and 40,000 agents' warrants with a value of $2,555 in connection with the private placement closed on February 25, 2014. The fair value of the warrants was calculated using a risk free rate of 1.18%, and expected life of 3 years, a volatility of 192% and an expected dividend rate of 0.00%.

During the year ended February 28, 2013:

On February 25, 2013, the Company closed a non-brokered private placement of 189,063 units at a price of $0.64 per unit for total proceeds of $121,000. Each unit will be issued as a non flow-through unit consisting of one common share and one-half share purchase warrant. One full warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.96 per share for the first year, and $1.20 per share in the second year. The share purchase warrants shall expire on the earlier of the last day of the two year exercise term or the accelerated expiry date.

The Company paid $4,000 and issued 6,250 agent's warrants with a fair value of $2,295 as a finders' fee in connection with the private placement. The fair value of the warrants was calculated using a risk free rate of 1.19%, and expected life of 2 years, a volatility of 150.87% and an expected dividend rate of 0.00%.

On October 24, 2012, the Company closed a non-brokered private placement of 556,514 units at a price of $0.80 per unit for total proceeds of $445,210. Each unit was issued as a non flow-through unit consisting of one common share and one-half of a share purchase warrant. One full warrant will entitle the holder to purchase one additional common share of the Company at a price of $1.20 per share for the first year, and $1.60 per share in the second year. The share purchase warrants shall expire on the earlier of the last day of the two year exercise term or the accelerated expiry date.

The Company paid $52,811 and issued 18,750 agents' warrants with a fair value of $9,363 as a finders' fee in connection with the private placement closed on October 24, 2012. The fair value of the warrants was calculated using a risk free rate of 1.09%, and expected life of 2 years, a volatility of 206.70% and an expected dividend rate of 0.00%.

During the year ended February 28, 2013, the Company issued 607,266 common shares for the acquisition of mineral property interests with a value of $395,541.

9. SHARE CAPITAL (cont'd...)

Share options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to directors, officers, and technical consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

For share options granted to employees, officers, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

A summary of share option transactions are as follows:

	Number of Options [1]	Weighted Average Exercise Price [1]	Weighted Average Number of Years to Expiry
Balance, February 29, 2012	37,500	$ 1.60	1.11
Granted	162,500	0.96	
Cancelled	(27,500)	1.60	
Expired	(12,500)	1.60	
Balance, February 28, 2013	160,000	0.96	2.93
Expired	(25,000)		
Balance, February 28, 2014	135,000	$ 0.80	2.39

As at February 28, 2014, the following incentive share options are outstanding and exercisable:

Weighted average exercise price [1]	Weighted average contractual life (years)	Number of Options outstanding [1]	Number of Options exercisable [1]	Expiry date
$ 0.80	0.36	43,750	43,750	July 9, 2014
$ 0.80	3.36	91,250	91,250	July 9, 2017
$ 0.80	2.39	135,000	135,000	

[1] The number of options and the exercise price per share has been retroactively adjusted to reflect the 8-for-1 share consolidation effective September 23, 2013.

9. SHARE CAPITAL (cont'd...)

Warrants

Changes to the balance of warrants outstanding are as follows:

	Warrants outstanding [1]		Weighted average exercise price [1]	Weighted average number of years to expiry
Balance, February 29, 2012	1,044,375	$	1.20	0.97
Granted - private placement	394,663		1.12	
Expired	(813,125)		1.60	
Balance, February 28, 2013	625,913	$	1.84	1.22
Granted - private placement	5,958,333		0.10	
Granted - Finders warrants	210,000		0.06	
Expired	(231,250)		2.40	
Balance, February 28, 2014	6,562,996	$	0.18	2.59

As at February 28, 2014, the following warrants are outstanding and exercisable:

	Weighted Average Exercise Price [1]	Weighted Average Life (Years)	Number of warrants outstanding and exercisable [1]	Expiry date
$	1.60	0.75	293,881	November 28, 2014
	1.20	0.88	100,781	January 14, 2015
	0.10	2.64	4,808,334	October 18, 2016
	0.06	2.64	145,000	October 18, 2016
	0.10	2.90	416,666	January 21, 2017
	0.06	2.90	25,000	January 21, 2017
	0.10	3.00	733,333	February 28, 2017
	0.06	3.00	40,000	February 28, 2017
$	0.18	2.59	6,562,996	

[1] The number of options and the exercise price per share has been retroactively adjusted to reflect the 8-for-1 share consolidation effective September 23, 2013.

Share-based payments

During the year ended February 28, 2014, 25,000 options exercisable at $1.60 per share expired unexercised. The Company reversed the fair value of expired options of $21,675 (February 28, 2013 - $8,374) to deficit.

For the year ended February 28, 2014, the total share-based payments calculated for stock options granted under the fair value method was $Nil (February 28, 2013 - $97,823) using the Black-Scholes option pricing model.

10. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital is comprised of the Company's equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term; (iv) maintain capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will be used to fund the Company's working capital and exploration activities.

11. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of the fair value hierarchy are as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

	As at February 28, 2014			
Assets	Level 1	Level 2	Level 3	Total
Cash	$ 4,139	$ -	$ -	$ 4,139
Total	$ 4,139	$ -	$ -	$ 4,139

	As at February 28, 2013			
Assets	Level 1	Level 2	Level 3	Total
Cash	$ 4,039	$ -	$ -	$ 4,039
Term deposit	39,610	-	-	39,610
Total	$ 43,649	$ -	$ -	$ 43,649

Financial Instrument Risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

11. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

Financial Instrument Risks (cont'd...)

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and cash equivalents and receivables.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of GST/HST receivable due from federal government agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At February 28, 2014, the Company had cash of $4,139 (February 28, 2013 - $43,649) to settle current liabilities of $559,437 (February 28, 2013 - $487,997). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

There are some expenses for the Company denominated in US dollars. The Company may become exposed to currency fluctuations on mineral exploration and evaluation expenditures which are denominated in US dollars. These potential currency risks could have a significant impact on the Company.

As at February 28, 2014, the Company was exposed to currency risk through the following monetary assets and liabilities in US dollars:

Accounts payable and accrued liabilities	$	(26,760)
Foreign exchange rate at February 28, 2014 - USD		1.1075

Based on the net exposures at February 28, 2014, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would not have a significant impact on the Company's net earnings (loss).

12. RELATED PARTY TRANSACTIONS

The amounts due to related parties are amounts due to officers and directors of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. Accordingly, the fair value cannot readily be determined. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Due to related parties

	February 28, 2014	February 28, 2013
President and CEO	$ 33,959	$ 30,799
CFO	55,570	33,690
Corporate secretary	10,400	-
Total	$ 99,929	$ 64,489

As at February 28, 2014, the Company has an amount of $16,143 due from a company with a director in common.

During the year ended February 28, 2014, the Company received $16,650 on shared rental and office administration expenses from a company with a director in common.

During the years ended February 28, 2014 and 2013, the Company paid or accrued management fees to its officers and directors as follows:

	Years ended	
	February 28, 2014	February 28, 2013
President and CEO	$ 108,000	$ 96,000
CFO	75,500	34,500
Corporate secretary	18,000	9,000
	$ 201,500	$ 139,500

During the year ended February 28, 2014, the Company granted Nil (2013 – 91,250) share options to its directors and officers, which were valued at $Nil (2013 - $65,631).

During the year ended February 28, 2014, the Company issued 2,283,332 (2013 – 240,000) private placement units to its directors and officers, which were valued at $137,000 (2013 - $24,000).

13 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The non-cash investing and financing activities during years ended February 28, 2014 and 2013 are as follows:

	February 28, 2014	February 28, 2013
Non-cash investing activities		
Property expenses in accounts payable	$ 6,500	$ 26,439
Non-cash financing activities		
Shares issued for acquisition of exploration and evaluation assets	-	395,541
Shares issued to settle accounts payable	10,000	-
Shares issued to settle loans payable	29,000	-
Fair value of agent warrants granted	17,547	-
Fair value of warrants expired	-	(14,915)
Fair value of options granted	-	97,823
Fair value of options expired	(21,675)	(8,374)

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	For the years ended	
	February 28, 2014	February 28, 2013
Loss before income taxes	$ (727,064)	$ (1,765,392)
Statutory Canadian corporate tax rate	25.92%	25.00%
Expected income tax recovery	$ (188,000)	$ (441,000)
Non-deductible items and other	(9,000)	178,000
Deductible share issuance costs	(3,000)	(7,000)
Change in unrecognized deductible temporary differences	200,000	270,000
Total	$ -	$ -

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

	February 28, 2014	February 28, 2013
Share issue costs	$ 19,000	$ 25,000
Non-capital losses	577,000	422,000
Capital assets	1,000	1,000
Exploration and evaluation assets	(17,000)	(68,000)
Unrecognized deferred tax assets	(580,000)	(380,000)
Total	$ -	$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statements of financial position are as follows:

14. INCOME TAXES (cont'd...)

	2014	Expiry date	2013	Expiry date
Share issue costs	$ 74,000	2035-2038	$ 99,000	2034-2037
Non-Capital losses	2,218,000	2028-2034	1,686,000	2027-2033
Capital assets	5,000	N/A	4,000	N/A
Exploration and evaluation assets	(68,000)	N/A	(272,000)	N/A

15. SEGMENTED INFORMATION

The Company's business is considered to be in one segment, being mineral property acquisition, exploration and development in Canada.

16. COMMITMENTS

The Company has a contract with the Company's secretary, CFO and CEO for management services. The CEO's monthly fee was $8,000 for the period from January 2012; the CFO's monthly fee was $3,000 for the period from August 2012 to December 2012, and increased to $6,000 from January 2013, and decreased to $4,000 from January 2014; and the secretary's monthly fee was $1,500 for the period from March 10, 2013. The Company may at any time after the Initial Term (one year), terminate this Agreement by giving one month written notice.