

VATIC VENTURES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED

FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

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 29, 2016 and February 28, 2015 and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 29, 2016 and February 28, 2015 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 Professional Accountants

July 5, 2016

VATIC VENTURES CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	February 29, 2016	February 28, 2015
ASSETS		
Current		
Cash	\$ 28,848	\$ -
Amounts receivable	9,301	13,571
Prepaid expenses	13,126	-
	51,275	13,571
Non-current		
Equipment (Note 4)	2,878	3,752
Total assets	\$ 54,153	\$ 17,323
LIABILITIES		
Current		
Cheques issued in excess of funds on deposit	\$ -	\$ 972
Accounts payable and accrued liabilities (Note 6)	287,014	310,948
Loans payable (Note 7)	175,246	131,734
Due to related parties (Note 11)	187,205	207,805
Total liabilities	649,465	651,459
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 8)	2,979,788	2,979,788
Subscriptions received (Note 8)	128,250	-
Share-based payment reserve (Note 8)	65,630	65,630
Warrant reserve (Note 8)	31,056	31,056
Deficit	(3,800,036)	(3,710,610)
Total shareholders' deficiency	(595,312)	(634,136)
Total liabilities and shareholders' deficiency	\$ 54,153	\$ 17,323

Nature of operations and going concern (Note 1)**Commitments (Note 15)****Subsequent events (Note 16)**

Approved by the Board of Directors

"Nasim Tyab"

Director

"Matt Mikulic"

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 29, 2016	February 28, 2015
Expenses		
Amortization (Note 4)	\$ 874	\$ 1,199
Bad debt	4,270	-
Business development	-	300
Consulting fees	13,125	23,493
Financing cost	-	3,930
Management fees (Note 11)	-	85,500
Office and miscellaneous	1,988	27,042
Professional fees	39,047	40,805
Rent	5,000	8,206
Salaries and wages	-	2,430
Settlement of option agreement	-	17,600
Transfer agent and filing fees	18,948	13,034
Travel	11,245	6,442
Total expenses	(94,497)	(229,981)
Gain on change in fair value of derivative liabilities (Note 7)	7,200	-
Gain on settlement of debt	23,583	-
Accretion (Note 7)	(7,200)	-
Interest expense (Note 7)	(18,512)	(14,341)
Write-down of exploration and evaluation assets (Note 5)	-	(193,765)
	5,071	(208,106)
Net and comprehensive loss for the year	\$ (89,426)	\$ (438,087)
Weighted average number of common shares outstanding (basic and diluted) (Subsequent events - Note 16)	2,991,825	2,650,366
Basic and diluted net loss per share	\$ (0.03)	\$ (0.17)

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

VATIC VENTURES CORP.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Number of shares issued	Share Capital	Warrant reserve	Share-based payment reserve	Subscriptions received	Deficit	Total
Balance, February 28, 2014	2,328,950	\$ 2,839,049	\$ 29,205	\$ 97,617	\$ -	\$ (3,304,510)	\$ (338,639)
Net loss for the year	-	-	-	-	-	(438,087)	(438,087)
Private placement	662,875	159,090	-	-	-	-	159,090
Finder's fee	-	(16,500)	-	-	-	-	(16,500)
Fair value of agent's warrants granted	-	(1,851)	1,851	-	-	-	-
Fair value of options expired	-	-	-	(31,987)	-	31,987	-
Balance, February 28, 2015	2,991,825	2,979,788	31,056	65,630	-	(3,710,610)	(634,136)
Net loss for the year	-	-	-	-	-	(89,426)	(89,426)
Subscription received	-	-	-	-	128,250	-	128,250
Balance, February 29, 2016	2,991,825	\$ 2,979,788	\$ 31,056	\$ 65,630	\$ 128,250	\$ (3,800,036)	\$ (595,312)

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 29, 2016	February 28, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (89,426)	\$ (438,087)
Adjustments for:		
Amortization	874	1,199
Gain on change in fair value of derivative liabilities	(7,200)	-
Accretion expense	7,200	-
Interest expense	18,512	14,341
Gain on settlement of accounts payable	(23,583)	-
Write-down of exploration and evaluation assets	-	193,765
Changes in non-cash working capital items:		
Decrease in amounts receivable	4,270	4,372
Increase in prepaid expenses	(13,126)	-
Increase (decrease) in due to related parties	(20,600)	137,876
Decrease in accounts payable and accrued liabilities	(351)	(31,168)
Net cash used in operating activities	(123,430)	(117,702)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital	-	129,090
Subscriptions received	128,250	-
Share issuance costs	-	(16,500)
Loans payable (Note 7)	25,000	-
Net cash provided by financing activities	153,250	112,590
Increase (decrease) in cash	29,820	(5,112)
Cash (deficiency), beginning of the year	(972)	4,139
Cash (deficiency), end of the year	\$ 28,848	\$ (972)

Supplemental disclosure with respect to cash flows (Note 12)

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

VATIC VENTURES CORP.

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For years ended February 29, 2016 and February 28, 2015

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 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” on the NEX.

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. 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 January 27, 2016, the Company completed a share consolidation in which one post consolidation common share replaced four pre-consolidation common shares (Note 8). Upon Exchange approval of the share consolidation, the Company began trading on a post-consolidation basis under the symbol “VCV” on January 27, 2016. As such, all current and comparative share capital amounts have been restated to account for the 4 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 200, Vancouver, British Columbia, Canada, V6B 2X1.

As at February 29, 2016, the Company had a cumulative deficit of \$3,800,036 (February 28, 2015 - \$3,710,610) and a working capital deficiency of \$598,190 (February 28, 2015 - \$637,888). 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”).

Approval of the financial statements

The consolidated financial statements of the Company for the year ended February 29, 2016, were reviewed by the Audit Committee and approved and authorized for issue on July 5, 2016 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 29, 2016
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.

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 statements are discussed below:

Significant Accounting Judgments

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.

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

Significant Accounting Judgments (cont'd...)

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 requires the Company to make certain judgements.

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 4.

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.

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.

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.

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

Financial instruments (cont'd...)

Available-for-sale investments (cont'd...)

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 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 is 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.
- Derivative liabilities are classified as FVTPL.

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

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.

Amortization

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

<u>Class of equipment</u>	<u>Amortization rate</u>
Furniture and fixtures	20% declining balance
Computer equipment	45% declining balance

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

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

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.

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

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

Share-based payments (cont'd...)

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.

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.

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.

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

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

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.

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 29, 2016 and February 28, 2015, the Company has no known restoration, rehabilitation or environmental obligations.

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

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

Convertible debentures

A convertible debenture is a financial instrument that contains both a liability and conversion feature. The Corporation accounted for its convertible debentures as compound financial instruments. The conversion feature is treated as either an equity component or liability component (derivative liability component) based on the standards set in IAS 32.

IAS 39 deals with the measurement of financial assets and liabilities. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. If it is determined the convertible debenture contains embedded derivative features, these are valued and deducted prior to assignment to the remaining liability and equity components.

The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

Accounting standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") during the year. None of these are expected to have a significant effect on the financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

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

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

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

The Company does not expect that the new and amended standards will have a significant impact on its financial statements.

4. EQUIPMENT

	Computer equipment	Furniture & fixtures	Total
Cost:			
At February 28, 2014 and 2015	\$ 1,770	\$ 8,068	\$ 9,838
Amortization:			
At February 28, 2014	937	3,950	4,887
Charges for the year	375	824	1,199
At February 28, 2015	\$ 1,312	\$ 4,774	\$ 6,086
Net book value:			
At February 28, 2015	\$ 458	\$ 3,294	\$ 3,752
Cost:			
At February 28, 2015 and February 29, 2016	\$ 1,770	\$ 8,068	\$ 9,838
Amortization:			
At February 28, 2015	1,312	4,774	6,086
Charges for the year	206	668	874
At February 29, 2016	\$ 1,518	\$ 5,442	\$ 6,960
Net book value:			
At February 29, 2016	\$ 252	\$ 2,626	\$ 2,878

5. EXPLORATION AND EVALUATION ASSETS

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

	Canada		
	Property		Total
Balance of costs			
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
Impairment charge			
Write-down of exploration and evaluation assets		(193,765)	(193,765)
Total Impairment charge	\$	(193,765)	\$ (193,765)
Total acquisition costs		145,200	145,200
Total deferred exploration costs		278,565	278,565
Total Write-down of exploration and evaluation assets		(423,765)	(423,765)
Balance, February 28, 2015 and February 29, 2016	\$	-	\$ -

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.

As at February 28, 2015, management decided not to pursue this property as a result of market constraints and economic feasibility of the project, and the property was written off entirely. An impairment charge of \$193,765 was recorded against the property.

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 29, 2016	February 28, 2015
Accounts payable	\$257,514	\$273,593
Accrued liabilities	29,500	37,355
	\$287,014	\$310,948

7. 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%.

As at February 28, 2015, the loans payable consisted of a \$61,455 loan from Quarry, and a \$37,300 loan from Jacques Martel. The Company also accrued \$32,979 interest on the loans for an aggregate balance of \$131,734. All the loans are unsecured, due on demand and bear an annual interest rate of 12%.

During the year ended February 29, 2016, the Company received \$25,000 and issued a 10% convertible debt note expiring December 31, 2015. The convertible note is exercisable at the same price of any common share issued by the Company from the date the note was issued until the date the note is fully paid. As a result of the potential to issue a variable number of shares, a derivative liability was assessed. On issuance the derivative liability component was assessed at a value of \$7,200 using the black-scholes model with a risk free rate of 0.51%, term of 0.73 years, volatility of 169.34% an exercise price of \$0.24, a stock price of \$0.16 and a dividend rate of 0%. The residual value of \$17,800 was assigned to the debt component. As at February 29, 2016, the derivative component was valued at \$Nil and a gain of \$7,200 was recognized.

Principal	Additional principal	Accrued interest expenses	Loan balance at February 29, 2016
\$ -	\$ 25,000	\$ 2,230	\$ 27,230
61,455	-	\$ 33,207	94,662
37,300	-	\$ 16,054	53,354
\$ 98,755	\$ 25,000	\$ 51,491	\$ 175,246

Principal	Accrued interest expense	Loan balance at February 28, 2015
\$ 61,455	\$ 22,794	\$ 84,249
37,300	10,185	47,485
\$ 98,755	\$ 32,979	\$ 131,734

8. SHARE CAPITAL

Authorized: unlimited common shares without par value

On January 27, 2016, the Company completed a share consolidation in which one (1) post-consolidated common share replaced four (4) 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, and warrants have been adjusted retroactively to reflect the impact of the share consolidation in these consolidated financial statements.

During the year ended February 29, 2016:

During the year ended February 29, 2016, the Company received \$128,250 of share subscriptions for shares issued subsequent to year end (See Note 16 - Subsequent Events).

During the year ended February 28, 2015:

On September 10, 2014, the Company closed a non-brokered private placement of 587,875 units at a price of \$0.24 per unit for total proceeds of \$141,090. Each unit was 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 \$0.40 per share for a period of 36 months following the closing date.

A finder's fee of \$2,400 was paid in cash in connection with the private placement closed on September 10, 2014.

On September 12, 2014, the Company closed a non-brokered private placement of 75,000 units at a price of \$0.24 per unit for total proceeds of \$18,000. Each unit was 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 \$0.40 per share for a period of 36 months following the closing date.

A finder's fee of \$1,800 in cash and 7,500 agents' warrants were issued with a fair value of \$1,851 in connection with the private placement closed on September 12, 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 189% and an expected dividend rate of 0.00%.

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.

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

A summary of share option transactions are as follows:

	Number of Options	Weighted Average Exercise Price ⁽¹⁾	Weighted Average Number of Years to Expiry
Balance, February 28, 2014	33,750	\$3.20	2.39
Expired	(10,938)		
Balance, February 28, 2015	22,812	\$3.20	2.36
Balance, February 29, 2016	22,812	\$3.20	1.36

As at February 29, 2016, the following incentive share options are outstanding and exercisable:

Weighted average exercise price	Weighted average contractual life (years)	Number of Options outstanding	Number of Options exercisable	Expiry date
\$ 3.20	1.36	22,812	22,812	July 9, 2017

Warrants

Changes to the balance of warrants outstanding are as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average number of years to expiry
Balance, February 28, 2014	1,640,749	\$ 0.72	2.59
Granted - private placement	662,875	0.40	
Granted - Finders warrants	7,500	0.40	
Expired	(98,666)	6.00	
Balance, February 28, 2015	2,212,458	\$ 0.40	1.96
Balance, February 29, 2016	2,212,458	\$ 0.40	0.95

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

As at February 29, 2016, 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
\$ 0.40	0.64	1,202,083	October 18, 2016
0.24	0.64	36,250	October 18, 2016
0.40	0.90	104,167	January 21, 2017
0.24	0.90	6,250	January 21, 2017
0.40	1.00	183,333	February 28, 2017
0.24	1.00	10,000	February 28, 2017
0.40	1.53	587,875	September 11, 2017
0.40	1.54	75,000	September 12, 2017
0.40	1.54	7,500	September 12, 2017
\$ 0.40	0.95	2,212,458	

Share-based payments

There were no share-based payment transactions during the year ended February 29, 2016.

During the year ended February 28, 2015, 10,938 options exercisable at \$3.20 per share expired unexercised. The Company reversed the fair value of expired options of \$31,987 to deficit.

9. 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. There were no changes to the way the Company manages its capital in the year ended February 29, 2016.

10. 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.

Assets	As at February 29, 2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 28,848	\$ -	\$ -	\$ 28,848
Total	\$ 28,848	\$ -	\$ -	\$ 28,848

Assets	As at February 28, 2015			
	Level 1	Level 2	Level 3	Total
Cash deficiency	\$ (972)	\$ -	\$ -	\$ (972)
Total	\$ (972)	\$ -	\$ -	\$ (972)

All other financial assets and liabilities approximate their fair value due to their short term nature of these instruments.

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.

10. 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 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 29, 2016, the Company had cash of \$28,848 (February 28, 2015 – cash deficit of \$972), which is insufficient to settle current liabilities of \$649,465 (February 28, 2015 - \$651,459). 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 29, 2016, the Company was exposed to currency risk through the following monetary assets and liabilities in US dollars:

Accounts payable and accrued liabilities	\$	(52,628)
Foreign exchange rate at February 29, 2016 - USD		1.3523

Based on the net exposures at February 29, 2016, 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).

11. 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 29, 2016		February 28, 2015	
President and CEO	\$	64,132	\$	81,232
CFO		75,270		75,270
Corporate secretary		10,650		14,150
Director		37,153		37,153
Total	\$	187,205	\$	207,805

During the years ended February 29, 2016 and February 28, 2015, the Company paid or accrued management and consulting fees to its officers as follows:

	Years ended			
	February 29, 2016		February 28, 2015	
President and CEO	\$	-	\$	48,000
CFO		4,500		24,000
Corporate secretary		-		13,500
Director		-		15,100
	\$	4,500	\$	100,600

During the year ended February 29, 2016, the Company issued Nil (2015 – 900,000) private placement units to its directors and officers, which were valued at \$Nil (2015 - \$54,000).

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no non-cash financing activities during the years ended February 29, 2016.

During the year ended February 28, 2015, certain stock options issued by the Company expired resulting in \$31,987 being adjusted from share-based payment reserve to deficit.

13. SEGMENTED INFORMATION

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

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14. INCOME TAXES

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

	For the years ended	
	February 29, 2016	February 28, 2015
Loss before income taxes	\$ (89,426)	\$ (438,087)
Statutory Canadian corporate tax rate	26.00%	26.00%
Expected income tax recovery	\$ (23,000)	\$ (114,000)
Non-deductible items and other	(4,000)	1,000
Change in unrecognized deductible temporary differences	27,000	111,300
Total	\$ -	\$ -

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

	As at	
	February 29, 2016	February 28, 2015
Share issue costs	\$ 4,000	\$ 9,000
Non-capital losses	683,000	650,000
Capital assets	2,000	1,000
Exploration and evaluation assets	31,000	33,000
Unrecognized deferred tax assets	\$ 720,000	\$ 693,000

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:

	As at February 29,		As at February 28,	
	2016	Expiry date	2015	Expiry date
Share issue costs	\$ 16,000	2036-2038	\$ 36,000	2035-2038
Non-Capital losses	2,628,000	2028-2035	2,501,000	2028-2034
Capital assets	7,000	N/A	4,000	N/A
Exploration and evaluation assets	120,000	N/A	126,000	N/A

15. 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 Agreements by giving one month written notice. The Company ceased the CEO and CFO's monthly fees effective September 1, 2014, and the secretary's monthly fees effective December 1, 2014.

16. SUBSEQUENT EVENTS

Private Placement on March 22, 2016

On March 22, 2016, the Company announced that it had received approval from the NEX Board of the TSX Venture Exchange for the closing of the first tranche of its non-brokered private placement, previously announced January 13, 2016.

Upon the closing of the first tranche, the Company has issued 9,240,000 units at a price of \$0.05 per unit for gross proceeds of \$462,000. Each unit consists of one common share and one common share purchase warrant (the "Unit Warrants") with each Unit Warrant entitling the holder to acquire one additional common share at a price of \$0.10 per share for 12 months from closing.

A finder's fee of \$10,000 cash plus 200,000 finders' warrants exercisable at \$0.05 per post-consolidated share for 12 months is payable to Haywood Securities Inc. and a finder's fee of \$750 cash plus 15,000 finder's warrants exercisable at \$0.10 per post-consolidated share for 12 months is payable to Canaccord Genuity Corp.

There is a statutory hold period on the shares, warrants and broker warrants issued pursuant to this private placement expiring July 17, 2016.

The Company intends to use the proceeds from the sale of the units for acquiring assets and for general working capital purposes.

Private Placement on May 7, 2016

On May 12, 2016, the Company received approval from the NEX Board of the TSX Venture Exchange for its non-brokered private placement, previously announced on April 7, 2016.

Upon the closing of the private placement, the Company issued 5,000,000 units at a price of \$0.05 per unit for gross proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to acquire one additional common share at a price of \$0.10 per share for 12 months from closing.

A finder's fee of \$10,000 cash plus 200,000 finders' warrants exercisable at \$0.05 per post-consolidated share for 12 months is payable to Haywood Securities Inc. and a finder's fee of \$500 cash plus 150,000 finder's warrants exercisable at \$0.10 per share for 12 months is payable to Canaccord Genuity Corp.

16. SUBSEQUENT EVENTS (cont'd...)

Property acquisition

On June 7, 2016 the Company entered into an assignment and purchase agreement (the “Agreement”) to acquire 80% of the issued and outstanding shares (the “Shares”) of Saksrithai Development Co. Ltd. (“Saksrithai”), a Thailand company which holds two special prospecting licenses (“SPLs”) for the exploration of potash. The two licenses, which are contiguous, are located in the northern Thailand province of Nakkon Ratchasinna and comprise an area of approximately 32 km². The property is located in the western part of the Khorat Basin in the Khorat Plateau which contains a large evaporate basin of Cretaceous age.

Pursuant to the Agreement the Company is acquiring the rights of Red Branch Investments Ltd. a Hong Kong incorporated company (“Red Branch”) to acquire the Shares pursuant to a memorandum of understanding entered into among the holders of the Shares of Saksrithai (the “Saksrithai Shareholders”), Saksrithai and Red Branch dated February 26, 2016 which is in the process of being superseded by a share purchase agreement (the “Underlying Acquisition Agreement”). In accordance with the terms of the Underlying Acquisition Agreement, as assigned to the Company, the Company has the right to purchase the Shares by paying the Saksrithai Shareholders THB 8,000,000 (8,000,000 Thai Baht, the currency of Thailand, which equates to approximately US\$220,000). The Underlying Acquisition Agreement also provides that subsequent to Red Branch or its assigns purchasing the Shares, Red Branch or its assigns will fund a THB 50 million (approximately US\$1.4 million) first stage exploration and development program which will include sufficient funding to satisfy work and expenditure commitments under the SPLs, to pay the Thailand project expenses and funding for general and administrative expenses in Thailand and Canada. In the event that the full amount of THB 50 million is not expended the Saksrithai Shareholders will be entitled to a cash payment of 20% of the unspent balance,

As consideration for the Agreement, the Company will issue 5.2 million common shares to Red Branch plus a 1% NSR on the property. The NSR can be purchased by the Company at any time for US\$1 million.