FINANCIAL STATEMENTS

Years Ended February 29, 2016 and February 28, 2015

June 13, 2016

Independent Auditor's Report

To the Shareholders of Sphinx Resources Ltd.

We have audited the accompanying financial statements of Sphinx Resources Ltd., which comprise the statements of financial position as at February 29, 2016 and February 28, 2015 and the statements of loss and comprehensive loss, changes in equity an cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sphinx Resources Ltd. as at February 29, 2016 and February 28, 2015, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

PricewaterhouseCoopers LLP[1]

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[1] CPA auditor, CA, public accountancy permit No. A123642

SPHINX RESOURCES LTD.

Statements of Financial Position

As at February 29, 2016 and February 28, 2015

(In Canadian Dollars)

	Notes	February 29, 2016	February 28, 2015
		$	$
ASSETS			
Current assets			
Cash	**5**	199,890	897,148
Sales tax and others receivables		19,340	118,922
Tax credits receivable	**6**	1,010,906	708,899
Advances for exploration		-	145,327
Prepaid expenses		23,678	27,065
Total current assets		1,253,814	1,897,361
Non-current assets			
Non-current portion of tax credits receivable	**6**	11,996	8,317
Total non-current assets		11,996	8,317
TOTAL ASSETS		**1,265,810**	**1,905,678**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		445,401	291,928
Tax credits payable	**6**	-	371,534
Loan payable	**8**	168,664	160,790
Flow-through share premium		-	175,313
Current portion of sublease reserve	**9**	78,890	41,160
Current portion of convertible debentures	**10**	328,377	-
Total current liabilities		1,021,332	1,040,725
Non-current liabilities			
Sublease reserve	**9**	24,630	67,588
Convertible debentures	**10**	-	275,299
Total non-current liabilities		24,630	342,887
Total liabilities		**1,045,962**	**1,383,612**
Equity			
Capital stock	**11**	58,261,425	57,882,141
Equity component of convertible debentures	**10**	62,949	62,949
Warrants	**11**	1,232,937	1,582,370
Contributed surplus		9,904,454	9,553,131
Deficit		(69,241,917)	(68,558,525)
Total equity		219,848	522,066
TOTAL LIABILITIES AND EQUITY		**1,265,810**	**1,905,678**
Going concern	**1**		
Subsequent events	**20**		

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

Approved by the Board of Directors

(S) Normand Champigny, Director *(S) John W.W. Hick,* Director

SPHINX RESOURCES LTD.

Statements of Loss and Comprehensive Loss

Years ended February 29, 2016 and February 28, 2015

(In Canadian Dollars)

	Notes	Year ended February 29, 2016	February 28, 2015
		$	$
Expenses			
Exploration and evaluation expenditures	**7**	466,023	1,508,730
General and administrative	**13**	476,194	1,129,889
Operating loss		(942,217)	(2,638,619)
Other expenses (income)			
Interest income		(14,366)	(5,582)
Finance costs	**14**	57,027	218,966
Loss before income taxes		**(984,878)**	**(2,852,003)**
Current tax recovery	**19**	126,173	63,767
Flow-through share premium		175,313	294,269
Loss and comprehensive loss		**(683,392)**	**(2,493,967)**
Weighted average number of common shares outstanding - basic and diluted		43,021,340	22,961,960
Basic and diluted loss per common share		(0.02)	(0.11)

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

SPHINX RESOURCES LTD.

Statements of Changes in Equity

Years ended February 29, 2016 and February 28, 2015

(In Canadian Dollars)

	Common Shares Number	Capital Stock	Equity component of convertible debenture	Warrant	Contributed Surplus	Deficit	Total Equity
	(Note 11)	$	$	$	$	$	$
Balance at February 28, 2014	**13,898,948**	**55,864,540**	**-**	**1,572,839**	**9,108,715**	**(66,064,558)**	**481,536**
Shares issued for:							
Private placements	13,104,615	1,284,016	-	357,084	-	-	1,641,100
Flow-through private placements	5,996,523	779,548	-	-	-	-	779,548
Reduction for flow-through share premium	-	(269,844)	-	-	-	-	(269,844)
Project acquisition	738,235	62,059	-	-	-	-	62,059
Shares for debt	2,556,538	332,350	-	-	-	-	332,350
Convertible debentures issuance	-	-	65,346	31,010	-	-	96,356
Issuance costs	-	(170,528)	(2,397)	(33,336)	17,204	-	(189,057)
Warrants expired	-	-	-	(345,227)	345,227	-	-
Share-based payments	-	-	-	-	81,985	-	81,985
Loss and comprehensive loss	-	-	-	-	-	(2,493,967)	(2,493,967)
Balance at February 28, 2015	**36,294,859**	**57,882,141**	**62,949**	**1,582,370**	**9,553,131**	**(68,558,525)**	**522,066**
Shares issued for:							
Project acquisition	9,046,151	314,461	-	-	-	-	314,461
Shares for debt	396,468	19,823	-	-	-	-	19,823
Interest on convertible debenture	900,000	45,000	-	-	-	-	45,000
Warrants expired	-	-	-	(349,433)	349,433	-	-
Share-based payments	-	-	-	-	1,890	-	1,890
Loss and comprehensive loss	-	-	-	-	-	(683,392)	(683,392)
Balance at February 29, 2016	**46,637,478**	**58,261,425**	**62,949**	**1,232,937**	**9,904,454**	**(69,241,917)**	**219,848**

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

SPHINX RESOURCES LTD.

Statements of Cash Flows

Years ended February 29, 2016 and February 28, 2015

(In Canadian Dollars)

	Notes	Year ended February 29, 2016	February 28, 2015
		$	$
Operating activities			
Loss for the year		(683,392)	(2,493,967)
Adjustments for:			
Share-based payments		1,890	81,985
Shares issued for project acquisition		314,461	62,059
Shares issued for debt		19,823	-
Shares issued for interest on convertible debt		45,000	-
Finance income		(1,028)	(3,720)
Finance costs		77,182	203,651
Flow-through shares premium		(175,313)	(294,269)
Changes in non-cash working capital items:	**18**	(282,311)	1,628,828
Cash flow used in operating activities		**(683,688)**	**(815,433)**
Financing activities			
Finance costs paid		(14,598)	(218,966)
Loan payable repayments	**8**	-	(2,370,000)
Common shares issued	**11**	-	2,420,648
Convertible debentures issued	**10**	-	375,000
Issue costs		-	(229,023)
Cash flow used in financing activities		**(14,598)**	**(22,341)**
Investing activities			
Finance income received		1,028	3,720
Cash flow from investing activities		**1,028**	**3,720**
Change in cash during the year		(697,258)	(834,054)
Cash, beginning of year		897,148	1,731,202
Cash, end of year		**199,890**	**897,148**
Supplemental cash flow information	**18**		

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

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

Sphinx Resources Ltd. (the "Corporation") was incorporated on June 28, 2005 and is governed by the *Canada Business Corporations Act*. The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "SFX". The Corporation operates in one industry segment, being the acquisition, exploration and development of mineral properties. The Corporation's head office is situated at 1000, De La Gauchetière West, Suite 2100, Montreal, Quebec, H3B 4W5.

The financial statements of the Corporation for the fiscal year ended February 29, 2016 were reviewed, approved and authorized for issue by the Board of Directors on June 13, 2016.

The measurement of certain assets and liabilities is dependent on future events; therefore the preparation of these financial statements requires the use of estimates, which may vary from actual results. The success of the Corporation's exploration and evaluation activities is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Corporation to discover economically recoverable reserves.

1.1 Basis of presentation and going concern

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB'). They were prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, senior management of the Corporation ("Management") takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

The Corporation recorded a loss of $683,392 for the year ended February 29, 2016, and has an accumulated deficit of $69,241,917 as at February 29, 2016. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its other obligations, existing commitments for the exploration and evaluation programs and pay general and administration costs. As at February 29, 2016, the Corporation had a working capital of $232,482. These conditions indicate the existence of material uncertainty that may cast a significant doubt regarding the Company's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. While Management has secured financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

2.2 Interest income

Interest income from financial assets is accrued, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.3 Functional and presentation currency

The financial statements are presented in Canadian dollars. The financial statements of the Corporation are presented in its functional currency, which is the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the functional currency at the rate of exchange prevailing on the date of each transaction.

2.4 Exploration and evaluation expenditures

Exploration and evaluation activity on mineral interests involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity include but are not limited to the following items:

- acquiring the rights to explore;
- researching and analyzing historical data;
- gathering exploration data through topographical, geological, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- preparing pre-feasibility and feasibility studies.

Exploration and evaluation expenditures are charged to operations as they are incurred with the exception of expenditures capitalized to mine development costs.

2.5 Share-based payments

Employees (including directors and senior executives) of the Corporation may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the transaction is measured at the fair value of the goods or services received by the entity. When the value of the goods or services cannot be specifically identified, they are measured at fair value of the share-based payment. The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Corporation's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted by the date of the statement of financial position.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.7 Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Flow-through common shares are recognized in equity based on the Corporation's quoted stock price on the date of the issuance. The difference between the amounts recognized in common shares and the total amount the investor pays for the flow-through common shares is recognized as a liability, the flow-through share premium, which is subsequently reversed into earnings as eligible expenditures are incurred, if the Corporation has the intention to renounce the expenditures. The Corporation recognizes in the statement of comprehensive loss a flow-through share premium and a deferred tax liability for flow-through shares (when applicable), at the moment the eligible expenditures are incurred.

2.8 Tax credits receivable

Tax credits receivable relate to refundable tax credits and mining duties refund from the Québec provincial government. These tax credits are accrued based on a percentage of net eligible resource expenditures incurred in Québec and recognized as a reduction of eligible expenditures, in the case of the refundable tax credits, and as current tax recovery in the case of mining duties refund.

2.9 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During the years ended February 29, 2016 and February 28, 2015, all the outstanding common share equivalents were anti-dilutive.

2.10 Financial Instruments

a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered significant or prolonged decline in the fair value of that investment below its cost, which are considered impairments resulting in a reclassification from other comprehensive income (loss) to earnings.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss and comprehensive loss.

c) Impairment of financial assets

The Corporation assesses at each date of the statement of financial position whether a financial asset is impaired.

d) Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in earnings.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Corporation will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

e) Classification

The Corporation has classified its financial instruments as follows:

Category	Financial instrument
Loans and receivables	Cash
Financial liabilities at amortized cost	Trade and other payables, loan payable, convertible debentures
Other financial liabilities	Trade and other payables

2.11 Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit, using the Black-Scholes pricing model to determine the fair value of warrants issued.

2.12 Convertible debentures

The liability, equity and other (when applicable) components of convertible notes are presented separately on the statement of financial position, starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of income as finance cost.

The carrying amount of other components (when applicable), such as warrants, is determined using the Black-Scholes option pricing model. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes, and is presented in Equity as an equity component of convertible notes. The equity component is not remeasured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Standards and interpretations not yet effective

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective:

a) IFRS 9 – Financial instruments, classification and measurement

In July 2014, the IASB issued IFRS 9 – Financial Instruments. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

b) IFRS 7 Financial instruments: disclosures
Effective on adoption of IFRS 9, Financial Instruments. Amended to require additional disclosure on transition from IAS 39 to IFRS 9.

c) IFRS 16 Leases
In January 2016, the IASB issued IFRS 16 which sets out the principles of the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces *IAS 17 Leases*, and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

i. Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
ii. Depreciation of lease assets separately from interest on lease liabilities in the statement of income.

The new standard is effective for annual period beginning on or after January 1, 2019 with early adoption permitted if *IFRS 15 Revenue from Contracts with Customers* is also applied. Management has not yet evaluated the impact that this standard will have on its financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS

The preparation of these financial statements requires Management to make judgments and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, Management evaluates its judgments in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments. Actual outcomes may differ from these estimates under different assumptions and conditions. Critical judgments exercised in applying accounting policies with the most significant effect on the amounts recognized in the financial statements are as follows:

a) Recognition of deferred income tax assets and the measurement of income tax expense
Periodically, the Corporation evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Corporation records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires Management to make significant judgment.

4. CRITICAL ACCOUNTING JUDGMENTS AND ASSUMPTIONS (CONT'D)

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain.

b) Tax credits receivable

The refundable credit for resources and credit on duties refundable for losses (the "tax credits") for the current period and prior periods are measured at the amount the Corporation expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. To determine whether the expenses it incurs are eligible, the Corporation must exercise considerable judgment and interpretation, which makes the recovery of tax credits uncertain. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities' review of issues whose interpretation is uncertain. Should such a difference arise, an adjustment would have to be made to tax credits receivable and provisions may potentially need to be recognized for previous tax credits received by the Corporation. It may take considerable time for the tax administration to render its decisions on issues related to tax credits, and it can therefore take a long time to recover tax credits. Tax credits that the Corporation expects to recover within more than one year are classified as non-current assets. The amounts recognized in the financial statements are based on the Corporation's best estimates and according to its best judgment, as stated above. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Corporation's financial position and cash flows.

i) Refundable tax credit for resources

During the year ended February 28, 2013, the Corporation's tax credits received for fiscal years 2009, 2010 and 2011 were audited by Revenu Québec which has resulted in re-assessments totaling $761,834. These re-assessments are primarily the result of the Corporation's classification of the operating fees it paid to Glencore Canada Corporation ("Glencore") in regards to the exploration programs. The Corporation disagrees with the notices of assessment and has filed an objection to these re-assessments. As such, the Corporation has agreed to pay $390,300 representing approximately 50% of the re-assessments in six monthly instalments starting in December 2013 during this objection process.

In April 2016, the Corporation was informed by Revenu Quebec of a resolution in favour of the Corporation of the objection process related to the refundable tax credit for resources for fiscal years 2009, 2010 and 2011. Therefore all payables accrued previously for reassessment were reversed for $440,705 ($371,534 assessed plus $69,171 interest accrued). An additional provision of $63,518 was also reversed which reduced exploration and evaluation expenditures. In addition, a $234,217 receivable was recorded which represents the portion of the amount already paid that it is expected to be recovered for fiscal years 2009, 2010 and 2011. Notwithstanding the above, the Corporation kept a $46,700 overall provision relating to refundable tax credit for resources.

ii) Quebec refundable credits on mining duties for losses

As at February 29, 2016, as part of the same process described in i) above, the provision accrued previously for reassessment relating to operating fees paid to Glencore was reversed for $62,814 as current tax recovery.

c) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future cash flows from operations and events that are believed to be reasonable under the circumstances.

5. CASH

As of February 28, 2015, the balance on flow-through financing not spent according to the restrictions imposed by the December 2014 financing represents $570,688 and is included in cash. The Corporation had to dedicate these funds to Canadian mining properties exploration activities and that work was completed by December 31, 2015.

6. TAX CREDITS RECEIVABLE AND PAYABLE

	February 29, 2016	February 28, 2015
	$	$
Refundable tax credit for resources	315,893	159,318
Refundable tax credit for resources – provision (note 4b i)	(46,700)	(63,518)
Quebec refundable credits on mining duties for losses	765,120	684,230
Quebec refundable credits on mining duties for losses – provision (note 4b ii)	(11,411)	(62,814)
Total tax credits receivable	1,022,902	717,216
Less: non-current portion of tax credits receivable	(11,996)	(8,317)
Tax credits receivable – current	**1,010,906**	**708,899**
Tax credits payable – current (note 4b i)	**-**	**371,534**

7. MINERAL PROPERTIES

For mineral properties that have not reached technical feasibility, exploration and evaluation expenditures are charged to operations as they are incurred. The Corporation's exploration and evaluation expenditures incurred are as follows:

	Acquisition and maintenance	Exploration and evaluation expenditures	Tax credits	Year ended February 29, 2016
	$	$	$	$
Green Palladium	167,384	323,330	(66,794)	423,920
Calumet-Sud	43,421	2,365	(703)	45,083
Somanike	115,265	238,424	(22,617)	331,072
Samson	2,966	202,654	-	205,620
Adam	-	17,742	-	17,742
Tax adjustments related to prior years (note 4b)	-	-	(557,414)	(557,414)
Total exploration and evaluation expenditures	**329,036**	**784,515**	**(647,528)**	**466,023**

	Acquisition and maintenance	Exploration and evaluation expenditures	Tax credits	Year ended February 28, 2015
	$	$	$	$
Green Palladium	12,726	42,430	-	55,156
Somanike	48,102	209,626	(8,788)	248,940
Valmond	10,300	314,764	(13,614)	311,450
Samson	43,272	362,840	(47,704)	358,408
Dollier	15,000	420,483	(49,738)	385,745
Adam	21,133	162,576	(39,474)	144,235
Project generation	-	4,796	-	4,796
Total exploration and evaluation expenditures	**150,533**	**1,517,515**	**(159,318)**	**1,508,730**

7. MINERAL PROPERTIES (CONT'D)

7.1 Green Palladium project

On March 12, 2015, the Corporation signed a definitive agreement with Amixam Resources Inc. ("Amixam") for the acquisition of 100% of the Green Palladium project, located in the Pontiac MRC, adjacent to the Quebec Abitibi-Temiscamingue region. Under the terms of this agreement, the Corporation acquired the Green Palladium project by issuing 4,000,000 common shares, valued at $160,000 based on the Exchange share price of $0.04 on the date of the share issuance. Another 461,536 common shares were issued in February 2016, valued at $6,923 based on the Exchange price of $0.015 on the date of the share issuance. Amixam was granted with a 2% of net smelter return (''NSR''). In addition, the Corporation must complete the following exploration work, failing which the project will be returned to Amixam:

	Work	
	Commitment	**Completed**
	$	**$**
On or before January 20, 2016	50,000	50,000
On or before January 20, 2017	100,000	100,000
On or before January 20, 2018	600,000	215,760
Total	**750,000**	**365,760**

Michel Gauthier, president of Gardin Inc. ("Gardin"), was elected director of the Corporation on August 27, 2015. On November 2, 2015, Gardin announced it had acquired from Amixam on a private placement basis for an aggregate purchase price of $75,000 direct ownership of the 4,000,000 common shares of the Corporation and the rights to receive the additional 461,536 shares pursuant to the Green Palladium project acquisition agreement, representing a price of approximately $0.01681 per share of the Corporation.

7.2 Calumet-Sud Project

On August 6, 2015 (amended on March 25, 2016 (note 20), the Corporation signed a definitive agreement with Gardin for the acquisition of 100% of the Calumet-Sud project in the Pontiac MRC in southwestern Quebec. The Corporation acquired the project by issuing 1,384,615 common shares, valued at $41,538 based on the Exchange share price of $0.03 on the date of the share issuance. Another 1,923,077 common shares will be issued at the earliest on August 6, 2016 and 2,846,231 common shares at the earliest on August 6, 2017, under certain conditions. One of these conditions is that Gardin (and Gardin's affiliates and joint actors) would beneficially own no more that 19.9% of the common shares outstanding immediately after giving effect to such issuance.

In addition the Corporation will: (i) make cash payments by August 31, 2017 to Gardin totaling $93,000 (completed in March 2016 by SOQUEM Inc. ("SOQUEM") see note 20) in reimbursement of expenses spent by Gardin on the Project, and (ii) fund not less than $350,000 in exploration expenditures as follow:

	Work	
	Commitment	**Completed**
	$	**$**
On or before February 27, 2017	50,000	2,365
On or before August 31, 2018	100,000	-
On or before February 28, 2020	200,000	-
Total	**350,000**	**2,365**

The Corporation must complete the share issuances, cash payments and exploration work, falling which the project will be returned to Gardin. A 2% NSR royalty was granted to Gardin. Also, refer to note 20.

7. MINERAL PROPERTIES (CONT'D)

7.3 Somanike project

a) Marbridge agreement

On June 1, 2015, the Corporation signed an acquisition agreement with Royal Nickel Corporation ("Royal Nickel") for the purchase of 100% of the Marbridge nickel-copper mine project ("Marbridge") by issuing 2,000,000 common shares (valued at $70,000). This project comprises 8 claims and 2 mining concessions for a total surface area of about 5.8 km^2 and is located within the municipality of La Motte just east of the Corporation's Preissac project. Royal Nickel also received a 2% NSR on the Marbridge mining concessions and the Corporation has the right and option to purchase this 2% NSR for $2,000,000. The 8 mining claims remain subject to a 2% NSR in favour of Jefmar Inc. and the Corporation has the right to purchase 50% of this NSR for $1,000,000.

b) Pikogan agreement

The Preissac and Marbridge projects are renamed the Somanike project in connection with the signing of a cooperation agreement between the Corporation and the Abitibiwinni first nation (the "Abitibiwinni Nation"), based at Pikogan, Quebec. In connection with the cooperation provided and services rendered by the Abitibiwinni Nation in finalizing all of these initiatives, the Corporation issued 142,857 common shares (valued at $5,000) to the Abitibiwinni Nation.

c) Globex agreement

On June 15, 2015 (and as amended on June 7, 2016), the Corporation signed a definitive agreement to acquire 7 Claims from Globex Mining Enterprises Inc. ("Globex") in the area of the Somanike project for consideration that is comprised of:

- 1,200,000 common shares of the Corporation valued at $36,000: and
- a graduated Gross Metal Royalty ("GMR") defined as 1% of all metals produced from the 7 Claims when the nickel ('Ni'') price quote is $6.00 US/lb. or less, 1.5% GMR when it is greater than $6.00 US/lb. but less than $8.00 US/lb. and 2% GMR when it is $8.00 US/lb. or greater.

In addition, the Corporation must complete the following exploration work, falling which the 7 claims will be returned to Globex:

	Work	
	Commitment	**Completed**
	$	**$**
On or before June 15, 2018	300,000	-
On or before June 15, 2019	100,000	-
On or before June 15, 2020	100,000	-
Total	**500,000**	**-**

7. MINERAL PROPERTIES (CONT'D)

7.4 Samson project

On September 3, 2014, the Corporation signed an agreement with Midland Exploration Inc. ("Midland") for the Samson project, located about 50 km west of the town of Matagami, in Abitibi, Québec. Under the terms of this agreement, the Corporation could have earned 50% of Midland's interest over a period of 4 years, by paying $275,000 in cash ($40,000 completed) and completing $3,500,000 of exploration work ($565,494 completed). On December 11, 2015, the Corporation terminated the Samson agreement with Midland.

7.5 Dollier

On September 25, 2014, the Corporation signed a binding letter of agreement with Cartier Resources Inc. ("Cartier") to grant in favour of the Corporation an option to purchase, in three staged options, an interest of up to 100% in the Dollier gold project, located 45 km south of the town of Chibougamau, Québec. The Corporation could have earned, with the first option, a 50% undivided interest in the Dollier project over a period of 3 years, by issuing 600,000 common shares of the Corporation (150,000 issued valued at $15,000) and completing $1,800,000 of exploration work ($420,483 completed). On August 5, 2015, the Corporation terminated the Dollier agreement with Cartier.

7.6 Adam

On December 12, 2014, the Corporation signed an agreement with Midland for the Adam project, located about 50 km west of the town of Matagami, in Abitibi, Québec. Under the terms of this agreement, the Corporation could have earned 50% of Midland's interest over a period of 4 years, by paying $250,000 in cash ($20,000 completed) and completing $3,000,000 of exploration work ($180,318 completed). On December 11, 2015, the Corporation terminated the Adam agreement with Midland.

7.7 Valmond

In December 2013, the Corporation entered into an option agreement with Midland for the Valmond gold project. This project is located about 50 kilometres west of the town of Matagami, in Abitibi, Québec. Under the terms of this agreement, the Corporation could have earned 50% of Midland's interest over a period of 4 years, by paying $250,000 in cash ($30,000 completed) and completing $2,500,000 of exploration work ($666,818 completed). On August 11, 2015, the Corporation terminated the Valmond agreement with Midland.

8. LOAN PAYABLE

On March 13, 2013, the Corporation closed a loan financing of $6,000,000 with lenders. In connection with the loan, the Corporation issued 93,750 common shares at a fair value of $900,000. The Corporation also incurred $244,142 in cash transaction costs. The net proceeds from the loan were used for working capital. The loan has a term of three years and bears interest at a rate of 14% per annum, computed daily on the balance of the loan at the end of each day until it is fully repaid. Interest is payable monthly. The principal of the loan was repayable to the lenders in thirty equal monthly installments starting October 1, 2013. The initial face value of the loan is $4,855,858 after deducting the transaction costs.

In December 2013, the Corporation entered into a Forbearance Agreement with the lenders for the repayment of the loan. Pursuant to the Forbearance Agreement, the Corporation had to make partial repayments of the loan to Ressources Québec and then to the other lenders upon receipt of refundable tax credits. By August 2014, the Corporation reimbursed the $5,000,000 due to Ressources Québec and by March 2016, the other lenders have been fully reimbursed.

8. LOAN PAYABLE (CONT'D)

The loan is summarized as follows:

	February 29, 2016	February 28, 2015
	$	$
Principal	160,000	160,000
Accrued interest	8,664	790
Loan payable	**168,664**	**160,790**

9. SUBLEASE LOSS RESERVE

During fiscal 2014, the Corporation signed an amendment agreement relating to the Vancouver office no longer in use. The Corporation agreed to pay the difference between the original lease and the subtenant lease by way of yearly lump sum payments from February 1, 2014 to February 1, 2018 totaling $190,651. Starting February 1, 2016, an accommodation was reached whereby the Corporation makes monthly payments instead of yearly lump sum payments. This sublease is considered an onerous contract and an original sublease loss reserve of $184,739 has been calculated with a discount rate of 1.55%.

	Year ended	
	February 29, 2016	February 28, 2015
	$	$
Balance, beginning of year	108,748	147,672
Payment	(6,860)	(41,160)
Accretion expensed as finance costs	1,632	2,236
Sublease loss reserve, end of year	103,520	108,748
Sublease loss reserve – non-current portion	(78,890)	(67,588)
Sublease loss reserve – current portion	**24,630**	**41,160**

10. CONVERTIBLE DEBENTURES

On December 19, 2014, the Corporation closed a non-brokered private placement of convertible debentures totaling $375,000. The convertible debentures will mature in 24 months and bear interest at a rate of 12% per year, payable in cash or shares every six months, at a price per share based on the 20-day volume weighted average price of the common shares ("VWAP") and subject to Exchange approval. The debentures are convertible into common shares at a price of $0.13 during the term of the debentures. At the maturity date, each debenture can be repaid in cash or in shares at a price per share based on the VWAP, subject to Exchange approval. As part of the private placement, 1,442,308 common share purchase warrants were issued. Each warrant entitles the holder to purchase one common share at $0.17 for 24 months.

To estimate the fair value, the debt component was estimated first at $378,644 using an effective rate of 30% corresponding to a rate that the Corporation would have obtained for a similar financing without the conversion option. Secondly, the $31,010 fair value of the warrants ($0.02150 per warrant) was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.50%, an expected stock price volatility of 80% and an expected life of two years. The $65,346 residual value was attributed to the equity component of the convertible debentures and is presented in equity. The Corporation incurred cash issuance costs of $13,775, of which $10,235 was attributed to the debt component, $1,143 to the warrants and $2,397 to the equity component.

10. CONVERTIBLE DEBENTURES (CONT'D)

	Year ended	
	February 29, 2016	**February 28, 2015**
		$
Balance, beginning of year	275,299	-
New convertible debentures	-	375,000
Discounting	-	(96,356)
Issuance cost	-	(10,235)
Accretion expense	47,930	5,895
Issuance cost amortization	5,148	995
Convertible debentures, end of year	328,377	275,299
Convertible debentures – non current portion	-	(275,299)
Convertible debentures – current portion	**328,377**	**-**

During the year ended February 29, 2016, the Corporation issued 448,767 and 451,233 common shares in lieu of a cash payment for the interest on the first and second 6-month tranches of $22,438 and $22,562 respectively, in accordance with the terms of the convertible debentures issued by the Corporation on December 19, 2014.

11. COMMON SHARES AND WARRANTS

11.1 Authorized

An unlimited number of common shares without par value.

11.2 Private placements

a) March 2014

On March 28, 2014, the Corporation issued 1,540,000 units at a price of $0.13 per unit for gross proceeds of $200,200, which were allocated between the shares and warrants issued on a pro-rata basis of their respective value within the unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.175 per common share and the expiry date is March 28, 2016.

The value allocated to the warrants of $44,660 ($0.029 per warrant) was determined using the Black-Scholes option pricing model to estimate the fair value of the warrants issued assuming no expected dividends, a risk-free interest rate of 1.07%, an expected stock price volatility of 80% and an expected life of two years.

The Corporation paid cash finder's fees of $15,336 and issued 88,000 agent's compensation options entitling the agent to purchase 88,000 units at an exercise price of $0.13 per unit, expiring on March 28, 2015. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the agent to acquire one common share at a price of $0.175 per common share, expiring on March 28, 2016.

The Corporation incurred total issuance costs of $48,994 of which $44,681 was paid cash and $4,312 was incurred through the issuance of the 88,000 agent's compensation options. The fair value of the agent's compensation options of $0.049 per option was determined based on a binomial pricing model assuming no expected dividends, a risk-free interest rate of 1.07%, an expected stock price volatility of 80%, and an expected life of one year.

b) September 2014

On September 5 and 12, 2014, the Corporation issued 8,389,615 and 1,925,000 units respectively, at a price of $0.13 per unit for gross proceeds of $1,340,900. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.175 per common share and the expiry date is September 5 and September 12, 2016, respectively.

11. COMMON SHARES AND WARRANTS (CONT'D)

The value allocated to the warrants of $299,124 ($0.029 per warrant) was determined using the Black-Scholes option pricing model to estimate the fair value of the warrants issued assuming no expected dividends, a risk-free interest rate of 1.11%, an expected stock price volatility of 80% and an expected life of two years.

The Corporation paid cash finder's fees of $22,100 in respect of this financing. Also, on September 5 and 12, 2014, the Corporation issued respectively 16,000 and 154,000 agent's compensation options entitling the agents to purchase 170,000 units at an exercise price of $0.13 per unit, expiring respectively on September 5 and 12, 2015. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the agent to acquire one common share at a price of $0.175 per common share, expiring on September 5 and 12, 2016 respectively.

The Corporation incurred total issuance costs of $92,059 of which $87,826 was incurred in cash and $4,233 was incurred through the issuance of the 170,000 agent's compensation options. The fair value of the agent's compensation options of $0.0249 per option was determined based on a binomial pricing model assuming no expected dividends, a risk-free interest rate of 1.07%, an expected stock price volatility of 80%, and an expected life of one year.

c) December 2014

On December 19, 2014, the Corporation closed a private placement totaling $779,548 by issuing 5,996,523 flow-through shares at a price of $0.13. On December 19, 2014, the Corporation's share closed at $0.085 on the Exchange, therefore the residual value attributed to the flow-through share premium is $0.045, for a total value of $269,844. The Corporation incurred cash issuance costs of $77,368, of which $52,900 is a finder's fee. Part of the share issuance cost was allocated to the flow-through premium for $26,735.

The Corporation issued 406,922 agent warrants entitling the agents to purchase 406,922 common shares at an exercise price of $0.11 per agent warrant, expiring on December 19, 2016. The fair value of $0.021 per agent warrant for a total of $8,659 was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.00%, an expected stock price volatility of 80% and an expected life of two years. Of the $8,659 agent's warrant fair value, $2,996 was allocated to the flow-through premium.

As at February 28, 2015, the Corporation has completed $208,860 of the exploration work relating to this $779,548 flow-through private placement and consequently the flow-through share premium is reduced to $175,313.

Also on December 19, 2014, the Corporation closed a private placement totaling $100,000 by issuing 1,250,000 units at price of $0.08 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole common share purchase warrant will entitle the holder to purchase one common share at a price of $0.11 until December 19, 2016. The value allocated to the warrants of $13,300 ($0.021 per warrant) was determined using the Black-Scholes option pricing model assuming no expected dividends, a risk-free interest rate of 1.00%, an expected stock price volatility of 80% and an expected life of two years. The Corporation incurred cash issuance costs of $5,473.

11.3 Shares for debt

On October 2, 2014, the shareholders of the Corporation approved the shares for debt settlement agreements with each of Keats Consulting Inc. ("Keats"), Elysian Enterprises Inc. ("Elysian") and Zorayda Consulting Ltd. ("Zorayda") subsequent to which the Corporation issued 2,556,538 common shares in full and final satisfaction of an aggregate amount of $332,350 owing to Keats, Elysian and Zorayda with respect to services rendered by them until December 10, 2013.

On January 18, 2016, the Board of Directors approved a resolution to pay in shares the $16,000 owed to the Directors (less deduction at source) for their fees up to December 31, 2015. These 296,468 shares were issued at $0.05 per share.

11. COMMON SHARES AND WARRANTS (CONT'D)

11.4 Warrants

The changes in warrants issued are as follows:

	Year ended			
	February 29, 2016		February 28, 2015	
	Number of warrants	Weighted average exercise prices	Number of warrants	Weighted average exercise prices
		$		$
Balance, beginning of year	23,566,189	0.42	9,767,183	1.01
Issued	-	-	13,921,923	0.17
Expired	(8,628,966)	0.16	(122,917)	19.20
Balance, end of year	**14,937,223**	**0.57**	**23,566,189**	**0.42**

Outstanding warrants entitle their holder to subscribe to an equivalent number of common shares as follow:

	February 29, 2016	
Expiry date	**Number of warrants**	**Exercise price**
		$
March 28, 2016 1)	1,540,000	0.175
September 5, 2016	8,389,615	0.175
September 12, 2016	1,925,000	0.175
December 19, 2016	625,000	0.11
December 19, 2016	1,442,308	0.17
July 17, 2018	941,900	6.00
August 7, 2018	73,400	6.00
	14,937,223	

1) These instruments expired after February 29, 2016 and were not exercised.

11.5 Agent's compensation options:

The changes in agent's compensation options and underlying warrants issued are as follows:

	Year ended			
	February 29, 2016		February 28, 2015	
	Number of agent compensation options and underlying warrants	Weighted average exercise prices	Number of agent compensation options and underlying warrants	Weighted average exercise prices
		$		$
Balance, beginning of year	1,007,978	0.38	486,565	4.52
Issued	-	-	922,922	0.13
Expired	(516,000)	0.15	(401,509)	4.84
Balance, end of year	**491,978**	**0.61**	**1,007,978**	**0.38**

12. SHARE-BASED PAYMENTS

Outstanding agent's compensation options entitle their holder to subscribe to an equivalent number of common shares as follow:

	February 29, 2016	
Expiry Date	**Number**	**Exercise price**
		$
July 17, 2016	78,450	3.00
August 7, 2016	6,606	3.00
December 19, 2016	406,922	0.11
	491,978	**0.61**

12.1 Stock option plan

The Corporation has a stock option plan whereby the Corporation may grant options to directors, officers, employees, independent contractors or consultants. The exercise price associated with each grant of options is determined by the Corporation and is subject to the policies of the Exchange. The maximum term of each option is 10 years. The options vest on a basis as determined by the directors or a committee thereof at the time of grant.

In June 2014, the Board approved certain changes to the stock option plan (the "Stock Option Plan"), which was approved by the Exchange. The reason for these changes is to maintain the incentive for a longer period considering the stability of the participants and the business model of the Corporation and also to incorporate the numerous amendments brought recently to the Exchange's policy relating to stock options.

Following is a summary of the main changes to the Stock Option Plan:
- The maximum number of common shares that can be issued upon exercise of stock options granted under the Stock Option Plan is equal to 1,543,000 common shares;
- The option price shall not be less than the price on the Exchange on the close of the previous trading day, provided that certain conditions are met as defined in the Stock Option Plan.

On October 10, 2014, the Corporation granted 1,525,000 stock options to directors, officers, advisors and consultants at an exercise price of $0.125 with an expiry date of October 10, 2024. Of the 1,525,000 stock options granted, 1,425,000 vested immediately and 100,000 are vesting over a one year period, 25% every three months from the date of grant. At the time of the grant, the exercise price was above the market price on the Exchange.

Total stock-based compensation costs amounts to $83,875 for an estimated fair value of $0.055 per option, $81,985 was recorded in the year ended February 28, 2015 and $1,890 was recorded over the remaining vesting period in the year ended February 29, 2016. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 2.21% risk-free interest rate and 6 years options expected life. These expected life and volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

12. SHARE-BASED PAYMENTS (CONT'D)

12.2 Stock options

The changes in stock options issued, on a post-consolidation basis are as follows:

	Year ended			
	February 29, 2016		February 28, 2015	
	Number of options	Weighted average exercise prices	Number of options	Weighted average exercise prices
		$		$
Balance, beginning of year	1,525,000	0.125	40,833	18.00
Granted	-	-	1,525,000	0.125
Expired	-	-	(40,833)	18.00
Forfeited	(125,000)	0.125	-	-
Balance, end of year	**1,400,000**	**0.125**	**1,525,000**	**0.125**

Outstanding stock options entitling their holder to subscribe to an equivalent number of common shares as follow:

		February 29, 2016	
	Expiry Date	Number of options	Exercise price
			$
	October 10, 2024	1,400,000	0.125
		1,400,000	

13. GENERAL AND ADMINISTRATION

	Year ended	
	February 29, 2016	February 28,2015
	$	$
Administration fees	-	30,000
Directors fees	42,000	29,000
Filing and transfer agent fees	47,158	42,600
Management fees	53,049	158,448
Office and miscellaneous	28,009	47,807
Professional fees	120,756	347,567
Promotion	68,066	161,826
Rent	(7,387)	(943)
Salaries and benefit	111,934	177,808
Share-based payments	1,890	81,985
Travel	10,719	53,791
General and administration	**476,194**	**1,129,889**

14. FINANCE COSTS

	Year ended	
	February 29, 2016	**February 28, 2015**
	$	$
Accretion of sublease reserve	1,632	2,236
Accretion of convertible debentures	47,930	5,895
Issuance costs on convertible debentures	5,148	995
Common shares issued in lieu of interest payment on convertible debentures	45,000	-
Interest paid and accrued on loan payable	22,472	209,840
Interest accrued on tax credits payable	(65,155)	-
Finance costs	**57,027**	**218,966**

15. RELATED PARTY TRANSACTION

15.1 Compensation to key management

The Corporation's key management personnel are members of the Board of Directors, the chief executive officer and the chief financial officer:

	Year ended	
	February 29, 2016	**February 28, 2015**
	$	$
Short-term benefits		
Exploration and evaluation expenditures	2,750	-
Salaries, including benefits	111,934	177,808
Directors fees	42,000	29,000
Management fees	53,049	158,448
Issuance costs (allocated between capital stock, warrants and convertible debentures)	-	13,558
Long-term benefits		
Share-based payments	-	71,500
Total compensation	**209,733**	**450,314**

Certain employment agreements between the executive team and the Corporation contain termination and change of control provisions. If a termination or change of control had occurred as at February 29, 2016, the amounts payable for the executive team would have totaled $263,684 (February 28, 2015 - $271,380).

15.2 Related party transactions

In the normal course of operations, in addition to the amounts listed above in the compensation to key management (Note 15.1):

a) A company controlled by a director charged legal fees amounting to $3,841 ($17,618 in the year ended February 28, 2015) for his staff;
b) A company controlled by an officer (since April 30, 2014), director (since October 2, 2014) and corporate secretary (since May 12, 2015) charged accounting fees of $18,003 ($32,924 in the year ended February 28, 2015) for her staff;
c) Directors and officers of the Corporation participated in the following private placements:
   (1) March 2014 for $13,000;
   (2) December 2014 for $25,800 of flow-through shares.

As at February 29, 2016, the balance due to the related parties and key management amounted to $169,452 ($12,901 as at February 28, 2015). Amounts due to related parties are unsecured, non-interest bearing.

16. FINANCIAL INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's Management manages financial risks. The Corporation does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Corporation's main financial risks exposure and its financial policies are described below.

16.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash is exposed to credit risk. Management believes the credit risk on cash is small because the counterparties are chartered Canadian banks.

16.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to significant interest rate risk as cash only comprised bank balances as of February 29, 2016, the loan payable bears a fix interest rate of 14% and the convertible debentures bears a fix interest rate of 12%. The Corporation had no interest rate swaps or financial contracts in place as at or during the year ended February 29, 2016.

16.3 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. 90% of the Corporation's trade and other payables are over 90 days. The Corporation seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its exploration, development, and operating obligations and cash on hand. The Corporation anticipates seeking additional financing in order to fund general and administrative costs, loan service costs and exploration and evaluation costs. The Corporation's options to enhance liquidity include the issuance of new debt or equity instruments (refer to note 1.1 for going concern discussion).

The following table summarizes the carrying amounts and contractual maturities of financial liabilities as at February 29, 2016:

	Trade and other payables	Loan	Convertible debentures
	$	$	$
Within 1 year	445,401	168,664	328,377
1 to 5 years	-	-	-
Total	**445,401**	**168,664**	**328,377**

16.4 Fair value risk

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at February 29, 2016, the Corporation's financial instruments are cash, trade and other payables, loan and convertible debentures. For all the financial instruments except the convertible debentures, the amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature. For the convertible debenture, the fair value of the debt component was estimated using an effective rate of 30% corresponding to a rate that the Corporation would have obtained for a similar financing without the conversion option.

17. CAPITAL MANAGEMENT

The Corporation includes as capital its common shares, equity component of convertible debentures, warrants and contributed surplus. Total capital as at February 29, 2016 was $69,461,765 (February 28, 2015 - $69,080,591).

The Corporation's objectives are to safeguard the Corporation's ability to continue as a going concern in order to pursue its exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Corporation does not have cash flow from operations, to maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts and to continue operations, the Corporation does not pay out dividends. Also, see note 8 for the Forbearance Agreement details.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non cash transactions included in the statement of financial position are the following:

	Year ended	
	February 29, 2016	**February 28, 2015**
	$	$
Agent compensation options issued as a share issue cost	-	17,204

Change in non-cash working capital items:

	Year ended	
	February 29, 2016	**February 28, 2015**
	$	$
Sales tax receivable	99,582	(35,772)
Tax credits receivable	(305,686)	2,296,336
Advances for exploration	145,327	(145,327)
Prepaid expenses	3,387	(11,800)
Trade and other payables	153,473	(238,299)
Sublease reserve	(6,860)	(41,160)
Tax credits payable	(371,534)	(195,150)
	(282,311)	**1,628,828**

19. INCOME TAXES

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Corporation, to the loss before income taxes due to the following:

	February 29, 2016	February 28, 2015
	$	$
Loss before income taxes	(984,878)	(2,852,003)
Canadian federal and provincial income tax rates	26.9%	26.9%
Income tax recovery based on Canadian federal and provincial income tax rates	(264,932)	(767,189)
Increase (decrease) attributable to:		
Changes in unrecognized deferred tax assets	77,334	407,974
Non-deductible expenditures	(19,772)	65,341
Properties acquired with no tax base	56,076	-
Flow-through share premium	(175,313)	(294,269)
Effect of flow-through share renunciation	153,515	297,187
Adjustment to prior years	(2,221)	(3,313)
Québec refundable mining tax	(126,173)	(63,857)
Tax expense	**(301,486)**	(358,126)

The following table shows the changes in deferred tax assets and liabilities during the year, regardless of compensation balances relating to the same taxation authority.

	As at February 28, 2015	Amount debited (credited) in the statement of loss	Amount debited (credited) to Equity	As at February 29, 2016
	$	$	$	$
Deferred tax assets				
Share issue costs	26,820	-	(14,278)	12,542
	26,820			**12,542**

	As at February 28, 2015	Amount debited (credited) in the statement of loss	As at February 29, 2016
	$	$	$
Deferred tax liabilities			
Convertible debenture	26,820	(14,278)	12,542
	26,820		**12,542**

19. INCOME TAXES (CONT'D)

Unrecognized deductible temporary differences, unused tax losses and unused tax credits are attributable to the following:

	February 29, 2016	February 28, 2015
	$	$
Non-capital losses carry forwards	15,907,950	14,520,937
Capital loss carry forwards	3,100,486	3,100,486
Property, plant and equipment	25,167,143	25,467,917
Share issuance costs	1,211,544	2,005,068
Non-deductible reserve	103,520	108,748
Non-refundable tax credits	3,342,777	3,342,777
	48,923,420	**48,545,933**

The non-capital losses and tax credits expire on various dates from 2026 to 2035.

20. SUBSEQUENT EVENTS

20.1 SOQUEM option and joint venture agreement on Calumet-Sud

On March 25, 2016, the Corporation signed an option and joint venture agreement with SOQUEM to grant SOQUEM the option to acquire an undivided 50% interest in the Calumet-Sud project. SOQUEM will be the operator during the option period. Upon the exercise of the option, a joint venture would be created between the Corporation and SOQUEM.

Before March 31, 2016, SOQUEM must pay $93,000 to Gardin and $7,000 to the Corporation (completed in March 2016). Also, SOQUEM must fund $450,000 in exploration expenditures as follows:

	Work	
	Commitment	**Completed**
	$	**$**
On or before February 27, 2017	100,000	-
On or before August 31, 2018	150,000	-
On or before February 28, 2020	200,000	-
Total	**450,000**	**-**

As a result of the above, the August 6, 2015 definitive agreement with Gardin was amended on March 25, 2016 to, amongst other things, match SOQUEM's work commitment time table.

20.2 Chemin Troilus project acquisition

On June 4, 2016, the Corporation signed a project acquisition agreement with Les Ressources Tectonic Inc. whereby the Chemin Troilus project can be purchased for the following considerations: issuance of 1,000,000 common shares of the Corporation, $35,000 cash payment and 2% NSR royalty of which 1.5% can be bought back by the Corporation for $2,000,000. The agreement is subject to the Exchange's approval.