MEGASTAR DEVELOPMENT CORP.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2015

EXPRESSED IN CANADIAN DOLLARS

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DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Megastar Development Corp.

We have audited the accompanying financial statements of Megastar Development Corp., which comprise the statements of financial position as at February 28, 2015 and 2014 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Megastar Development Corp. as at February 28, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

June 26, 2015

NEXIA INTERNATIONAL

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MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Notes		February 28, 2015		February 28, 2014
ASSETS					
Current assets					
Cash and cash equivalents	4	$	832,973	$	1,042,037
Taxes recoverable	5		9,245		2,319
Marketable securities	6		27,643		52,811
Prepaid expenses and deposits			3,454		8,624
Total current assets			873,315		1,105,791
Non-current assets					
Equipment	7		776		1,109
Exploration and evaluation assets	8		309,287		223,167
Total non-current assets			310,063		224,276
TOTAL ASSETS		$	1,183,378	$	1,330,067
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable, accrued liabilities and other liabilities	15	$	307,672	$	518,785
Due to related parties	13		15,279		13,850
Total current liabilities			322,951		532,635
Total liabilities			322,951		532,635
Shareholders' equity					
Share capital	9		5,141,178		5,141,178
Reserves	10		190,023		208,339
Accumulated other comprehensive income (loss)	14		(10,407)		14,761
Deficit			(4,460,367)		(4,566,846)
Total shareholders' equity			860,427		797,432
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	1,183,378	$	1,330,067

Approved and authorized for issue on behalf of the Board on June 26, 2015

"Dusan Berka" Director
Dusan Berka

"Jonathan Rich " Director
Jonathan Rich

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

MEGASTAR DEVELOPMENT CORP.

STATEMENTS OF OPERATIONS AND COMPEREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

	Notes	Year ended February 28, 2015	Year ended February 28, 2014
Expenses			
Accounting and audit fees	13	$ 24,182	$ 28,746
Depreciation		333	475
Insurance		7,400	6,894
Legal fees		4,859	5,639
Management fees	13	60,000	60,000
Office, telephone and miscellaneous		3,257	3,645
Rent		15,480	12,000
Shareholder information		2,645	3,290
Transfer agent and filing fees		16,143	15,840
Travel		3,814	2,618
Loss before other income (expenses)		(138,113)	(139,147)
Other income (expenses):			
Impairment for exploration and evaluation interest		-	(288,363)
Recoveries (expenses) related to flow-through shares	15	213,664	(90,279)
Interest income		12,612	15,003
Net income (loss) for the year		88,163	(502,786)
Other comprehensive income (loss)			
Unrealized gain (loss) on marketable securities	6	(25,168)	14,761
Total comprehensive income (loss) for the year		$ 62,995	$ (488,025)
Weighted average number of common shares outstanding (basic and diluted)		28,996,716	28,996,716
Basic and diluted earnings (loss) per share		$ 0.003	$ (0.017)

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

MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital		Reserves		Accmulated other comprehensive income (loss)		
	Number of shares issued	Amount	Warrant reserve	Share-based payments reserve	Unrealized marketable securities gain (loss)	Deficit	Total
Balance, February 28, 2013	28,996,716	$ 5,141,178	$ 52,573	$ 192,096	$ -	$ (4,100,390)	$ 1,285,457
Net loss for the year	-	-	-	-	-	(502,786)	(502,786)
Unrealized gain on marketable securities	-	-	-	-	14,761	-	14,761
Fair value of options expired (Note 9 and 10)	-	-	-	(36,330)	-	36,330	-
Balance, February 28, 2014	28,996,716	5,141,178	52,573	155,766	14,761	(4,566,846)	797,432
Net income (loss) for the year	-	-	-	-	-	88,163	88,163
Unrealized loss on marketable securities	-	-	-	-	(25,168)	-	(25,168)
Fair value of options expired (Note 9 and 10)	-	-	-	(18,316)	-	18,316	-
Balance, February 28, 2015	28,996,716	$ 5,141,178	$ 52,573	$ 137,450	$ (10,407)	$ (4,460,367)	$ 860,427

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

MEGASTAR DEVELOPMENT CORP.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Year ended February 28, 2015	Year ended February 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 88,163	$ (502,786)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation	333	475
Impairment for exploration and evaluation interest	-	288,363
Recoveries (expenses) related to flow-through shares	(213,664)	90,279
Interest income	(12,612)	(15,003)
Net changes in non-cash working capital accounts		
(Increase) decrease in taxes recoverable	(6,926)	3,396
(Increase) decrease in prepaid expenses and deposits	5,170	(1,156)
Increase (decrease) in accounts payable and accrued liabilities	(2,449)	6,333
Increase in due to related parties	6,429	-
Cash used in operating activities	(135,556)	(130,099)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,612	15,003
Evaluation and exploration expenditures	(86,120)	(13,483)
Cash provided by (used in) investing activities	(73,508)	1,520
Net change in cash and cash equivalents	(209,064)	(128,579)
Cash and cash equivalents, beginning balance for the year	1,042,037	1,170,616
Cash and cash equivalents, ending balance for the year	$ 832,973	$ 1,042,037

Supplemental cash flows information (Note 14)

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

1. NATURE OF OPERATIONS

The Company, incorporated in British Columbia on September 24, 1984, is an exploration stage public company listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The Company is assessing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under mineral property agreements and to complete the development of the properties, and upon future profitable production or the sale thereof.

The Company is listed as a Tier 2 mining exploration issuer. The Company operates in a single business segment focusing on mineral exploration in Quebec and British Columbia, Canada. At February 28, 2015, the Company had no revenue producing operations and has an accumulated deficit of $4,460,367 (February 28, 2014 - $4,566,846) since its inception. However, the Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These 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. The Company's future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

The head office, and principal address of the Company is Suite 1450, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company's registered and records address is at the corporate solicitor's office, McMillan LLP, Barristers and Solicitors, 1500 Royal Centre – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

2. BASIS OF PRESENTATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These financial statements have been prepared on an accrual basis and are based on historical costs, as modified by the revaluation of available for sale financial assets. These financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise noted.

Approval of the audited financial statements

The financial statements of the Company for the year ended February 28, 2015, were authorized for issue on June 26, 2015 by the Board of Directors of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

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 within the next financial year are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

ii) 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.

iii) Income Taxes

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

iv) Flow-Through Share Provisions

Flow-through share provisions comprise the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring on a timely basis the appropriate amount of qualifying exploration expenditures required related to past flow-through share issuances. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made required exploration expenditures.

Flow-through share provisions have been created based on the Company's internal estimates of the maximum tax penalties and indemnification liabilities the Company could be subject to. Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future potential liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. The final cost of the flow-through share provision may be lower than currently provided for.

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

Significant accounting judgments, estimates and assumptions (cont'd...)

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, and short-term highly liquid investments with original maturities of three months or less.

Property and equipment

Recognition and measurement

On initial recognition, property and equipment is valued at cost, being the purchase price and directly attributable cost 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 is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not depreciated.

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, plant 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.

Depreciation

Equipment is recorded at cost less accumulated depreciation. As at February 28, 2015, depreciation is calculated on a declining balance basis at 30% per annum for office equipment. One half the normal depreciation is taken in the year of acquisition.

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

Depreciation is recognized in profit or loss. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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 by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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, share options, share 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.

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 estimated premium, 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.

Proceeds received from the issuance of flow-through shares must be used only for Canadian resource property exploration expenditures within a two-year period.

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.

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

Earnings/Loss 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 (loss) 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.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income except where these are issued to consultants directly involved in the sourcing of finance in which case they are measured at the fair value of the equity instruments granted. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in share based payments reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share based payment reserve is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was 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 are issued as share issuance costs, the fair value will be recorded as warrant reserve using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Exploration and Evaluation Assets

Pre-exploration costs 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, labor and contractor costs, materials used and licensing and permit fees.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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 other income for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to other expenses.

Currently, all mineral properties of the Company are at exploration stage.

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

Management reviews capitalized costs on its mineral properties when facts and circumstances suggest that the carrying amount of an asset may exceed its recorded amount. If the recorded amount is higher than the asset's fair value less cost to sell, management will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or sale of the property.

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

Exploration and Evaluation Assets (cont'd...)

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

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes 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 as incurred.

Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Impairment of assets

The carrying amount of intangible assets with indefinite useful economic lives 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, except to the extent they reverse gains previously recognized in accumulated other comprehensive income (loss).

The recoverable amount of assets 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.

Environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pre-tax rate that reflects the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted at each period-end for the unwinding of the discount rate, for changes to the current market-based discount rate, and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

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

Environmental rehabilitation (cont'd...)

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interests.

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 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 (loss) for the period in which they arise.

Loans and receivables and other financial liabilities

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 financial assets

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

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

Impairment of financial assets

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

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

Financial instruments (cont'd...)

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise trade payables and accrued 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. Other liabilities include, among other things, accrued amounts for flow through share liabilities relating to taxes payable, accrued liabilities to indemnify shareholders and accrued interest payable on such liabilities.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company classified its financial instruments as follows:

- Cash and cash equivalents are classified as *loans and receivables*.
- Marketable securities are classified as *available for sale*.
- Accounts payable and accrued liabilities except for flow through share provisions have been classified as *other financial liabilities*.
- Amounts due from related parties are classified as *other financial liabilities*.

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

The Company does not use any derivative or hedging instruments.

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.

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 significant impact on its financial statements.

(EXPRESSED IN CANADIAN DOLLARS)

4. CASH AND CASH EQUIVALENTS

	February 28, 2015	February 28, 2014
Cash at bank	$ 18,588	$ 8,015
Term deposits	814,385	1,034,022
Cash and cash equivalents	$ 832,973	$ 1,042,037

Term deposits of $814,385 earn interest at annual interest rates between 0.80% and 1.40%, and their terms are within 90 days.

5. TAXES RECOVERABLE

	February 28, 2015	February 28, 2014
GST receivable	$ 1,431	$ 1,345
QST recoverable	7,814	974
	$ 9,245	$ 2,319

6. MARKETABLE SECURITIES

	February 28, 2015		February 28, 2014	
	Fair Value	Cost	Fair Value	Cost
Canada Zinc Metals Corp.	$ 21,675	$ 104,975	$ 45,900	$ 104,975
Eloro Resources Ltd.	5,625	116,260	5,625	116,260
92 Resources Corp.	343	74,500	1,286	74,500
	$ 27,643	$ 295,735	$ 52,811	$ 295,735

During the year ended February 28, 2013, the Company recorded $122,575 as a loss on impairment of marketable securities, designated as available for sale financial instruments in accordance with IAS 33, on the basis that these were considered to have suffered a significant or prolonged decline in value as at that date.

During the year ended February 28, 2015, the Company recorded $25,168 as an unrealized loss (February 28, 2014 – $14,761 as an unrealized gain) to the market values. The unrealized gain and loss of marketable securities is reflected in other comprehensive income (loss) during the reporting period.

(EXPRESSED IN CANADIAN DOLLARS)

7. EQUIPMENT

		Office equipment
Cost:		
At February 28, 2014	$	3,439
Additions		-
At February 28, 2015	$	3,439
Depreciation:		
At February 28, 2014		2,330
Charges for the period		333
At February 28, 2015	$	2,663
Net book value:		
At February 28, 2014	$	1,109
At February 28, 2015	$	776

		Office equipment
Cost:		
At February 28, 2013	$	3,439
Additions		-
At February 28, 2014	$	3,439
Depreciation:		
At February 28, 2013		1,855
Charges for the period		475
At February 28, 2014	$	2,330
Net book value:		
At February 28, 2013	$	1,584
At February 28, 2014	$	1,109

8. EXPLORATION AND EVALUATION ASSETS

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

		Sedex Zinc Property British Columbia, Canada		Ralleau Project Quebec, Canada		Total
Total acquisition costs	$	235,000	$	96,543	$	331,543
Total exploration advance		(183,500)		-		(183,500)
Total cost recovery		(112,000)		(101,120)		(213,120)
Total deferred exploration costs		105,857		560,197		666,054
Total cumulative impairment charge		(45,356)		(332,454)		(377,810)
Balance,February 28, 2014		1		223,166		223,167
Exploration costs						
Assays and testing		-		6,287		6,287
Reports and field		-		65,292		65,292
Travel and accommodation		-		13,665		13,665
Others		-		876		876
Deferred exploration costs		-		86,120		86,120
Balance of costs						
Total acquisition costs		235,000		96,543		331,543
Total exploration advance		(183,500)		-		(183,500)
Total cost recovery		(112,000)		(101,120)		(213,120)
Total deferred exploration costs		105,857		646,317		752,174
Total cumulative impairment charge		(45,356)		(332,454)		(377,810)
Balance, February 28, 2015	$	1	$	309,286	$	309,287

(EXPRESSED IN CANADIAN DOLLARS)

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

	Sedex Zinc Property British Columbia, Canada	Ralleau Project Quebec, Canada	Total
Total acquisition costs	$ 235,000	$ 96,543	$ 331,543
Total exploration advance	(183,500)	-	(183,500)
Total cost recovery	(112,000)	(101,120)	(213,120)
Total deferred exploration costs	105,857	555,712	661,569
Total cumulative impairment charge	(45,356)	(44,091)	(89,447)
Balance,February 28, 2013	1	507,044	507,045
Exploration costs			
Reports and field	-	525	525
Claim renew	-	3,960	3,960
Deferred exploration costs	-	4,485	4,485
Impairment charge	-	(288,363)	(288,363)
Balance of costs			
Total acquisition costs	235,000	96,543	331,543
Total exploration advance	(183,500)	-	(183,500)
Total cost recovery	(112,000)	(101,120)	(213,120)
Total deferred exploration costs	105,857	560,197	666,054
Total cumulative impairment charge	(45,356)	(332,454)	(377,810)
Balance, February 28, 2014	$ 1	$ 223,166	$ 223,167

a) Ralleau Project, Quebec, Canada

As at February 28, 2015, the Company has a 100% interest in 89 mineral claims, totaling 5,014 hectares, situated in the Quevillon area of Quebec that are subject to a 2% net smelter royalty return of which 1% can be purchased by the Company at any time for $1,000,000.

During the year ended February 28, 2013, an impairment charge of $44,091 was recognized due to the expiry of 16 claims.

An impairment charge of $288,363 was recognized at February 28, 2014, representing certain non-core claims expired during the year ended February 28, 2014.

b) Sedex Zinc Property, British Columbia, Canada

At February 28, 2015, the Company had a 100% interest in 9 mineral claims located in the Omineca Mining Division, BC.

Pursuant to an agreement dated November 5, 2008 and amended January 19, 2012, the Company granted an option to Rio Grande Mining Corp. ("Rio Grande") whereby Rio Grande could earn up to a 60% interest in the claims.

For Rio Grande to earn a 60% interest in the Sedex claims, it must pay to the Company cash of $89,055, issue 200,000 common shares to the Company and incur $800,000 in exploration expenditures as follows:

- Pay $10,000 to the Company (received) within 10 days of execution of the letter of intent;
- Incur minimum exploration expenditures of $100,000 on or before January 31, 2009 (not incurred);

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

b) Sedex Zinc Property, British Columbia, Canada (cont'd...)

- Pay $17,500 to the Company (received) and 50,000 pre-split common shares (received) which were valued at their fair value of $22,500, on or before the earlier of (i) 7 days after the listing date, or (ii) May 31, 2010;
- Pay $20,000 to the Company (received) and 50,000 pre-split common shares (received) which were valued at their fair market value of $12,000, incur minimum exploration expenditures of $200,000 on or before the earlier of (i) 12 months after the listing date, or (ii) July 31, 2010 (not incurred);
- Pay $16,555 to the Company (received) on June 1, 2011;
- Issue 100,000 post-split common shares (received) which were valued at their fair market value of $40,000 within five days of full execution of the Amending Letter Agreement dated January 19, 2012;
- Pay $25,000 to the Company and incur minimum exploration expenditures of $500,000 on or before January 31, 2013 (not incurred).

On July 19, 2012, the Option Agreement with Rio Grande was terminated by mutual consent. Subject to Exchange approval, Rio Grande has agreed to issue 250,000 treasury shares to the Company (outstanding) as compensation for all outstanding out of pocket expenses amounting to $25,000 in connection with keeping the property current and in good standing.

On September 30, 2011, the Company received $10,000 from Goldeneye Resources Corp. (formerly "Barranco Resources Corp.") as a non-refundable advance payment for granting a right of first refusal in connection with a possible option agreement for the Sedex property. Goldeneye Resources Corp. has chosen not to pursue an option interest in the Sedex property.

On August 2, 2012, the Company entered into a letter of intent with Yuntone Capital Corp. ("Yuntone"). The Company granted an option to Yuntone to purchase up to an undivided 60% interest in the Sedex claims. For Yuntone to earn a 60% interest in the Sedex claims, it had to pay to the Company cash of $50,000 (received $25,000), issue 250,000 common shares, and incur $500,000 in exploration expenditures. On October 9, 2012, the letter of intent was terminated by mutual consent and shall have no further force or effect. The Company returned the payment of $25,000 to Yuntone on October 9, 2012.

The Company abandoned 8 mineral claims during the year ended February 29, 2012, and abandoned 16 mineral claims during the year ended February 28, 2013 leaving the Company with a 100% interest in 9 mineral claims, totaling 3,302 hectares. Pursuant to the forfeiture of claims and management's assessment of impairment, management recorded an impairment charge of $45,356 against the property during the year ended February 28, 2013.

9. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issuance of share capital

There were no share capital transactions during the years ended February 28, 2015 and 2014.

Share Options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, consultants for up to 10% of the issued and outstanding common shares. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee in a twelve-month period is limited to 5% of the issued shares of the Company. Under the plan, the exercise price of an option may not be less than the

(EXPRESSED IN CANADIAN DOLLARS)

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

Share Options (cont'd...)

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, 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.

During the year ended February 28, 2015,

On August 1, 2014, 300,000 share options exercisable at $0.10 expired unexercised.

On August 22, 2014, 125,000 share options exercisable at $0.10 expired unexercised.

During the year ended February 28, 2014,

On March 4, 2013, 93,750 share options exercisable at $0.52 expired unexercised.

A summary of share options outstanding as at February 28, 2015 and 2014 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Number of Years to Expiry
Balance, February 28, 2013	1,568,750	$0.19	2.54
Options expired	(93,750)	$0.52	
Balance, February 28, 2014	1,475,000	$0.17	1.70
Options expired	(425,000)	$0.10	
Balance, February 28, 2015	1,050,000	$0.19	1.21

As at February 28, 2015, the following incentive share options are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
650,000	$0.25	July 22, 2016
400,000	$0.10	January 29, 2016
1,050,000		

Warrants

On May 3, 2013, the Company received approval from the TSX Venture Exchange to extend the terms of certain warrants previously issued. The private placements, which these warrants relate to, closed on July 20, 2011 and June 1, 2012, respectively. These warrants initially had expiry dates of July 20, 2013 and June 1, 2014 and were extended for a period of two years and now expire on July 20, 2015 and June 1, 2016 respectively. All other terms of the warrants remain the same.

During the year ended February 28, 2015, 742,500 warrants exercisable at $0.135 per share expired unexercised.

During the year ended February 28, 2014, 437,144 warrants exercisable at $0.135 per share expired unexercised.

(EXPRESSED IN CANADIAN DOLLARS)

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

Warrants (cont'd...)

A summary of changes in warrants outstanding as at February 28, 2015 and 2014 is as follows:

	Warrants Outstanding	Weighted average Exercise price	Weighted Average number of years to expiry
Balance, February 28, 2013	18,782,409	$0.135	2.55
Warrants expired	(437,144)	$0.135	
Balance, February 28, 2014	18,345,265	$0.135	1.61
Warrants expired	(742,500)	$0.135	
Balance, February 28, 2015	17,602,765	$0.135	0.93

Details of warrants outstanding as at February 28, 2015 are as follows:

Number of Warrants	Exercise Price	Expiry Date
6,602,765	$0.135	July 20, 2015
11,000,000	$0.135	June 1, 2016
17,602,765		

10. RESERVES

Share-based payment reserve

The share-based payment reserve records share options recognized as share-based payments expense until such time that the share options are exercised, at which time the corresponding amount will be transferred to share capital. Upon cancellation or forfeiture, the amount is transferred to deficit.

Balance, February 28, 2013	$	192,096
Share option expired		(36,330)
Balance, February 28, 2014	$	155,766
Share option expired		(18,316)
Balance, February 28, 2015	$	137,450

Warrant reserve

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was 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 remains in warrant reserve.

Balance, February 28, 2014 and 2013	$	52,573
No warrants granted		-
Balance, February 28, 2015	$	52,573

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital comprises the Company's shareholders' 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.

The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital 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.

The Company is not subject to externally imposed capital restrictions nor were there any changes to the Company's capital management provisions during the year.

12. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Per IFRS 7, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of 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.

Financial Instrument Risks

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

As at February 28, 2015		
Assets		
Cash and cash equivalents	$	832,973
Marketable securities		27,643
Total	$	860,616

As at February 28, 2014		
Assets		
Cash and cash equivalents		1,042,037
Marketable secuirites		52,811
Total	$	1,094,848

The Company's cash and cash equivalents and marketable securities are valued using quoted market prices in active markets, and therefore are classified as Level 1.

The fair value of accounts payable, accrued liabilities, other liabilities and due to related parties approximates their carrying values due to their short term to maturity.

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

Financial Instrument Risks (cont'd...)

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

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, cash equivalents and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions.

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. As at February 28, 2015, the Company had a working capital of $550,364 (February 28, 2014 - $573,156). The payment terms for accounts payable and accrued liabilities from vendors are generally 30 days or due on receipt.

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. The Company's marketable securities bear market price risk. The maximum exposure to this risk is equal to the carrying value of the investment.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has no significant interest rate risk. As of February 28, 2015, the Company had cash and cash equivalents balance of $832,973 of which $814,385 were in term deposits earning interest at rates between 0.80% and 1.40% per annum. The Company had no interest-bearing debt.

Foreign currency risk

The Company does not have any assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(EXPRESSED IN CANADIAN DOLLARS)

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties are amounts due to directors and officers. 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.

As at February 28, 2015, $15,279 (February 28, 2014 - $13,850) was due to directors and officers of the Company.

	February 28, 2015	February 28, 2014
Company controlled by CEO	$ 1,429	$ -
Company controlled by CFO	5,000	5,000
Director	6,000	6,000
Directors (former)	2,850	2,850
	$ 15,279	$ 13,850

During the year ended February 28, 2015 and 2014, the Company entered into the following transactions with related parties:

	Year ended	
	February 28, 2015	February 28, 2014
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors and former directors:		
Management and directors fees	$ 60,000	$ 60,000
Professional fees	9,892	8,971
	$ 69,892	$ 68,971

Management compensation consisted of the following:

	Year ended	
	February 28, 2015	February 28, 2014
Company controlled by CEO	$ 36,000	$ 36,000
Company controlled by CFO	24,000	24,000
	$ 60,000	$ 60,000

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2015, the Company recognized an unrealized loss on marketable securities of $25,168 (2014 – unrealized income of $14,761). The Company reclassified the fair value on expired unexercised share options of $18,316 (2014 - $36,330) to deficit.

(EXPRESSED IN CANADIAN DOLLARS)

15. COMMITMENTS AND CONTINGENCIES

As at February 28, 2015, the Company has consulting and management agreements that can be terminated by the Company by giving 30 day notice. The aggregate amount of these agreements is $5,000 monthly.

The Company entered into a revised management agreement with a company controlled by the CEO of the Company dated April 23, 2013. During the term, the Company shall pay a management fee of $3,000 per month, plus applicable taxes. The effective date of the revised agreement was January 1, 2013. The management agreement with the company controlled by the CEO contains a 30 day termination clause.

The Company entered into a revised management agreement with a company controlled by the CFO of the Company dated April 23, 2013. During the term, the Company shall pay a management fee of $2,000 per month, plus applicable taxes. The effective date of the revised agreement was March 1, 2013. The management agreement with the company controlled by the CFO contains a 30 day termination clause.

The Company is in arrears on filing certain of its statutory tax forms. The Company has exposure to late filing penalties and related interest, amounting to $188,127. The Company may also be required to indemnify flow-through investors for the amount of increased tax payable by the flow-through investor as a consequence of the failure of the Company to incur qualifying exploration expenditures previously renounced to the flow-through investors. Previously renounced and unspent exploration amounts of $335,466 relating to the 2006 flow-through shares offering may be subject to such indemnification. The Company estimates that the total potential liability is $285,832 as at February 28, 2015 and has included a provision for this amount together with the interest and penalty accruals in other liabilities. As at February 28, 2015, the Company recognized recoveries on the flow-through investor indemnification of $213,644. As at February 28, 2015, other liabilities comprise a total of $285,832, which includes flow through taxes payable of $85,042, penalties related to non-filing of $100,824, and total accumulated interest of $99,966.

The outcome of the amount of actual claims, if any, is contingent on future assessments to the investors.

16. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties in British Columbia and Quebec, Canada. All of the Company’s assets and expenditures are located in Canada.

17. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	February 28, 2015	February 28, 2014
Income (loss) before income taxes	**$ 88,163**	**$ (502,786)**
Tax charge/(recovery)	23,000	(130,000)
Effect of change in tax rates on deferred tax	-	(9,000)
Non-deductible expenses (recoveries)	(56,000)	-
Changes in unrecognized tax assets and other	33,000	139,000
Total income tax expense / (recovery)	**$ -**	**$ -**

Effective January 1, 2015 and 2014, the Canadian Federal corporate tax rates were 15% and the Canadian Provincial corporate tax rates were 11%.

(EXPRESSED IN CANADIAN DOLLARS)

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

Deferred Tax Assets and Liabilities

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

	February 28, 2015	February 28, 2014
Non-capital loss carry forwards	$ 235,000	$ 193,000
Exploration and evaluation assets	141,000	138,000
Other temporary differences	15,000	24,000
Unrecognized deferred tax assets	$ 391,000	$ 355,000

Tax Losses

As at February 28, 2015, the Company had non-capital losses that may be carried forward of $903,000 (February 28, 2014 - $743,000) expiring from 2031 and 2035.

18. SUBSEQUENT EVENTS

On June 19, 2015, the Company received approval from the TSX Venture Exchange to extend the terms of certain warrants previously issued. The warrants granted on July 20, 2011 and June 1, 2012 were extended to be expired on July 20, 2016 and June 1, 2017, respectively, from the revised expiry dates of July 20, 2015 and June 1, 2016. All other terms of the warrants remain the same.