MEGASTAR DEVELOPMENT CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2017

EXPRESSED IN CANADIAN DOLLARS
(Unaudited – Prepared by Management)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor DAVIDSON & COMPANY LLP has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

January 25, 2018

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

	Notes		November 30, 2017		February 28, 2017
ASSETS					
Current assets					
Cash and cash equivalents	4	$	490,650	$	585,047
Taxes recoverable	5		1,571		1,702
Marketable securities	6		55,575		61,000
Prepaid expenses and deposits			6,685		4,760
Total current assets			554,481		652,509
Non-current assets					
Equipment	7		295		380
Exploration and evaluation assets	8		188,219		190,858
Total non-current assets			188,514		191,238
TOTAL ASSETS		$	742,995	$	843,747
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable, accrued liabilities and other liabilities		$	21,957	$	16,316
Due to related parties	13		4,850		6,850
Total current liabilities			26,807		23,166
Total liabilities			26,807		23,166
Shareholders' equity					
Share capital	9		5,141,178		5,141,178
Reserves	10		82,458		82,458
Accumulated other comprehensive loss			20,525		25,950
Deficit			(4,527,973)		(4,429,005)
Total shareholders' equity			716,188		820,581
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	742,995	$	843,747

Approved and authorized for issue on behalf of the Board on January 25, 2018

"Dusan Berka" Director
Dusan Berka

"Jonathan Rich " Director
Jonathan Rich

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

MEGASTAR DEVELOPMENT CORP.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPEREHENSIVE LOSS

(EXPRESSED IN CANADIAN DOLLARS)

		Three Months Ended		Nine Months ended	
	Notes	November 30, 2017	November 30, 2016	November 30, 2017	November 30, 2016
Expenses					
Accounting and audit fees	13	$ 1,889	$ 3,900	$ 5,303	$ 7,806
Consulting fees		12,120	-	12,120	-
Depreciation	7	28	41	85	122
Insurance		1,925	1,959	5,776	6,009
Investor relations and promotion		271	-	2,061	-
Legal fees		3,891	785	6,651	5,107
Management fees	13	15,000	15,000	45,000	45,000
Office, telephone and miscellaneous		627	964	2,520	4,288
Rent		3,000	3,000	9,000	9,000
Share-based payments	13	-	-	-	29,885
Shareholder information		-	-	3,135	1,729
Transfer agent and filing fees		698	2,983	7,354	6,806
Travel		-	26	-	26
Loss before other income (expenses)		(39,449)	(28,658)	(99,005)	(115,778)
Other income (expenses):					
Impairment of exploration and evaluation	8	-	-	-	(29,693)
Interest income		11	16	37	215
Net loss for the period		(39,438)	(28,642)	(98,968)	(145,256)
Other comprehensive income (loss)					
Unrealized gain (loss) on marketable securities	6	1,075	75	(5,425)	35,500
Total comprehensive loss for the period		(38,363)	(28,567)	$ (104,393)	$ (109,756)
Weighted average number of common shares outstanding (basic and diluted)		28,996,716	28,996,716	28,996,716	28,996,716
Basic and diluted loss per share		$ (0.001)	$ (0.001)	$ (0.003)	$ (0.005)

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

MEGASTAR DEVELOPMENT CORP.
CONDENSED INTERIM 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 29, 2016	28,996,716	$ 5,141,178	$ 52,573	$ 108,549	$ (19,425)	$ (4,372,208)	$ 910,667
Net loss for the period	-	-	-	-	-	(145,256)	(145,256)
Unrealized gain on marketable securities	-	-	-	-	35,500	-	35,500
Fair value of options expired (Note 9 and 10)	-	-	-	(108,549)	-	108,549	-
Fair value of options granted (Note 9 and 10)	-	-	-	29,885	-	-	29,885
Balance, November 30, 2016	28,996,716	5,141,178	52,573	29,885	16,075	(4,408,915)	830,796
Balance, February 28, 2017	28,996,716	5,141,178	52,573	29,885	25,950	(4,429,005)	820,581
Net loss for the period	-	-	-	-	-	(98,968)	(98,968)
Unrealized loss on marketable securities (Note 6)	-	-	-	-	(5,425)	-	(5,425)
Balance, November 30, 2017	28,996,716	$ 5,141,178	$ 52,573	$ 29,885	$ 20,525	$ (4,527,973)	$ 716,188

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

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

	Nine months ended	
	November 30, 2017	November 30, 2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	$ (98,968)	$ (145,256)
Adjustments to reconcile loss to net cash used in operating activities		
Depreciation	85	122
Impairment of exploration and evaluation interest	-	29,693
Share-based payments	-	29,885
Interest income	(37)	(215)
Net changes in non-cash working capital accounts		
Increase in taxes recoverable	132	1,283
Decrease in prepaid expenses and deposits	(1,926)	(1,694)
Increase (decrease) in accounts payable and accrued liabilities	5,642	(12,326)
Increase in due to related parties	(2,000)	(7,500)
Cash used in operating activities	(97,072)	(106,008)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest received	37	215
Exploration and evaluation expenditures	(2,362)	26,900
Proceeds received for disposition of exploration and evaluation assets	5,000	-
Cash provided by investing activities	2,675	27,115
Net change in cash and cash equivalents	(94,397)	(78,893)
Cash and cash equivalents, beginning balance for the period	585,047	702,696
Cash and cash equivalents, ending balance for the period	$ 490,650	$ 623,803

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 November 30, 2017, the Company had no revenue producing operations and has an accumulated deficit of $4,527,973 (February 28, 2017 - $4,429,005) 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 condensed interim financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements of the Company should be read in conjunction with the Company's 2017 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2017 annual financial statements except for income tax expense which is recognized and disclosed for the full financial year in the audited financial statements.

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 nine months ended November 30, 2017, were authorized for issue on January 25, 2018 by the Board of Directors of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting 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 loss effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) 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.

Significant accounting judgements

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 (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.

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. 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 income (loss) 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 income (loss) 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 income (loss) 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 income (loss) 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, labour 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 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 income (loss), except to the extent they reverse gains previously recognized in accumulated other comprehensive income.

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 income (loss). 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 income (loss), 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 income (loss) is reclassified from accumulated other comprehensive income (loss) 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.

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

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

Financial instruments (cont'd...)

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 to 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 IFRIC during the year, but are not yet effective. 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.

IFRS 15, Revenue from Contracts with Customers - IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. IFRS 15 is applicable to annual reporting periods beginning on or after January 1, 2018.

(EXPRESSED IN CANADIAN DOLLARS)

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

IFRS 16, Leases - IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 15 is applicable to annual reporting periods beginning on or after January 1, 2019.

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

4. CASH AND CASH EQUIVALENTS

	November 30, 2017	February 28, 2017
Cash at bank	$ 479,619	$ 574,008
Term deposit	11,031	11,039
Cash and cash equivalents	$ 490,650	$ 585,047

The term deposit of $11,031 earns interest at an annual interest rate of 0.40%, and matures after one year.

5. TAXES RECOVERABLE

	November 30, 2017	February 28, 2017
GST receivable	$ 1,292	$ 1,615
QST recoverable	279	87
	$ 1,571	$ 1,702

6. MARKETABLE SECURITIES

	November 30, 2017		February 28, 2017	
	Fair Value	Cost	Fair Value	Cost
Canada Zinc Metals Corp.	$ 22,950	$ 104,975	$ 34,000	$ 104,975
Eloro Resources Ltd.	32,625	116,260	27,000	116,260
	$ 55,575	$ 221,235	$ 61,000	$ 221,235

During the nine months ended November 30, 2017, the Company recorded $5,425 as an unrealized loss (November 30, 2016 – an unrealized gain of $35,500) on its marketable securities. The unrealized gain and loss of marketable securities is reflected in other comprehensive income (loss) during the reporting period.

During the year ended February 28, 2017, the Company recorded $45,375 as an unrealized gain (February 29, 2016 – an unrealized loss of $9,018) on its marketable securities. The unrealized gain or 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, 2017	$	3,439
Additions		-
At November 30, 2017	$	3,439
Depreciation:		
At February 28, 2017		3,059
Charges for the period		85
At November 30, 2017	$	3,144
Net book value:		
At February 28, 2017	$	380
At November 30, 2017	$	295

		Office equipment
Cost:		
At February 29, 2016	$	3,439
Additions		-
At February 28, 2017	$	3,439
Depreciation:		
At February 29, 2016		2,896
Charges for the period		163
At February 28, 2017	$	3,059
Net book value:		
At February 29, 2016	$	543
At February 28, 2017	$	380

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		659,127		764,984
Total cumulative impairment charge		(45,356)		(433,233)		(478,589)
Opening Balance, February 29, 2016		1		221,317		221,318
Exploration costs						
Others		-		1,638		1,638
Deferred exploration costs		-		1,638		1,638
Cost recovery		-		(28,387)		(28,387)
Impairment charge		-		(3,711)		(3,711)
Balance of costs						
Total acquisition costs		235,000		96,543		331,543
Total exploration advance		(183,500)		-		(183,500)
Total cost recovery		(112,000)		(129,507)		(241,507)
Total deferred exploration costs		105,857		660,765		766,622
Total cumulative impairment charge		(45,356)		(436,944)		(482,300)
Ending Balance, February 28, 2017	$	1	$	190,857	$	190,858

(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)	(129,507)	(241,507)
Total deferred exploration costs	105,857	660,765	766,622
Total cumulative impairment charge	(45,356)	(436,944)	(482,300)
Opening Balance, February 28, 2017	1	190,857	190,858
Exploration costs			
Others	-	2,361	2,361
Deferred exploration costs	-	2,361	2,361
Proceeds received from optionees	-	(5,000)	(5,000)
Balance of costs			
Total acquisition costs	235,000	96,543	331,543
Total exploration advance	(183,500)	-	(183,500)
Total proceeds received from optionees	-	(5,000)	(5,000)
Total cost recovery	(112,000)	(129,507)	(241,507)
Total deferred exploration costs	105,857	663,126	768,983
Total cumulative impairment charge	(45,356)	(436,944)	(482,300)
Ending Balance, November 30, 2017	$ 1	$ 188,218	$ 188,219

1) Ralleau Project, Quebec, Canada

At November 30, 2017, the Company had a 100% interest in 59 mineral claims, totaling 3,324 hectares, situated in the Quevillon area of Quebec that are subject to a 2% net smelter return royalty of which 1% can be purchased by the Company at any time for $1,000,000.

During the year ended February 28, 2017, an impairment charge of $3,711 was recognized due to the expiry of a non-core mineral claim.

On April 5, 2017, the Company entered into an option agreement with an optionee on the Company's wholly-owned Ralleau Property. Under the terms of the option agreement, the optionee will be deemed to have exercised its option to acquire a 50% interest in the property upon:

(a) Cash payment of $100,000 and issuance of 750,000 common shares as follows:

i. $5,000 on or before the execution of this agreement (paid);
ii. $5,000 and 200,000 common shares on or before the exchange listing date;
iii. $5,000 and 100,000 common shares on or before the first anniversary date of this agreement;
iv. $10,000 and 200,000 common shares on or before the second anniversary date of this agreement;
v. $75,000 and 250,000 common shares on or before the third anniversary date of this agreement.

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

(b) Exploration expenditures of $250,000 on the Property as follows:

i. $40,000 on or before May 30, 2017 (incurred);
ii. $15,000 on or before July 31, 2017 (incurred);
iii. $25,000 on or before March 30, 2018;
iv. $50,000 on or before the second anniversary date of this agreement;
v. $120,000 on or before the third anniversary date of this agreement.

During the nine months ended November 30, 2017, the Company received $5,000 from the optionee pursuant to the option agreement.

2) Sedex Zinc Property, British Columbia, Canada

At November 30, 2017, the Company had a 100% interest in 8 mineral claims, totaling 3,056 hectares, located in the Omineca Mining Division, BC (See Note 17).

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 nine months ended November 30, 2017 and the year ended February 28, 2017.

Share Options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to employees, officers, directors, or 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 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, 2017,

On July 22, 2016, 650,000 options exercisable at $0.25 expired unexercised.

On August 25, 2016, the Company granted 825,000 share options to its directors and officers, which were exercisable for a period of three years, at a price of $0.05 per share. As the fair value of the services could not be reliably measured, the Company used the Black-Scholes model to estimate the fair value of the share options granted. The fair value of share options granted was estimated at the grant date using the Black-Scholes pricing model with estimated volatility of 125%, a risk-free rate 0.58%, a dividend yield 0%, and expected life of 3 years. With these assumptions, the fair value of the options was determined to be $29,885, which has been expensed with a corresponding credit to share-based payment reserve.

(EXPRESSED IN CANADIAN DOLLARS)

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

A summary of share options outstanding as at November 30, 2017 and February 28, 2017 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Number of Years to Expiry
Balance, February 29, 2016	650,000	$0.25	0.39
Options granted	825,000	$0.05	
Options expired	(650,000)	$0.25	
Balance, February 28, 2017	825,000	$0.05	2.49
No options granted, expired or exercised	-		
Balance, November 30, 2017	825,000	$0.05	1.73

As at November 30, 2017, the following incentive share options are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
825,000	$0.05	August 25, 2019
825,000		

Warrants

<u>During the nine months ended November 30, 2017,</u>

On June 1, 2017, 11,000,000 warrants exercisable at $0.135 expired unexercised.

<u>During the year ended February 28, 2017</u>,

On July 20, 2016, 6,602,765 warrants exercisable at $0.135 expired unexercised.

A summary of changes in warrants outstanding as at November 30, 2017 and February 28, 2017 is as follows:

	Warrants Outstanding	Weighted average Exercise price	Weighted Average number of years to expiry
Balance, February 29, 2016	17,602,765	$0.135	0.93
Warrants expired	(6,602,765)		
Balance, February 28, 2017	11,000,000	$0.135	0.25
Warrants expired	(11,000,000)		
Balance, November 30, 2017	-	-	-

There were no warrants outstanding as of November 30, 2017.

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.

(EXPRESSED IN CANADIAN DOLLARS)

10. RESERVES (cont'd...)

Balance, February 29, 2016	$	108,549
Share options granted		29,885
Share options expired		(108,549)
Balance, November 30, 2017 and February 28, 2017	$	29,885

Warrant reserve

The fair value of the common shares issued in the private placement are determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date.

The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Balance, February 29, 2016	$	52,573
No warrants granted		-
Balance, November 30, 2017 and February 28, 2017	$	52,573

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 period.

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 measurements 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.

(EXPRESSED IN CANADIAN DOLLARS)

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

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 November 30, 2017		
Assets		
Marketable securities	$	55,575
Total	$	55,575

As at February 28, 2017		
Assets		
Marketable securities	$	61,000
Total	$	61,000

The Company's 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.

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 November 30, 2017, the Company had a working capital of $527,674 (February 28, 2017 - $629,343). 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.

(EXPRESSED IN CANADIAN DOLLARS)

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

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 November 30, 2017, the Company had cash and cash equivalents balance of $490,650 of which $11,032 was in a term deposit, earning interest at a rate of 0.40% 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.

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.

As at November 30, 2017, $4,850 (February 28, 2017 - $6,850) was due to directors and officers of the Company.

Due to Related Parties

	November 30, 2017	February 28, 2017
Company controlled by CFO	2,000	4,000
David Bickerman, Former Director	1,000	1,000
Brian Thurston, Former Director	1,850	1,850
	$ 4,850	$ 6,850

During the nine months ended November 30, 2017 and 2016, the Company entered into the following transactions with related parties:

	Nine months ended	
	November 30, 2017	November 30, 2016
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors and former directors:		
Management fees	$ 45,000	$ 45,000
Professional fees	4,013	6,216
Share-based payments	-	29,885
	$ 49,013	$ 81,101

Management compensation consisted of the following:

	Nine months ended	
	November 30, 2017	November 30, 2016
Company controlled by CEO	$ 27,000	$ 27,000
Company controlled by CFO	18,000	18,000
	$ 45,000	$ 45,000

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended November 30, 2017, the Company recognized an unrealized loss on marketable securities of $5,425 (November 30, 2016 – an unrealized gain of $35,500).

During the year ended February 28, 2017, the Company recognized an unrealized gain on marketable securities of $45,375 (February 29, 2016 – an unrealized loss of $9,018) and share-based payments of $29,885 (February 29, 2016 - $Nil). The Company reclassified the fair value on expired unexercised share option of $108,549 (February 29, 2016 - $28,901) to deficit.

15. COMMITMENTS AND CONTINGENCIES

During the year ended February 29, 2016, the probability of settlement of the potential liability related to flow through taxes payable of $85,042, penalties related to non-filing of $100,824, and total accumulated interest of $99,966 decreased sufficiently for the Company, allowing it to derecognize the provision. As a result, the Company recognized recoveries of $285,832 related to the total potential liability. The Company may be required to settle this potential liability in the future. The outcome of the amount of actual claims, if any, is contingent on future assessments to the Company and its 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. SUBSEQUENT EVENTS

On December 20, 2017, the Company abandoned 7 mineral claims for its SEDEX property, leaving the Company with a 100% interest in 1 mineral claim, which will expire on February 14, 2018. The Company decided not to pursue this property as a result of market constraints and economic feasibility of the project. The nominal carrying value of this property will be written off entirely.