WESTERN PACIFIC
RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MAY 31, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three months ended May 31, 2017. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

As at:		May 31, 2017		February 28, 2017
ASSETS				
Current assets				
Cash	$	61,019	$	162,937
Other receivables		1,442		898
Available-for-sale investments (Note 5)		138,000		159,000
Prepaid expenses and deposits		2,375		4,750
		202,836		327,585
Non-current assets				
Property and equipment (Note 6)		5,214		5,513
Exploration and evaluation asset (Note 7)		16,229		16,229
Reclamation deposit (Note 8)		17,211		16,890
		38,654		38,632
TOTAL ASSETS	**$**	**241,490**	**$**	**366,217**
LIABILITIES and SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities	$	20,298	$	33,269
Due to related parties (Note 12)		287,713		289,628
Total liabilities		308,011		322,897
Shareholders' equity (deficiency)				
Share capital (Note 10)		11,112,697		11,112,697
Other equity reserves (Note 10)		2,550,517		2,542,707
Deficit		(13,729,735)		(13,612,084)
Total shareholders' equity (deficiency)		(66,521)		43,320
TOTAL LIABILITIES and SHAREHOLDERS' EQUITY	**$**	**241,490**	**$**	**366,217**

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON JULY 28, 2017:

"Arthur Brown", Director — Arthur Brown

"Michael Callahan", Director — Michael Callahan

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

		Three months ended May 31,		
		2017		2016
EXPLORATION EXPENDITURES (Note 9)	$	8,225	$	1,793
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization		299		385
Directors fees (Note 12)		12,060		6,000
Interest accretion on convertible notes		-		178,177
Interest accretion on payables		-		55,540
Investor relations and shareholder information		180		300
Management fees (Note 12)		46,460		99,973
Office and administration		5,447		5,367
Professional fees (Note 12)		7,500		11,150
Salaries and benefits (Note 12)		4,590		4,500
Share-based payments (Note 11)		7,810		-
Transfer agent and regulatory fees		450		666
Travel		1,072		-
		85,868		362,058
Loss before other items		(94,093)		(363,851)
OTHER ITEMS				
Foreign exchange gain (loss)		(2,558)		169,216
Gain on foreclosure of Deer Trail Property		-		2,208,565
Fair value loss on long-term payables		-		(44,034)
Impairment on available-for-sale investment (Note 5)		(21,000)		-
		(23,558)		2,333,747
Net income (loss) and comprehensive income (loss) for the period	**$**	**(117,651)**	**$**	**1,969,896**
Income (loss) per share, basic and diluted		$(0.00)		$0.04
Weighted average number of common shares outstanding		63,023,315		52,960,769

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
For the three months ended May 31, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

			Other equity reserves			
	Number of common shares	**Share capital**	**Share-based payments**	**Share purchase warrants**	**Deficit**	**Total**
Balance, February 29, 2016	52,960,769	$ 10,779,889	$ 1,227,777	$ 1,314,930	$ (20,324,982)	$ (7,002,386)
Net income for the period	-	-	-	-	1,969,896	1,969,896
Balance, May 31, 2016	52,960,769	10,779,889	1,227,777	1,314,930	(18,355,086)	(5,032,490)
Net income for the period	-	-	-	-	4,743,002	4,743,002
Shares issued for debt settlement	10,062,546	352,189	-	-	-	352,189
Share issuance costs	-	(19,381)	-	-	-	(19,381)
Balance, February 28, 2017	63,023,315	11,112,697	1,227,777	1,314,930	(13,612,084)	43,320
Net loss for the period	-	-	-	-	(117,651)	(117,651)
Share-based payments	-	-	7,810	-	-	7,810
Balance, May 31, 2017	**63,023,315**	**$ 11,112,697**	**$ 1,235,587**	**$ 1,314,930**	**$ (13,729,735)**	**$ (66,521)**

See accompanying notes to the condensed consolidated interim financial statements

WESTERN PACIFIC RESOURCES CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three months ended May 31, 2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss) for the period	$ (117,651)	$ 1,969,896
Items not affecting cash:		
Amortization	299	385
Fair value loss on long-term payables	-	44,034
Gain on extinguishment of convertible note debt	-	(2,208,565)
Impairment on available-for-sale investment	21,000	-
Interest accretion	-	233,717
Share-based payments	7,810	-
Unrealized foreign exchange gain	-	(161,191)
	(88,542)	(121,724)
Changes in non-cash working capital items:		
Other receivables	(544)	1,446
Prepaid expenses and deposits	2,375	(5,200)
Accounts payable and accrued liabilities	(12,971)	(14,565)
Due to related parties	(1,915)	100,847
Net cash used in operating activities	(101,597)	(39,196)
FINANCING ACTIVITIES		
Proceeds upon foreclosure of Deer Trail Mine assets	-	99,518
Net cash provided by financing activities	-	99,518
Foreign exchange effect on cash	(321)	3,386
Net inflow (outflow) of cash	(101,918)	63,708
Cash, beginning of period	162,937	30,547
Cash, end of period	**$ 61,019**	**$ 94,255**

See accompanying notes to the condensed consolidated interim financial statements

1. CORPORATE INFORMATION

Western Pacific Resources Corp. (the "Company") was incorporated under the *Business Corporations Act* of British Columbia on June 4, 2009. The Company's principal business activities are directed towards the exploration and development of mineral properties in the Americas.

The address of the Company's corporate office and principal place of business is 1500 – 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

2. BASIS OF PREPARATION

Statement of Compliance with International Financial Reporting Standards ("IFRS")

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the significant accounting policies disclosed in note 3 of audited consolidated financial statements of the Company for the year ended February 28, 2017. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain assets and liabilities measured at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 4.

Going Concern and Continuance of Operations

These condensed consolidated interim financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At May 31, 2017, the Company had no revenue-producing operations, has an accumulated deficit of $13,729,735 (February 28, 2017: $13,612,084) since inception, has a working capital deficiency of $105,175 (February 28, 2017: working capital of $4,688), is expected to incur further losses in the development of its business, and will need to raise additional capital in order to fund its operations through the next twelve months, all of which may cast significant doubt about the Company's ability to continue as a going concern. . The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary capital to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

2. BASIS OF PREPARATION (*cont'd…*)

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned Nevada, U.S.A., subsidiary, Western Pacific Resources (U.S.) Corp. A subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All material intercompany transactions and balances have been eliminated on consolidation.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new standards and interpretations have been issued by the IASB, but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 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. In response to delays to the completion of the remaining phases of the project, the IASB issued amendments to IFRS 9. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. IFRS 9 is effective for the annual period beginning March 1, 2018. The Company is in the process of evaluating the impact of the new standard.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. IFRS 16 is effective for the annual period beginning March 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of evaluating the impact of the new standard.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after March 1, 2018. Earlier application is permitted.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 the consolidated financial statements in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The completeness of accounts payable and accrued liabilities;
- The recoverability and measurement of deferred income tax assets.

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- The determination of the Company's and its subsidiary's functional currency requires management's judgment of the underlying transactions, events and conditions relevant to the entity;
- 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.

  Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

  In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits;
- Although the Company has taken steps to identify any decommissioning liabilities related to exploration and evaluation assets in which it has an interest, there may be unidentified decommissioning liabilities present;
- The determination of the categories in which financial assets and liabilities are classified; and
- The assessment of the Company's ability to continue as a going concern involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances; and

(Expressed in Canadian Dollars)

5. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair value. As of May 31, 2017, available-for-sale investments consisted of 300,000 (February 28, 2017: 300,000) common shares of Liberty Gold Corp. ("Liberty"), a publicly listed company. The common shares of Liberty were acquired pursuant to the sale of the Mineral Gulch Property to Liberty during the year ended February 28, 2017.

As at May 31, 2017, the fair value based on the published market price of the available-for-sale investments was $138,000 (February 28, 2017: $159,000). During the period ended May 31, 2017, the Company recorded an impairment of $21,000 in the statement of operations.

		Liberty
Balance, February 29, 2016	$	-
Acquisition of shares		201,000
Impairment of investment		(42,000)
Balance, February 28, 2017		159,000
Impairment of investment		(21,000)
Balance, May 31, 2017	**$**	**138,000**

6. PROPERTY AND EQUIPMENT

		Computer equipment		Furniture and office equipment		Total
Cost						
Balance, February 29, 2016	$	5,992	$	10,745	$	16,737
Balance, February 28, 2017		5,992		10,745		16,737
Balance, May 31, 2017	**$**	**5,992**	**$**	**10,745**	**$**	**16,737**
Accumulated amortization						
Balance, February 29, 2016	$	4,684	$	4,998	$	9,682
Charge for year		392		1,150		1,542
Balance, February 28, 2017		5,076		6,148		11,224
Charge for period		69		230		299
Balance, May 31, 2017	**$**	**5,145**	**$**	**6,378**	**$**	**11,523**
Carrying amounts						
At February 28, 2017	$	916	$	4,597	$	5,513
At May 31, 2017	**$**	**847**	**$**	**4,367**	**$**	**5,214**

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period from March 1, 2016 to May 31, 2017:

	Nevada	Idaho	
	Rock Springs	**Mineral Gulch**	**Total**
Balance, February 29, 2016	$ 16,229	$ 131,512	$ 147,741
Assets sold	-	(131,512)	(131,512)
Balance, February 28, 2017	16,229	-	16,229
Balance, May 31, 2017	**$ 16,229**	**$ -**	**$ 16,229**

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 transfers and may be affected by undetected defects. The amounts shown for exploration and evaluation assets represent acquisition costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values.

Rock Springs, Nevada

The Rock Springs Property consists of 120 claims, which the Company staked in Elko County, Nevada. In June 2014, the Company entered into an agreement with CR Rock Springs Inc. ("CR") whereby CR had leased a 100% interest in the Rock Springs Property for an initial term of 20 years. In order to maintain the lease in good standing, CR was to complete exploration work on the property totaling US$75,000 over five years, and pay to the Company annual advance royalty payments totaling US$30,000 over the first two years (US$20,000 paid), and then US$20,000 per year as long as the lease agreement remained in effect. CR also had the right at any time during the term of the lease to purchase the property by paying US$500,000 to the Company, with the Company retaining its net smelter return royalty. During the year ended February 28, 2017, CR terminated the lease agreement before the next cash payment was due.

8. RECLAMATION DEPOSIT

Under the State of Nevada's Bureau of Land Management ("BLM"), the Company has a reclamation deposit, which covers the cost to reclaim the ground disturbed from the Company's drill program on the formerly held South Lida Property. As at May 31, 2017, a reclamation deposit of $17,211 (US$12,749) continues to be held by the BLM. There are no stated terms with the deposit.

9. EXPLORATION EXPENDITURES

During the three month period ended May 31, 2017, the Company incurred $8,225 in investigation of new property opportunities.

During the three month period ended May 31, 2016, the Company incurred $1,793 in care and maintenance costs on its mineral properties.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES

(a) Common and Preferred Shares

The Company is authorized to issue an unlimited number of common and preferred shares without par value. The Company has not issued any preferred shares.

There was no share capital activity during the period ended May 31, 2017.

(b) Share Purchase Warrants

There was no share purchase warrant activity during the period ended May 31, 2017.

There were no share purchase warrants outstanding as of May 31, 2017.

11. SHARE-BASED PAYMENTS

Option Plan Details

In November 2009, the Company adopted a share purchase option plan, which allows the Company to issue options to directors, officers, employees and consultants of the Company. A revised share option plan (the "Plan") was adopted in December 2013, and was ratified by the shareholders on January 14, 2014. The maximum aggregate number of securities reserved for issuance is 10% of the number of common shares issued and outstanding from time to time. The Plan provides that the number of options held by any one individual may not exceed 5% of the number of issued and outstanding common shares. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the Company's shares on the last day shares are traded prior to the grant date. Vesting restrictions may be imposed at the discretion of the directors.

Share Purchase Options

The Company has granted share purchase options to its directors, officers, employees and consultants. These options were granted in accordance with the policies of the regulatory authorities and the Company's stock option plan in effect at the time of grant.

The following is a summary of changes in share purchase options for the period ended May 31, 2017:

			During the period					
Expiry date	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Expired / forfeited**	**Closing balance**	**Vested and exercisable**	**Unvested**
May 22, 2019	$0.13	250,000	-	-	(250,000)	-	-	-
Jun 16, 2019	$0.135	1,030,000	-	-	-	1,030,000	1,030,000	-
Jan 27, 2020	$0.35	335,000	-	-	(35,000)	300,000	300,000	-
Jul 25, 2020	$0.38	200,000	-	-	-	200,000	200,000	-
Jul 12, 2021	$0.57	300,000	-	-	(15,000)	285,000	285,000	-
Mar 21, 2022	$0.05	-	1,100,000	-	-	1,100,000	366,667	733,333
		2,115,000	**1,100,000**	**-**	**(300,000)**	**2,915,000**	**2,181,667**	**733,333**
	Weighted average exercise price	**$0.25**	**$0.05**	**-**	**$0.18**	**$0.18**	**$0.23**	**$0.05**

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (*cont'd…*)

Share Purchase Options (*cont'd…*)

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended May 31, 2017 was $0.02 per option.

The weighted average remaining contractual life of the options outstanding at May 31, 2017 is 3.43 (February 28, 2017: 2.78) years.

The fair value of each option is estimated on the grant date using the Black-Scholes option pricing model. The weighted average inputs used in calculating fair value are as follows:

	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
Period ended May 31, 2017	1.18%	5 years	148%	0%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying statements of operations for the period ended May 31, 2017.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Expenses Arising from Share-based Payment Transactions

Total expenses arising from the share based payment transactions recognized during the period ended May 31, 2017 as part of share based payments was $7,810 (2016: $Nil).

As of May 31, 2017, there was $10,920 (February 28, 2017: $23,748) in unrecognized compensation costs related to share-based payment awards not yet exercisable.

Exercise of Options

There were no options exercised during the period ended May 31, 2017.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the periods ended May 31, 2017 and 2016 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Octavian Capital Corp.	Director fees
Quintana WRP	Interest expense on convertible notes and foreclosure of the DTM Property upon settlement of convertible notes

Balances and transactions with related parties not disclosed elsewhere in these condensed consolidated interim financial statements are as follows:

i) During the periods ended May 31, 2017 and 2016, the Company paid its independent directors US$1,000 per month each, for acting in such capacity.

ii) During the period ended May 31, 2016, the Company accrued interest accretion expense of $178,177 relating to the convertible notes to Quintana WRP, a company with two common directors up to September 16, 2015. During the period ended May 31, 2017, there were no convertible notes outstanding to Quintana WRP and no interest accretion expense recorded.

iii) Amounts due to related parties as of May 31, 2017 consisted of $37,625 to a former officer of the Company for accrued fees (February 28, 2017: $36,922), $216,338 in accrued management fees to two directors of the Company (February 28, 2017: $223,560) and $33,750 in accrued directors' fees to three independent directors of the Company (February 28, 2017: $29,146 to two independent directors).

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company, and include certain of its directors and officers. Key management compensation, including amounts discussed above, comprises:

	Three months ended May 31,	
	2017	**2016**
Management and professional fees	$ 53,960	$ 107,473
Salaries and benefits	4,500	4,500
Directors' fees	12,060	6,000
Share-based payments (fair value of granted share purchase options)	7,810	-
	$ 78,330	**$ 117,973**

During the period ended May 31, 2017, the Company issued 1,100,000 share purchase options with an exercise price of $0.05 per share to a director, with 366,667 options immediately vested, 366,667 options to become vested after six months and the remaining 366,666 options to become vested after eighteen months.

There were no share-based payments to directors during the period ended May 31, 2016.

13. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being the exploration and development of mineral properties. The mineral property interests are located in the United States and substantially all of the exploration expenditures are incurred in North America. Substantially all of the Company's other assets and expenditures are located and incurred in Canada.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed consolidated interim financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and other receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash invested in asset-based commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At May 31, 2017, the Company had cash of $61,019 (February 28, 2017: $162,937) and a working capital deficiency of $105,175 (February 28, 2017: working capital of $4,688). At May 31, 2017, current liabilities totalled $308,011 (February 28, 2017: $322,897) of which $287,713 (February 28, 2017: $289,628) was due to related parties. All of the Company's other short-term financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

(c) Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other market prices. Management closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

i) Currency Risk

The Company is exposed to financial risk related to the fluctuation of foreign currency rates. The Company operates in Canada and the United States. A substantial portion of the Company's expenses are incurred in US dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at May 31, 2017, the Company had the Canadian dollar equivalent of cash totalling $59,964 (February 28, 2017: $154,602) held in US dollars and liabilities totalling $287,712 (February 28, 2017: $289,628) owed in US dollars.

Based on the above net exposure as at May 31, 2017, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $22,800 (2016: $47,300) in the Company's net income (loss) and comprehensive income (loss) for the period ended May 31, 2017.

ii) Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investment is exposed to significant equity price risk due to the potentially volatile and speculative nature of the business in which the investment is held. The available-for-sale investment held in Liberty is monitored by the Board with decisions on sale taken by management. A 10% decrease in fair value of the shares would result in an approximate $13,800 decrease in net income (loss) and comprehensive income (loss) for the period ended May 31, 2017.

iii) Interest Rate Risk

Interest rate risk consists of two components:

A. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

B. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at May 31, 2017, the Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian financial institutions. The Company considers this risk to be immaterial.

iv) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, currency risk, or equity price risk. The Company is not exposed to any other price risk.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for accounts payable and accrued liabilities and due to related parties approximate fair values due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The available-for-sale investment is based on a quoted price and is therefore considered to be Level 1.

15. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to advance its mineral property and pursue growth opportunities. The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The property in which the Company currently has an interest is in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to pay for limited property care and maintenance and general administrative costs, the Company will spend its existing capital resources. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company monitors its cash, available-for-sale investments, common shares, and stock options as capital. There have been no changes to the Company's approach to capital management during the period ended May 31, 2017. The Company's investment policy is to hold cash in interest-bearing bank accounts or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company does not expect its current capital resources to be sufficient to cover its operating costs through the next twelve months and as such, will need to obtain additional capital resources. Actual funding requirements may vary from those previously planned due to a number of factors, including the progress of the Company's business activities and economic conditions.