bc gold CORP

(An Exploration Stage Company)

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS FEBRUARY 29, 2016 and FEBRUARY 28, 2015

(Canadian Funds)

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

401-905 West Pender St
Vancouver BC V6C 1L6
t 604.687.5447
f 604.687.6737

INDEPENDENT AUDITORS' REPORT

To the Shareholders of BCGold Corp.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BCGold Corp. as at February 29, 2016 and February 28, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of BCGold Corp. to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
June 28, 2016

BCGold Corp. *Statement 1*

(An Exploration Stage Company)

Statements of Financial Position

As at

(*Canadian Funds)*

Assets		**February 29, 2016**		February 28, 2015
Current Assets:				
Cash and cash equivalents	$	**17,361**	$	109,602
Marketable securities *(Note 4)*		**1,000**		13,575
Sales tax and other receivables		**1,920**		11,093
Deposits		**12,597**		11,375
Prepaid expenses		**-**		1,875
		32,878		147,520
Non-Current Assets:				
Deposits		**-**		21,645
Property and equipment *(Note 5)*		**262,756**		16,561
Reclamation bonds *(Note 6)*		**55,500**		83,800
Exploration and evaluation assets *(Note 7)*		**1,068,941**		1,115,541
Total Assets	$	**1,420,075**	$	1,385,067
Liabilities and Equity				
Current Liabilities:				
Accounts payable and accrued liabilities *(Note 11(a)(ii))*		**295,790**	$	125,832
Promissory note (Note 8)		**288,909**		-
Flow-through premium liability (Note 9)		**-**		4,000
Total Liabilities	$	**584,699**	$	129,832
Shareholders' Equity:				
Share capital – (*Statement 4*) – (*Note 10)*		**14,189,032**		14,187,532
Share-based payments reserve (*Statement 4)*		**4,540,606**		4,538,706
Accumulated other comprehensive loss ("AOCL") – (*Statement 4)*		**(237,523)**		(224,948)
Deficit – (*Statement 4)*		**(17,656,739)**		(17,246,055)
Total Equity		**835,376**		1,255,235
Total Liabilities and Equity	$	**1,420,075**	$	1,385,067

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Notes 7 and 13)*
Subsequent Events *(Note 16)*

Approved by the Board of Directors on June 28, 2016:

"Brian Fowler", Director

"Peter Kendrick", Director

The accompanying notes are an integral part of these financial statements

BCGold Corp. *Statement 2*

(An Exploration Stage Company)

Statements of Loss and Comprehensive Loss

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

(Canadian Funds)

		2016		2015
Expenses				
Corporate listing and filing fees	$	**15,584**	$	24,603
Depreciation		**3,805**		5,020
Exploration and evaluation expenses (*Note 7*)		**152,996**		121,906
Investor relations		**-**		12,225
Office expenses		**49,110**		55,494
Bad debts		**15,088**		-
Professional fees		**32,817**		46,229
Rent		**41,399**		88,754
Travel		**-**		1,635
Wages and consulting fees		**27,780**		153,841
Loss from Operations		**338,579**		509,707
Other (Income) Expense:				
Interest and other (income) expense *(Note 8)*		**39,055**		(811)
Loss (gain) on disposal of exploration and evaluation assets *(Note 7(e) & 7(f))*		**(35,000)**		200,534
Impairment of exploration and evaluation assets *(Note 7(c))*		**50,000**		209,614
Loss on (gain on) debt settlement *(Note 10(d))*		**22,050**		(131,827)
Total Other (Income) Expense		**76,105**		277,510
Loss Before Income Taxes		**414,684**		787,217
Income tax recovery		**(4,000)**		-
Net Loss for the Year		**410,684**		787,217
Unrealized loss on marketable securities		**12,575**		6,000
Comprehensive Loss for the Year	$	**423,259**	$	793,217

Loss per share		
- Basic and diluted	**0.05**	0.12
Weighted average number of common shares outstanding	**8,348,213**	6,490,804

The accompanying notes are an integral part of these financial statements

BCGold Corp.

Statement 3

(An Exploration Stage Company)

Statements of Cash Flows

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

(Canadian Funds)

Cash Resources Provided By (Used In)		**2016**		2015
Operating Activities:				
Net loss for the year	**$**	**(410,684)**	$	(787,217)
Adjustment for items which do not involve cash:				
Income tax recovery		**(4,000)**		-
Depreciation		**3,805**		5,020
Interest accrued on promissory note		**38,909**		-
Loss on disposal of exploration and evaluation assets		**-**		200,534
Impairment of exploration and evaluation assets		**50,000**		209,614
Gain on debt settlement		**-**		(131,827)
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities		**169,958**		84,699
Deposits		**20,423**		21,560
Prepaid expenses		**1,875**		13,367
Sales tax and other receivables		**9,173**		9,352
Cash used in Operating Activities		**(120,541)**		(374,898)
Investing Activities:				
Redemption of reclamation bonds *(Note 6)*		**28,300**		-
Short-term investments		-		17,250
Cash provided by Investing Activities		**28,300**		17,250
Financing Activities:				
Issuance of common shares and warrants, net		-		400,375
Cash provided by Financing Activities		-		400,375
Net Increase (Decrease) in Cash and Cash Equivalents		**(92,241)**		42,727
Cash and Cash Equivalents - beginning of the period		**109,602**		66,875
Cash and Cash Equivalents - End of the Period	**$**	**17,361**	$	109,602
Cash and Cash Equivalents Consist of the Following:				
Cash	**$**	**17,361**	$	99,364
Restricted Cash* *(Note 10(g))*		-		10,238
Total Cash and Cash Equivalents	**$**	**17,361**	$	109,602

* *In conjunction with the flow through private placements during the year ended February 28, 2015 (See Note 9), the Company has no restricted cash that is required to be spent on qualified mineral exploration expenditures.*

The accompanying notes are an integral part of these financial statements

BCGold Corp.

Statement 3 (continued)

(An Exploration Stage Company)
Statements of Cash Flows (continued)
For the years ended February 29, 2016 and February 28, 2015
(Canadian Funds)

		2016		2015
Supplemental Schedule of Non-cash Investing Activities:				
Fair value of shares issued – property option payment	**$**	**1,500**	$	54,000
Fair value of warrants issued – property option payment	**$**	**1,900**	$	44,876
Fair value of warrants issued	**$**	**-**	$	142,063
Fair value of shares issued – debt settlement	**$**	**-**	$	25,707
Flow through premium liability	**$**	**-**	$	4,000

The accompanying notes are an integral part of these financial statements

BCGold Corp.

Statement 4

Statements of Changes in Equity

FOR THE YEARS FEBRUARY 29, 2016 and FEBRUARY 28, 2015

(Canadian Funds)

(Unaudited – Prepared by Management)

		SHARE CAPITAL		SHARE-BASED PAYMENTS	ACCUMULATED OTHER COMPREHENSIVE		
		SHARES	**AMOUNT**	**RESERVE**	**LOSS ("AOCL")**	**DEFICIT**	**TOTAL EQUITY**
Balance – February 28, 2014	NOTES	26,516,435	13,853,513	4,351,767	(218,948)	(16,458,838)	1,527,494
Non-flow-through common shares issued		11,886,000	244,431	122,289	-	-	366,720
Flow-through common shares issued		900,000	27,717	13,283	-	-	41,000
Share issuance costs		-	(17,836)	6,491	-	-	(11,345)
Shares issued for exploration and evaluation asset		1,100,000	54,000	-	-	-	54,000
Warrants issued for exploration and evaluation asset		-	-	44,876	-	-	44,876
Share issued for debt settlement		1,285,350	25,707	-	-	-	25,707
Unrealized loss on marketable securities		-	-	-	(6,000)	-	(6,000)
Net loss for the year		-	-	-	-	(787,217)	(787,217)
Balance – February 28, 2015		41,687,785	14,187,532	4,538,706	(224,948)	(17,246,055)	1,255,235
Shares issued for exploration and evaluation asset	*7(c) & 10(b)*	100,000	1,500	-	-	-	1,500
Warrants issued for exploration and evaluation asset		-	-	1,900	-	-	1,900
Unrealized loss on marketable securities		-	-	-	(12,575)	-	(12,575)
Shares consolidation, February 29, 2016	*10(a)*	(33,430,228)	-	-	-	-	-
Net loss for the year		-	-	-	-	(410,684)	(410,684)
Balance – February 29, 2016		**8,357,557**	**14,189,032**	**4,540,606**	**(237,523)**	**(17,656,739)**	**835,376**

The accompanying notes are an integral part of these financial statements

1. Nature of Operations and Going Concern

BCGold Corp. (the "Company" or "BCGold") is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties. Currently, the Company's principal mineral properties are the Engineer Mine Property, located near Atlin, B.C. and the Minto/Carmacks Copper-Gold Properties located in the Yukon. BCGold Corp. is a publicly listed company incorporated under the Business Corporations Act of British Columbia on February 10, 2006 as 0748496 B.C. Ltd. On March 1, 2006, the Company changed its name to BCGold Corp. The Company is listed on the TSX Venture Exchange ("TSX.V") under the symbol "BCG". The head office, principal address and records office of the Company are located at Suite 520 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered address is Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and evaluation assets projects. These material uncertainties may cast a significant doubt on the validity of this assumption. The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to continue operations. As at February 29, 2016, the Company has an accumulated deficit of $17,656,739 (February 28, 2015 - $17,246,055), a net loss for the year ended February 29, 2016 of $410,684 (February 28, 2015 of $787,217) and has working capital deficiency of $551,821 (February 28, 2015 – working capital of $17,688).

If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements.

Critical Accounting Estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

2. Basis of Preparation - *continued*

Critical Accounting Estimates – continued

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and drill results of exploration programs.

ii) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.

iii) The valuations of shares issued in non-cash transactions using the quoted share price as the fair value based measurement on the date the shares are issued for the transaction.

iv) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these annual financial statements are as follows:

(a) Cash and Cash Equivalents

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

(b) Short-term Investments

The Company classifies all its investments with maturities greater than three months to one year as short-term investments.

3. Summary of Significant Accounting Policies - *continued*

(c) Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge titles to all of its properties are in good standing.

(d) Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset.

As at February 29, 2016, the calculation of any possible asset retirement obligation is not considered determinable.

(e) Impairment of Non-Current Assets

Non-current assets are evaluated at each reporting period by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

3. Summary of Significant Accounting Policies - *continued*

(e) Impairment of Non-Current Assets – *continued*

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine value in use when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

The Company follows the guidance in *IFRS 6 – Exploration for and Evaluation of Mineral Resources* to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not lead to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss would be recorded in the financial statements.

(f) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders equity and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income (loss) includes the holding gains and losses from available-for-sale securities which are not included in net income (loss) until realized.

3. Summary of Significant Accounting Policies - *continued*

(g) Marketable Securities

Marketable securities consisting of common shares of public companies are classified as available-for-sale and are reported at market value. At the end of each reporting period, management determines if there has been a change in the market value of each individual security and records an adjustment to market value, with the offsetting debit or credit to other comprehensive income (loss).

(h) Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and net accumulated impairment losses. The Company provides for depreciation using the declining balance method at rates designed to amortize the cost of the property and equipment over its estimated useful life. The annual depreciation rates are as follows:

Computer equipment	30 %
Computer software	100 %
Office furniture and equipment	20 %
Project field equipment	20 %

(i) Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

3. Summary of Significant Accounting Policies - *continued*

(k) Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

(l) Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

(m) Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from the issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized in other liabilities for this difference. The liability is reduced and the reduction of premium liability is recorded in deferred tax recovery when eligible expenditures are fully incurred.

(n) Mineral Exploration Tax Credits ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

(p) Financial Instruments

(i) Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

<u>Financial Assets at Fair Value through Profit or Loss</u>

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Short-term investments are included in this category of financial assets.

3. Summary of Significant Accounting Policies - *continued*

(p) Financial Instruments - *continued*

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash and cash equivalents, other receivables and reclamation bonds have been classified under this category.

Available-For-Sale

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income (loss) and classified as a component of equity. When the assets are sold or an impairment write-down is required, the accumulated fair value adjustments recognized in equity are included in the statement of loss. AFS assets include marketable securities which consist of investments in equities of other entities.

(ii) Financial Liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities have been classified under this category.

Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. There are no financial liabilities classified under this category.

3. Summary of Significant Accounting Policies - *continued*

(q) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss includes:

- significant financial difficulty of the obligor;
- delinquencies in interest or principal payments; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

(r) Pronouncements Affecting Financial Statement Presentation or Disclosures

The adoption of the following new and amended IFRS pronouncements resulted in enhanced financial statement disclosures in the Company's interim and annual financial statements.

IFRS 9 – Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018; however, early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the consolidated financial statements as the classification and measurement of the Company's consolidated financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

(Canadian Funds)

3. Summary of Significant Accounting Policies - *continued*

(r) Pronouncements Affecting Financial Statement Presentation or Disclosures - *continued*

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 "Leases". IFRS 16 will replace IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. The standard brings most leases in the lessee's statement of financial position under a single model, eliminating the previous classifications of operating and finance leases. The only exemptions to this treatment are for lease contracts with duration of less than one year and those with a low value of the underlying asset. This accounting treatment will result in the grossing up of the statement of financial position due to a right-of-use asset being recognized with an offsetting liability representing the obligation to make lease payments. Lessor accounting under the standard remains largely unchanged. IFRS 16 is to be applied retrospectively or on a modified retrospective basis and is effective for years beginning on or after January 1, 2019, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

IFRS – Amendments to IAS 7 "Statement of Cash Flows"

Statement of cash flow In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows", which will require specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments will be applicable for the annual period beginning on or after January 1, 2017, with earlier application permitted. The potential impact of the adoption of this standard on consolidated statements of the Corporation has not yet been determined.

4. Marketable Securities

Marketable securities have been classified as available-for-sale investments consisting of various common shares held by the Company of other public companies and are summarized as follows:

	February 29, 2016		February 28, 2015	
	Market Value	**Cost**	Market Value	Cost
Common shares of public companies, not subject to significant influence	**$ 1,000**	**$ 238,523**	$ 13,575	$ 238,523

(Canadian Funds)

5. Property and Equipment

	Computer Equipment	Computer Software	Office Furniture and Equipment	Project Field Equipment	Total
Cost					
Balance at February 28, 2014 and 2015	$ 44,478	$ 82,138	$ 34,464	$ 17,422	$ 178,502
Additions	-	-	-	250,000	250,000
Balance at February 29, 2016	$ 44,478	$ 82,138	$ 34,464	$ 267,422	$ 428,502
Amortization					
Balance at February 28, 2014	$ (37,442)	$ (82,138)	$ (25,643)	$ (11,698)	$ (156,921)
Additions	(2,111)	-	(1,764)	(1,145)	(5,020)
Balance at February 28, 2015	$ (39,553)	$ (82,138)	$ (27,407)	$ (12,843)	$ (161,941)
Additions	(1,478)	-	(1,411)	(916)	(3,805)
Balance at February 29, 2016	$ (41,031)	$ (82,138)	$ (28,818)	$ (13,759)	$ (165,746)
Carying amounts - NBV					
At February 28, 2014	$ 7,036	$ -	$ 8,821	$ 5,724	$ 21,581
At February 28, 2015	$ 4,925	$ -	$ 7,057	$ 4,579	$ 16,561
At February 29, 2016	$ 3,447	$ -	$ 5,645	$ 253,663	$ 262,756

See note 7(a).

6. Reclamation Bonds

As of February 29, 2016, the Company has invested a total of $55,500 (February 28, 2015 - $83,800) into various GICs with a Canadian financial institution as part of various Safe-Keeping Agreements entered into by the Company for its various properties. These funds are being held to the order of the Ministry of Energy, Mines and Petroleum Resources and are yielding interest at rates ranging from 0.60% to 0.70%.

(Canadian Funds)

7. Exploration and Evaluation Assets and Expenditures

Details of the Company's exploration and evaluation acquisition costs are as follows:

	Minto/Carmacks Copper-Gold Properties (Yukon)	Engineer (B.C.)	Gold Hill (B.C.)	Voigtberg (B.C.)	Other Properties (B.C. & Yukon)	Total
Balance – February 28, 2014	$ 501,334	$ 662,059	$ 79,343	$ 169,944	$ 14,133	$ 1,426,813
Property extension payment *(Note 7(b) & 7(c))*	-	-	5,206	-	4,000	9,206
Property option payment paid – shares (*Note 7(e))*	-	-	-	89,670	-	89,670
Impairment of the Voigtberg Property *(Note 7(e))*	-	-	-	(209,614)	-	(209,614)
Disposal of properties *(Note 7(d))*	(200,534)	-	-	-	-	(200,534)
Balance – February 28, 2015	$ 300,800	$ 662,059	$ 84,549	$ 50,000	$ 18,133	$ 1,115,541
Property extension payment *(Note 7 (b) & 7(c))*	-	-	1,900	-	1,500	3,400
Impairment of the Voigtberg Property *(Note 7(e))*	-	-	-	(50,000)	-	(50,000)
Balance – February 29, 2016	**$ 300,800**	**$ 662,059**	**$ 86,449**	**$ -**	**$ 19,633**	**$ 1,068,941**

Details of the Company's exploration and evaluation expenses, which have been cumulatively expensed in the Statements of Loss and Comprehensive Loss and Deficit, are as follows:

	Minto/ Carmacks Copper-Gold Properties (Yukon)	Engineer (B.C.)	Gold Hill (B.C.)	Voigtberg (B.C.) *	Other Properties (B.C. & Yukon)	Total
Balance – February 28, 2014	$ 3,980,884	$ 3,432,281	$ 313,711	$ 888,008	$ 1,383,308	$ 9,998,192
Exploration and evaluation expenditures (recovery)	(3,268)	122,384	-	3,172	(382)	121,906
Balance – February 28, 2015	$ 3,977,616	$ 3,554,665	$ 313,711	$ 891,180	$ 1,382,926	$ 10,120,098
Exploration and evaluation expenses	848	143,803	1,713	5,882	750	152,966
Balance – February 29, 2016	**$ 3,978,464**	**$ 3,698,468**	**$ 315,424**	**$ 897,062**	**$ 1,383,676**	**$ 10,273,094**

(a) Engineer Mine Property, B.C.

On January 16, 2007, the Company entered into an option agreement, which was subsequently amended in 2007, 2009 and January 12, 2010, to acquire up to a 100% interest in the Engineer Mine Property. The Company has acquired a 100% interest by:

- Paying a $125,000 in cash;

- Issuing an aggregate of 315,455 common shares and 52,500 warrants over six years;

(Canadian Funds)

7. Exploration and Evaluation Assets and Expenditures – *continued*

(a) Engineer Mine Property, B.C. – *continued*

- Making a rental payment of $30,000 on January 16, 2010 *(paid)* and thereafter annual rental payments of $10,000 per year *(2011, 2012, 2013 and 2014 payments made)* when the mine property is not in production and $50,000 per year when the mine property is in production. Such rent payments ceased upon the Company earning a 100% interest in the property and purchasing the surface rights;

- Granting a 30% net proceeds interest from the sale of gold from the Double Decker Vein; and

- Either evaluating and completing an underground de-watering program or evaluating and carrying out a drilling program *(completed a drill program and a de-watering program)*.

On September 20, 2012, the Company entered into a letter agreement with Engineer Mining Corp. ("EMC") to purchase certain capital assets for total cash consideration of $300,000 payable to EMC no later than May 15, 2013. The Company did not make the required payment of $300,000 under the terms of the letter agreement and thus the title to these assets, which are currently situated on the Company's Engineer Mine property, was returned to the vendors.

On February 23, 2016, the Company issued a $250,000 promissory note to EMC to obtain title to the assets that were to be purchased under the September 20, 2012 letter agreement, with title to be held in escrow and transferred to the Company when the Company repays the promissory note in full.

See note 8.

(b) Gold Hill Property, B.C.

On September 30, 2010, the Company entered into an option agreement with Guardsmen Resources Inc. ("Guardsmen"), a private company, to earn a 100% interest in Guardsmen's Gold Hill property. This agreement was amended on August 25, 2013, October 7, 2014 and September 3, 2015. The Company can earn a 100% interest in the Gold Hill property by meeting the following contractual commitments:

- Making $110,000 in staged cash payments (*paid - $60,000 to date)*;
- Issuing 2,000 common shares to Guardsmen within 5 days of TSX.V Exchange approval *(issued);* and
- Issuing 20,000 warrants to Guardsmen within 30 days of the execution of the amended agreement *(issued – fair value of $7,343)*. Each warrant is exercisable at a price of $0.275 per share for a term of approximately four years;
- Incurring $500,000 in exploration work on the Gold Hill property as follows:

		Amount	Date
i)	$	100,000	to September 30, 2011 *(incurred)*
ii)		133,333	to September 30, 2012 *(incurred)*
iii)		133,333	to September 30, 2016 *(Cumulative $315,424 incurred as at February 29, 2016)*
iv)		133,334	to September 30, 2016
	$	500,000	

(Canadian Funds)

7. Exploration and Evaluation Assets and Expenditures – *continued*

(b) Gold Hill Property, B.C. - *continued*

Guardsmen will retain a 2.5% Net Smelter Return ("NSR") on the Gold Hill property, which can be reduced to 0.5% by the Company at a cost of $1,500,000.

On September 3, 2015 the Company amended the option agreement with Guardsmen, resulting in the following amendments:

- A one-year extension to fulfill certain option terms requiring the Company to make a $25,000 property payment and incur $133,333 in eligible exploration expenditures by September 30, 2016 to earn a 75% interest (extended from September 30, 2015, as amended October 7, 2014).

- A one-year extension to fulfill certain option terms requiring the Company to make a final option payment of $25,000 and incur an additional $133,334 in eligible exploration expenditures to earn a 100% interest by September 30, 2016 (extended from September 30, 2015, as amended October 7, 2014).

In consideration for the amendment, the Company paid $900 in legal fees and issued 40,000 warrants entitling the holder to purchase one Company common share at a price of $0.25 for up to four years expiring on November 30, 2019. The warrants have been valued at $1,900 based upon the Black-Scholes Method, using a risk-free yield of 0.79%, expected stock price volatility of 225.47%, Nil dividend yield, and an expected warrant life of four years.

The Company has incurred $315,424 in eligible exploration expenditures and paid Guardsmen $60,000 in option payments to date, having earned a 50% interest in the Gold Hill Property. The Company can now earn a 100% interest in the Gold Hill Property after completing an additional $184,576 in eligible exploration expenditures and by making cash payments of $50,000 to Guardsmen by September 30, 2016.

(c) Blind Creek Property

On August 16, 2013, the Company entered into an option agreement with Blind Creek Resources Ltd. ("Blind Creek") to earn a 100% interest in nine mineral claims over four years through the issuance of 250,000 common shares (issued 50,000 to date valued at $13,750) and staged cash payments of $225,000 to Blind Creek. The Company must also incur $400,000 in exploration expenditures over the four years. Blind Creek will retain a 2% NSR on the claims which can be reduced to 0.5% by the Company for a price of $1,500,000.

On July 23, 2014 and again on July 23, 2015, the Company amended the option agreement. As amended, the Company must complete the following cash payments, share issuances, and exploration expenditures by the following dates to earn various percentage interests in the property up to 100%:

Date	Cash	Shares	Expenditures	Vested Interest
Signing	$ -	50,000 (issued)	$ -	-
August 19, 2016	10,000	50,000	100,000	0%
August 19, 2017	15,000	50,000	100,000	51%
August 19, 2018	50,000	50,000	100,000	75%
August 19, 2019	150,000	50,000	100,000	100%
	$ 225,000	250,000	$ 400,000	100%

7. Exploration and Evaluation Assets and Expenditures – *continued*

(d) Minto/Carmacks Copper-Gold Properties, Yukon

On November 1, 2006, the Company entered into an option agreement with a third party and has acquired a 100% interest in 16 mineral properties in the Minto/Carmacks Copper-Gold Belt by making $300,000 in cash payments, incurring $900,000 in exploration expenditures and issuing 100,000 units between April 2007 and October 2010. An NSR of 1.75% applies to the mineral properties of which 1.25% can be purchased by the Company for $1,500,000. During the year ended February 28, 2015, six properties with the acquisition costs of $200,534 were disposed. Loss from the disposal was $200,534.

Toe Property

In August 2012, the Company entered into a letter agreement with Kaiyue International Inc. ("Kaiyue") whereby Kaiyue could earn up to a 70% interest in the Company's 100% controlled Toe Property, one of BCGold's 10 mineral properties situated in the Minto/Carmacks Copper-Gold Belt in the Yukon.

Kaiyue has defaulted on its obligations pursuant to the letter agreement and the Company has notified Kaiyue that the Toe Property option has expired. The Company retains ownership of this property.

(e) Voigtberg, British Columbia

On April 22, 2014 the Company signed a letter agreement with joint venture partner Kaminak Gold Corp. ("Kaminak") to obtain 100% interest in the Voigtberg porphyry copper-gold property, situated in the heart of the prolific Golden Triangle district in north western British Columbia, by acquiring Kaminak's 50% interest in the property.

The Company issued Kaminak one million units, with $50,000 fair value being assigned to the shares and $39,670 fair value being assigned to the warrants, of the Company's securities in exchange for Kaminak's 50% interest in the Voigtberg property. Each "unit" consists of one common share and one share purchase warrant. Each warrant entitles Kaminak to acquire one additional common share at a price of $0.10 for up to three years.

The Company also agreed to facilitate $1.2 million in exploration expenditures on the Voigtberg property over a three-year period. If the Company had failed to achieve this, Kaminak would have had a one-time opportunity to acquire the Company's entire interest in the property for $50,000.

For the year ended February 28, 2015, the Company impaired $209,614 of the cost of the property to an adjusted value of $50,000 in concert with the amount that Kaminak may repurchase the property for should the Company fail to option the property and have $1.2 million in qualified work on the property.

In November 2016, claims comprising the property lapsed, resulting in the write-off of the remaining $50,000 value.

(f) Other Properties - Rainbow Property, B.C.

On July 10, 2015, the Company sold its 100%-owned 926-hectare Rainbow Property, situated 3 kilometres south of Thompson Creek Metals Company Inc.'s (or "TCMC") Mt. Milligan copper-gold mine, to Terrane Metals Corp. (or "TMC"), a 100% owned subsidiary of TCMC, for $35,000.

The Company retains a 2.5% NSR on the Rainbow Property, which may be purchased by TMC at any time for $250,000.

8. Promissory Note

On February 23, 2016, the Company issued a promissory note with principal of $250,000 to Engineer Mining Corp. ("EMC") to obtain title to assets that were to be purchased under a September 20, 2012 letter agreement with EMC. This note accrues interest of 5% per annum, calculated and compounded monthly retroactive to May 15, 2013, the date of default of the original letter agreement, and is payable on demand with one day's notice at any time on or after February 23, 2017. Interest expense of $38,909 pursuant to the note was accrued for the year ended February 29, 2016.

The Company has granted EMC a security interest in all property and assets in respect of or related to the Engineer Mine to secure repayment of the promissory note in full. Upon repayment of the promissory note, title to these assets will transfer from escrow to the Company.

9. Flow-through Premium Liability

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of the flow-through premium is recorded as other income.

During the fiscal year period ended February 28, 2015, the Company issued 180,000 flow-through units priced at $0.25 per unit for total proceeds of $45,000. These funds were used for qualifying exploration expenditures and were renounced to the flow-through shareholders effective December 31, 2015. A $4,000 flow-through share premium liability was recorded during the year ended February 28, 2015. This premium was recognized as a deferred income tax recovery on the statement of loss and comprehensive loss to reflect the flow-through expenditures spent during the year end of February 29, 2016.

As at year end February 29, 2016, the flow-through premium liability was $Nil (February 28, 2015 – $4,000).

10. Share Capital and Contributed Surplus

(a) Share Capital

The Company's authorized share capital consists of an unlimited number of common voting shares without par value.

The Company received the approval from TSX Venture Exchange for the consolidation of issued and outstanding common shares on the basis of one new common share for every five common shares, the shares consolidation effective on February 29, 2016. The Company's name and trading symbol remained the same.

(b) Other Share Capital Transaction

On August 18, 2015, the Company issued 20,000 common shares to Blind Creek for a total fair value recorded of $1,500 in consideration for the Company's amended annual option commitments (Note 7(c)).

(Canadian Funds)

10. Share Capital and Contributed Surplus - *continued*

(c) Private Placements

May 2014

On May 12, 2014 the Company closed the first tranche of the private placement previously announced on February 18, 2014 and amended March 27, 2014. The Company raised $160,000 through the issuance of 540,000 non-flow-through units (“NFT Units") priced at $0.25 per NFT Unit and 100,000 flow-through units ("FT Units") priced at $0.25 per FT Unit.

Each NFT Unit comprises one common share and one share purchase warrant (“Warrant”); each FT Unit comprises one flow-through or BC super flow-through common share and one Warrant. Each Warrant entitles the holder to purchase one non-flow-through common share at a price of $0.10 per share for up to five years, expiring May 9, 2019. All Warrants are subject to an accelerated expiry date, which comes into effect when the trading price of the Company's shares closes at or above $0.15 per share for twenty consecutive trading days in the period commencing four months after the date of Warrant issuance. In such an event the Company will give expiry acceleration notice ("Notice") to Warrant holders and the expiry date of the Warrants will be 30 days from the date of Notice

The binder warrants attached to this private placement have been valued at $52,644 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions for 3,200,000 Warrants	
Risk-free interest rate	1.03%
Expected stock price volatility	196.75%
Expected dividend yield	0.00%
Expected life of warrants	5 years

The Company paid finder's fees of $1,400 and issued 5,600 finder warrants, each of which entitle the holder to purchase one common share of the Company at a price of $0.10 per share for up to five years expiring May 9, 2019.

The finder warrants attached to this private placement have been valued at $1,347 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions for 5,600 Warrants	
Risk-free interest rate	1.03%
Expected stock price volatility	196.75%
Expected dividend yield	0.00%
Expected life of warrants	5 years

July 2014

On July 2, 2014, the Company closed the final tranche of its private placement previously announced on February 18, 2014 and March 27, 2014. The Company has raised $100,000 through the issuance of 320,000 non-flow-through units (“NFT Units") priced at $0.25 per NFT Unit and 80,000 flow-through units ("FT Units") priced at $0.25 per FT Unit.

(Canadian Funds)

10. Share Capital and Contributed Surplus - *continued*

(c) Private Placements - *continued*

Each NFT Unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional non-flow-through common share at a price of $0.50 per share for up to five years expiring July 2, 2019. The warrants are subject to an accelerated expiry date, which comes into effect when the trading price of the Company's shares closes at or above $0.75 per share for twenty consecutive trading days in the period commencing four months after the date of issuance. In such an event the Company will give expiry acceleration notice ("Notice") to the warrant holders and the expiry date of the warrants will be 30 days from the date of Notice.

Each FT Unit comprises one flow-through or one BC super flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional non-flow-through common share at a price of $0.50 per share for up to five years expiring July 2, 2019.

The warrants attached to this private placement have been valued at $30,339 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions for 400,000 Warrants	
Risk-free interest rate	1.46%
Expected stock price volatility	141.94%
Expected dividend yield	0.00%
Expected life of warrants	5 years

The Company paid finder's fees of $2,125 and issued 8,500 finder warrants, which entitle the holder to purchase one Company common share at a price of $0.50 for up to five years expiring July 2, 2019.

The finder warrants attached to this private placement have been valued at $1,415 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions for 8,500 Warrants	
Risk-free interest rate	1.46%
Expected stock price volatility	141.94%
Expected dividend yield	0.00%
Expected life of warrants	5 years

December 2014

On December 18, 2014, the Company closed a private placement previously and raised $121,720 through the issuance of 1,217,200 units ("Units") priced at $0.10 per Unit. Each Unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.25 per share for up to two years after the date of issuance.

The warrants attached to this private placement have been valued at $42,304 based upon the Black-Scholes Method using the following assumptions noted below.

(Canadian Funds)

10. Share Capital and Contributed Surplus - *continued*

(c) Private Placements - *continued*

Assumptions for 1,217,200 Warrants	
Risk-free interest rate	1.01%
Expected stock price volatility	142%
Expected dividend yield	0.00%
Expected life of warrants	2 years

The Company paid finder's fees of $7,000 and issued 70,000 finder warrants, each of which entitle the holder to purchase one common share of the Company at a price of $0.25 per share for up to two years after the date of issuance.

The warrants attached to this private placement have been valued at $3,729 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions for 70,000 Warrants	
Risk-free interest rate	1.01%
Expected stock price volatility	142%
Expected dividend yield	0.00%
Expected life of warrants	2 years

February 2015

On December 18, 2014, the Company closed a private placement previously and raised $30,000 through the issuance of 300,000 units ("Units") priced at $0.10 per Unit. Each Unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.25 per share for up to two years after the date of issuance.

The warrants attached to this private placement have been valued at $10,283 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions for 300,000 Warrants	
Risk-free interest rate	0.46%
Expected stock price volatility	142%
Expected dividend yield	0.00%
Expected life of warrants	2 years

(d) Shares for Debt Transaction

There was no debt settled with shares during the year ended February 29, 2016.

During the year ended February 28, 2015, the Company settled $157,533.50 of debt, through a combination of debtor forgiveness ($93,266) and the issuance of 1,285,350 common shares with a fair value of $25,707 for debt. As a result, a gain on debt settlement of $131,827 was recognized in the statement of loss and comprehensive loss.

(Canadian Funds)

10. Share Capital and Contributed Surplus - *continued*

(d) Shares for Debt Transaction - *continued*

The Company did not complete cash payments required to settle a portion of unforgiven debt pursuant to the debt settlement agreement. As a result, previously forgiven debt of $22,050 is now considered payable to the Company's former CFO and a reversal of this portion of the gain on debt settlement originally recognized during the year ended February 28, 2015 has been recognized during the year ended February 29, 2016.

(e) Share Purchase Warrants

On September 29, 2014, the Company issued 40,000 warrants to Guardsmen in connection with an amendment of the Gold Hill Property Option Agreement (see Note 8b). These warrants entitle the holder to purchase one Company common share at a price of $0.25 for up to four years expiring on October 21, 2018. The warrants have been valued at $5,206 based upon the Black-Scholes Method using a risk-free interest rate of 1.31%, an expected stock price volatility of 144.34%, Nil dividend yield, and an expected life of warrants of five years.

On November 30, 2015, the Company issued 40,000 warrants to Guardsmen in connection with an amendment of the Gold Hill Property Option Agreement (see Note 8b). These warrants entitle the holder to purchase one Company common share at a price of $0.25 for up to four years expiring on November 30, 2019. The warrants have been valued at $1,900 based upon the Black-Scholes Method using a risk-free interest rate of 0.79%, an expected stock price volatility of 225.47%, Nil dividend yield, and an expected life of warrants of four years.

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – February 28, 2014	3,474,327	$0.55
Issued	2,881,300	$0.35
Expired	(1,804,326)	$0.55
Balance – February 28, 2015	4,551,300	$0.40
Expired	(364,400)	$0.50
Balance – February 29, 2016	**4,226,900**	**$0.40**

(Canadian Funds)

10. Share Capital and Contributed Surplus - *continued*

(e) Share Purchase Warrants - *continued*

At February 29, 2016, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation	
August 20, 2016 or September 18, 2017	$0.275	20,000	$	7,343
September 10, 2017	$0.50	1,070,000		151,635
November 1, 2017	$0.50	215,600		25,544
May 13, 2017	$0.50	200,000		39,670
May 19, 2019	$0.50	645,600		53,991
July 2, 2019	$0.50	408,500		31,754
October 21, 2018	$0.25	40,000		5,206
December 16, 2018	$0.25	1,287,200		46,033
February 25, 2017	$0.25	300,000		10,285
November 30, 2019	$0.25	40,000		1,900
Total warrants outstanding		4,226,900	$	373,361
Weighted average	$0.40			

(f) Stock Options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12 month period and no more than 2% of the optioned shares may be issued to any one individual in any 12 month period. If the option rights granted under the plan shall expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the Company for reasons other than death. In the case of death, the expiry becomes one year after the death of an optionee. Pursuant to the policies of the TSX.V, options granted pursuant to the Plan in excess of 10% of the issued and outstanding common shares at the time of the grant must be subject to vesting.

<u>Fiscal Year Ended February 29, 2016 – Grants</u>

There were no stock options granted during the fiscal year ended February 29, 2016.

<u>Fiscal Year Ended February 28, 2015 – Grants</u>

There were no stock options granted during the fiscal year ended February 28, 2015.

(Canadian Funds)

10. Share Capital and Contributed Surplus - *continued*

(f) Stock Options - *continued*

At February 29, 2016, the following options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Years	Number of Options Exercisable
October 28, 2016	$0.50	32,100	0.66	32,100
June 6, 2018	$0.50	206,000	2.27	206,000
	$0.50	**238,100**	**2.05**	**238,100**

(g) Flow-Through Shares

Fiscal Year Ended Ended February 29, 2016

There were no flow-through shares issued during the fiscal year ended February 29, 2016

Fiscal Year Ended Ended February 28, 2015

During the year ended February 28, 2015, the Company issued 180,000 flow-through units priced at $0.25 per unit for total proceeds of $45,000. These funds were required to be used for qualifying exploration expenditures and the expenditures were renounced to the flow-through shareholders effective December 31, 2015. At February 28, 2015, $10,238 of proceeds from these flow-through issuances was unspent and this amount was spent by the required deadline of December 31, 2015.

11. Related Party Transactions

(a) Related Parties

The Company's related parties consist of its President and Chief Executive Officer, a company owned by the Vice President of Exploration and a company owned by the Former Chief Financial Officer. The nature of the Company's relationships with its related parties is as follows:

	Nature of Relationship
President and CEO and acting CFO	Geological consulting
Paul Wojdak Consulting (VP of Exploration)	Geological consulting
Larry M. Okada Inc. (Former CFO)	Management
White Label Corporate Services Inc.	Management
JCollins Consulting Corp.	Management

The Company incurred fees and expenses in the normal course of operations in connection with its President and CEO, its Vice President of Exploration, Corporate Secretary, and its CFO. Details are as follows:

	Note	February 29, 2016	February 28, 2015
Management & geological consulting fees	(i)	$ 146,671	$ 194,309
Total Management & geological consulting fees	(ii)	**$ 146,671**	**$ 194,309**

(Canadian Funds)

11. Related Party Transactions – *continued*

(a) Related Parties

(i) During the year ended February 29, 2016, the Company paid or accrued $132,000 in consulting fees to its President and Chief Executive Officer (February 28, 2015 - $155,500).

The Company paid or accrued $Nil fees to a private company controlled by its Vice President of Exploration for consulting services (February 28, 2015 - $36,718).

The Company paid or accrued $Nil fees to a private company controlled by its former Chief Financial Officer for consulting services (February 28, 2015 - $17,000).

The Company also paid or accrued $14,671 in consulting fees to private companies controlled by its Corporate Secretary for consulting services (February 28, 2015 - $40,000).

(ii) Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Included in accounts payable and accrued liabilities and shareholder loan at February 29, 2016 is $129,967 (February 28, 2015 - $22,667) owing to the Company's President and Chief Executive Officer, $33,075 (February 28, 2015 - $11,025) owing to the Company's former Chief Financial Officer, and $7,244 (February 28, 2015 - $$8,935) owing the White Label Corporate Services Inc, a company with an officer in common. These amounts owing are for unpaid compensation and expenses.

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the years ended February 29, 2016 and February 28, 2015 were as follows:

	Note	February 29, 2016	February 28, 2015
Management & geological consulting fees	(i)	$ 146,671	$ 194,309
		$ 146,671	$ 194,309

(i) Management fees include the fees disclosed in Note 11(a) above.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended February 29, 2016 and February 28, 2015.

12. Segmented Information

The Company conducts its business in a single operating segment being the mining business in Canada. All mineral properties and property and equipment are situated in Canada. Any investment revenues were earned principally from Canadian sources.

(Canadian Funds)

13. Commitments

On March 2, 2016, the Company entered into a lease agreement for office space at approximately $11,000 per month ($132,000 annually), which amount includes the basic rent plus operating costs. The lease has an expiry date of April 30, 2019.

The Company concurrently subleases a portion of the office space to three other companies. The three companies have the right to terminate its sublease agreement after the initial term completed. A termination notice is required with at least two months before the effective date of the notice.

14. Fair Value Measurement

Certain of the Company's financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company does not have any non-financial assets and liabilities measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

Level 1 – Quoted Prices in Active Markets for Identical Assets or Liabilities
Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Short-term investments and marketable securities are valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 – Significant Other Observable Inputs
Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. The Company does not have any financial assets or liabilities included in Level 2 of the fair value hierarchy.

Level 3 – Significant Unobservable Inputs
Unobservable (supported by little or no market activity) prices. The Company does not have any financial assets or liabilities included in Level 3 of the fair value hierarchy.

The fair values of the Company's financial assets and liabilities measured at fair value on a recurring basis as at February 29, 2016 and February 28, 2015 are summarized in the following table:

	Level		February 29, 2016		February 28, 2015
Marketable securities	1	$	1,000	$	13,575

(Canadian Funds)

15. Income Taxes

(a) The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

		February 29, 2016		February 28, 2015
Loss before income taxes	**$**	**(414,684)**	$	(787,217)
Statutory Canadian federal and provincial tax rates		**26.00%**		26.00%
Expected tax recovery		**(107,818)**		(204,676)
Adjustments:				
Share-based compensation		**-**		-
Other temporary and permanent differences		**37,339**		91,183
Unrecognized benefit of loss carryforwards		**70,479**		113,493
Flow-through share premium recognized in income		**(4,000)**		-
Income tax recovery	**$**	**(4,000)**	$	-

(b) The components of the Company's deferred income tax asset (liability) balances were follows:

		February 29, 2016		February 28, 2015
Non-capital loss carry-forwards	**$**	**1,700,339**	$	1,643,509
Share issuance costs		**4,485**		14,263
Other		**43,679**		39,421
Exploration and evaluation assets - (tax basis in excess of book value)		**974,167**		930,488
Unrecognized deferred tax asset		**(2,722,670)**		(2,627,681)
Deferred income tax asset (liability)	**$**	**-**	$	-

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at February 29, 2016, the future enacted rate in Canada is estimated to be 26% (February 28, 2015 – 26%).

(c) Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

		February 29, 2016		**February 28, 2015**
Non-capital losses	$	**6,539,764**	$	6,321,189
Property and equipment		**49,736**		45,932
Exploration and evaluation expenditures		**3,746,796**		3,578,800
Share issue costs		**17,252**		54,856
Marketable securities		**118,262**		105,687
	$	**10,471,810**	$	10,106,464

15. Income Taxes – *continued*

(d) The Company has non-capital losses which may be applied to reduce future year's taxable income. As at February 29, 2016, these non-capital losses amounted to approximately $6,540,000 (February 28, 2015 – $6,522,000). Of these non-capital losses, $14,000 will expire in 2026, $438,000 will expire in 2027, $1,085,000 will expire in 2028, $744,000 will expire in 2029, $654,000 will expire in 2030, $797,000 will expire in 2031, $972,000 will expire in 2032, $769,000 will expire in 2033, $545,000 will expire in 2034, $250,000 will expire in 2035 and the remaining $271,000 will expire in 2036.

16. Subsequent Events

On May 2, 2016, the Company closed the first tranche private placement. The Company has proceeded of $286,000 from share issuance of 5,720,000 units at a price of $0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.10 per share for two years expiring April 27, 2018.

The Company paid finder`s fees of $18,400 and issued 368,000 finder warrants, each warrants entitles the holder to purchase one common share at a price of $0.05 per share for up to one year expiring April 27, 2017.