



Consolidated Financial Statements

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

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Redhill Resources Corp.

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Redhill Resources 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.



Emphasis of Matter

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

June 22, 2016

Redhill Resources Corp.
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(Expressed in Canadian Dollars)

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Redhill Resources Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	February 29, 2016	February 28, 2015
	\$	\$
ASSETS		
Current		
Cash	611,557	1,184,261
Receivables (Note 3)	7,435	19,826
Prepays	29,820	78,068
	<u>648,812</u>	<u>1,282,155</u>
Equipment (Note 4)	27,503	35,750
Exploration and evaluation assets (Note 5)	1,057,659	1,023,808
Reclamation bond (Note 6)	-	5,004
Loan receivable (Note 7)	-	891,219
Financial assets (Note 8)	-	450,924
	<u>1,733,974</u>	<u>3,688,860</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	35,939	56,900
Customer deposit	1,985	-
	<u>37,924</u>	<u>56,900</u>
Shareholders' equity		
Share capital (Note 10)	53,488,793	53,488,793
Reserves (Note 10)	394,846	622,939
Deficit	(52,187,589)	(50,479,772)
	<u>1,696,050</u>	<u>3,631,960</u>
	<u>1,733,974</u>	<u>3,688,860</u>

Nature and continuance of operations (Note 1)
Commitments (Note 12)
Subsequent events (Note 18)

Approved and authorized by the Board on June 22, 2016.

Approved on behalf of the Board of Directors:

"Graham Harris"
Director

"Andrew W. Bowering"
Director

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

Redhill Resources Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended	
	February 29, 2016	February 28, 2015
	\$	\$
OPERATING EXPENSES		
Bad debts	39,900	2,905
Depreciation (Note 4)	8,247	18,119
Foreign exchange gain	(327)	(2,288)
Investor relations	1,517	12,920
Management, consulting and directors fees (Note 11)	551,090	826,005
Office and rent (Note 11)	179,372	127,221
Professional fees	64,787	105,420
Property investigation and due diligence (Note 11)	4,375	525,858
Regulatory and shareholder services	12,281	26,693
Salaries and wages	1,189	31,973
Share-based compensation (Note 11)	-	536,928
Travel and related	22,185	50,962
Total operating expenses	(884,616)	(2,262,716)
Gain on sale of oil and gas interests	-	199,653
Impairment of financial assets (Note 8)	(338,229)	(1,575,000)
Impairment of loan receivable (Note 7)	(610,168)	-
Interest income	29,957	107,819
Loss on warrants held (Note 8)	(924)	(661,854)
Loss on sale of financial assets (Note 8)	(315,422)	-
Recovery of exploration and evaluation assets (Note 5)	183,492	-
Write-down of exploration and evaluation assets (Note 5)	-	(1,722,320)
	(1,051,294)	(3,651,702)
Net loss before income tax	(1,935,910)	(5,914,418)
Deferred income tax expense (Note 17)	-	267,150
Net loss for the year	(1,935,910)	(6,181,568)
OTHER COMPREHENSIVE LOSS		
Net change in fair value of financial assets, net of tax	(338,229)	(3,362,850)
Reclassification of impairment on financial assets	338,229	1,575,000
	-	(1,787,850)
Total loss and comprehensive loss for the year	(1,935,910)	(7,969,418)
Basic and diluted loss per common share		
Net loss for the year	\$ (0.09)	\$ (0.32)
Weighted average number of common shares outstanding	20,682,397	19,526,140

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

Redhill Resources Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended	
	February 29, 2016	February 28, 2015
	\$	\$
Cash flows used in operating activities		
Loss for the year	(1,935,910)	(6,181,568)
Items not affecting cash:		
Bad debts	39,900	-
Deferred income tax expense	-	267,150
Depreciation	8,247	18,119
Accrued interest income	(24,033)	(92,219)
Share-based compensation	-	536,928
Share options issued for property investigation and due diligence	-	47,135
Write-down of exploration and evaluation assets	-	1,722,320
Impairment of loan receivable	610,168	-
Impairment of financial assets	338,229	1,575,000
Loss on warrants held	924	661,854
Loss on sale of financial assets	315,422	-
Gain on sale of oil and gas interest	-	(199,653)
Changes in working capital items:		
Receivables	(27,509)	(7,998)
Prepays	48,248	(1,920)
Accounts payable and accrued liabilities	(20,961)	(6,244)
Customer deposit	1,985	-
	<u>(645,290)</u>	<u>(1,661,096)</u>
Cash flows from investing activities		
BC mineral exploration tax credit	-	463,074
Exploration and evaluation asset expenditures	(33,851)	(1,635,450)
Interest on loan receivable	-	51,000
Loan receivable	-	(850,000)
Proceeds from sale of financial assets	105,715	-
Proceeds from disposal of oil and gas interest	-	2,162,405
Purchase of financial assets	(4,282)	-
Reclamation bonds	5,004	15,011
	<u>72,586</u>	<u>206,040</u>
Cash flows from financing activities		
Proceeds from exercise of options	-	31,000
Proceeds from exercise of warrants	-	348,000
	<u>-</u>	<u>379,000</u>
Change in cash during the year	(572,704)	(1,076,056)
Cash, beginning of year	<u>1,184,261</u>	<u>2,260,317</u>
Cash, end of year	<u>611,557</u>	<u>1,184,261</u>

Supplemental non-cash disclosures (Note 16)

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

Redhill Resources Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital \$	Reserves			Deficit \$	Total Shareholders' Equity \$
			Share Options \$	Unrealized Gains (Losses) \$	Total \$		
Balance at February 28, 2014	18,307,395	53,083,877	834,189	1,787,850	2,622,039	(45,067,601)	10,638,315
Warrants exercised	2,175,002	348,000	-	-	-	-	348,000
Share options exercised	200,000	56,916	(25,916)	-	(25,916)	-	31,000
Share-based compensation	-	-	536,928	-	536,928	-	536,928
Share options issued for property investigation and due diligence	-	-	47,135	-	47,135	-	47,135
Forfeited share options	-	-	(769,397)	-	(769,397)	769,397	-
Comprehensive loss for the year	-	-	-	(1,787,850)	(1,787,850)	(6,181,568)	(7,969,418)
Balance at February 28, 2015	20,682,397	53,488,793	622,939	-	622,939	(50,479,772)	3,631,960
Forfeited share options	-	-	(228,093)	-	(228,093)	228,093	-
Comprehensive loss for the year	-	-	-	-	-	(1,935,910)	(1,935,910)
Balance at February 29, 2016	20,682,397	53,488,793	394,846	-	394,846	(52,187,589)	1,696,050

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Redhill Resources Corp. (the "Company") was incorporated on March 7, 2005 under the laws of the Province of British Columbia. The Company's principal business is to acquire, explore and develop oil & gas resource interests.

The head office and principal address of the Company is Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3. The registered and records office is located at Suite 650, 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

During the year ended February 28, 2015, the Company dissolved its wholly owned subsidiary, ATW Gold Corp. Australia Pty Ltd., and refocused on oil & gas exploration and development.

The Company's oil and gas interests are at the exploration stage and are without a known body of hydrocarbon reserves. The business of exploring for oil and gas and minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing reservoirs. Major expenses may be required to establish oil and gas reserves, to acquire construction and operating permits and to construct oil and gas production and processing facilities. The amounts shown as oil and gas interests and exploration and evaluation assets represent acquisition, holding and exploration and evaluation costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for oil and gas interests and exploration and evaluation assets is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company had written off the value of its mineral properties at the end of fiscal 2015 and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful acquisition of resource properties and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with current working capital, proceeds from exercise of options, the potential sale of High North common shares, and further private placements.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated 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 issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on June 22, 2016.

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its formerly wholly owned subsidiary, ATW Gold Corp. Australia Pty Ltd., up to the date of dissolution. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with IFRS 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 revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets including oil and gas interests, valuation of share-based compensation and other equity based payments, and the recoverability and measurement of deferred tax assets and liabilities.

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of hydrocarbon deposits with similar characteristics to its own properties to proven and probable hydrocarbon reserves, a history of conversion of oil and gas reserves with similar characteristics to its own properties to proven and probable hydrocarbon reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation, investment in warrants, and convertible features

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity based payments, as well as its investment in warrants of High North and the conversion feature of the loan receivable. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities in foreign currencies are translated at historical rates. Revenues and expenses are translated at the average exchange rates approximating those in effect during the reporting period.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is charged to earnings over the estimated useful lives using the declining balance method or straight line basis as follows:

Computer equipment	30%
Other equipment and vehicles	20%

Leasehold improvements are amortized over the term of the related lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm outs

The Company uses the carrying amount of the exploration and evaluation asset interest before the farm-out as the carrying amount for the portion of the interest retained. Any cash consideration received is credited against the carrying amount of the portion of the interest retained and is recorded as a recovery, with any excess included as a gain in profit or loss. The Company does not record any expenditure made by the farmee on its account.

Asset retirement obligation (“ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

For the years presented, the Company did not have any asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in net income on the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

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

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

Loss per share

Basic and diluted loss per share is computed by dividing net loss available to common shareholders by the weighted-average number of shares outstanding during the reporting period. If applicable, diluted income per share is computed similar to basic income per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. All of the Company's 1,165,000 (February 28, 2015 – 4,554,998) outstanding options and warrants were anti-dilutive and therefore excluded from the diluted loss per share calculation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company operates an employee share option plan. Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of 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 corresponding amount is recorded to the share option reserve. The fair value of options is determined using the Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of forfeited and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration based on the nature of the item.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash and warrants as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies receivables, loan receivable, and reclamation bond as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive loss and recognized in profit or loss. The Company classifies its investment in High North Resources Ltd. common shares (Note 8) as an available-for-sale financial asset.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

During the years presented, the Company's loan receivable included a conversion feature which is classified as a derivative financial asset.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Changes in accounting standards

The Company has adopted the following accounting standards effective March 1, 2015 which had no significant impact on the consolidated financial statements:

- IFRS 2, Share-based Payment
- Amendments to IAS 24, Related Party Disclosures

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended February 29, 2016 and have not been applied in preparing these consolidated financial statements.

- a) IFRS 9 – Financial Instruments: Classification and Measurement: applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management does not anticipate this standard having a material effect on the Company's consolidated financial statements.
- b) IFRS 15 – Revenue from Contracts with Customers: establishes principles that an entity shall report more useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. More specifically to production (and sales) based royalties, variable consideration is estimated and included in the transaction price to the extent it is highly probable that there will be no significant reversal in the amount of cumulative revenue recognized when the uncertainty is resolved. This new approach to variable revenue could accelerate the recognition of revenue which depends on future production (or sales) levels. Management is currently evaluating the impact this standard will have on the Company's consolidated financial statements.
- c) IFRS 16 – Leases: specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. Management is currently evaluating the impact this standard will have on the Company's consolidated financial statements.
- d) IAS 7 – Statement of Cash Flows (disclosure initiative): these amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017. Management does not anticipate this standard having a material effect on the Company's consolidated financial statements.

Redhill Resources Corp.
Notes to Consolidated Financial Statements
February 29, 2016
(Expressed in Canadian Dollars)

3. RECEIVABLES

	February 29, 2016	February 28, 2015
	\$	\$
Sales tax receivable	4,638	6,701
Other receivables	2,797	13,125
	7,435	19,826

4. EQUIPMENT

	Computer equipment	Leasehold improvement	Other equipment	Total
	\$	\$	\$	\$
Cost:				
At February 28, 2014 and 2015 and February 29, 2016	78,775	80,039	79,920	238,734
Depreciation:				
At February 28, 2014	58,858	73,660	52,347	184,865
Additions	4,703	6,379	7,037	18,119
At February 28, 2015	63,561	80,039	59,384	202,984
Additions	3,292	-	4,955	8,247
At February 29, 2016	66,853	80,039	64,339	211,231
Net book value:				
At February 28, 2015	15,214	-	20,536	35,750
At February 29, 2016	11,922	-	15,581	27,503

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5. EXPLORATION AND EVALUATION ASSETS

The Company's current exploration and evaluation assets are comprised of oil and gas properties as follows:

	Mineral Properties (Canada)	Oil & Gas Properties (Canada)	Total
	\$		\$
Balance, February 28, 2014	1,573,752	1,962,752	3,536,504
Acquisition costs	-	1,008,640	1,008,640
Exploration expenditures (recoveries):			
Geochemistry	575	-	575
Drilling and metallurgical	485,338	-	485,338
Geological and engineering contractors	125,729	7,375	133,104
Lease rentals	-	7,168	7,168
Professional fees	-	625	625
Mining tax credit	(463,074)	-	(463,074)
Subtotal	148,568	1,023,808	1,172,376
Write-down of exploration and evaluation assets	(1,722,320)	-	(1,722,320)
Disposal of property	-	(1,962,752)	(1,962,752)
	(1,573,752)	(938,944)	(2,512,696)
Balance, February 28, 2015	-	1,023,808	1,023,808
Exploration expenditures:			
Geological and engineering contractors	-	26,683	26,683
Lease rentals	-	7,168	7,168
Subtotal	-	33,851	33,851
Balance, February 29, 2016	-	1,057,659	1,057,659

MINERAL PROPERTIES

The Company previously had mineral exploration option agreements on three different properties in Canada: Aspen, Yellow Chris, and Stikine Terrane. During the year ended February 28, 2015, the Company incurred mineral exploration costs of \$611,642 and received mineral tax credits of \$463,074. After receiving the preliminary results of the mineral exploration work conducted at Stikine Terrane in the summer of 2014, the Company terminated all of its remaining Canadian mineral exploration agreements and, therefore, wrote down exploration and evaluation assets by \$1,722,320 during the year ended February 28, 2015.

In September 2015, the Company received a mining tax credit of \$183,970 (which included interest of \$478) relating to a previously written-down property. As such, the Company recorded a recovery of exploration and evaluation assets of \$183,492 during the year ended February 29, 2016.

5. EXPLORATION AND EVALUATION ASSETS (continued)

OIL AND GAS PROPERTIES

Montney Project

In September 2014, the Company acquired a 100% interest in a total of eight sections of crown petroleum and natural gas leases (the "Montney Leases") from the Government of Alberta's September 17, 2014 public offering of Crown land rights for total consideration of \$1,008,640. The Montney Leases cover 2,048 hectares in North Western Alberta, have a four year exploration term, and require annual lease rentals of \$7,168. The acquired rights are in the exploration and pre-production phase and as such, the Company has capitalized all related exploration expenditures incurred. All costs incurred prior to obtaining the land rights were expensed as property investigation and due diligence costs in the consolidated statement of loss and comprehensive loss.

In February 2016, the Company entered into a farm-out arrangement with an arm's length party, Elbow Resources Inc. ("Elbow"). Under the terms of the arrangement, Elbow is required to drill a single step-out well on the project to earn the lands and evaluate the project for subsequent drilling and development. Upon completion of a test well to the Montney formation, Elbow will earn 100% of the Company's pre farm-out working interest in the Montney project.

In exchange for the earned rights, Elbow will pay a gross overriding royalty to the Company of 2.5% of the gross monthly production thereof produced from each Royalty well, payable prior to operating expenses, and at no capital risk to the Company.

GORR Lands

In December 2013, the Company acquired a 100% interest in seven crown petroleum and natural gas leases (the "Leases") from the Government of Alberta public offering of Crown land rights for \$1,962,752 (the "Bid Amount"). The Leases are located in North Western Alberta.

The Company entered into a binding memorandum of understanding with High North Resources Ltd. whereby High North was granted the option to purchase the leases by paying to the Company the Bid Amount plus a premium of 10%. In May 2014, High North exercised its option to acquire the Leases by paying the Company \$2,162,405 which resulted in the Company recording a gain on the sale of the oil and gas interests of \$199,653.

The Company retained a 2.5% gross overriding royalty in any production for the Leases. As at February 29, 2016, there is no production from these leases.

6. RECLAMATION BOND

As at February 28, 2015, the Company held one safekeeping agreement relating to the written-off Aspen mineral property that was secured by a \$5,000 deposit which earned interest at prime less 1.95% and matured on February 1, 2016. In September 2015, the safekeeping agreement was released as the Company no longer holds an interest in the property.

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7. LOAN RECEIVABLE

In April 2014, the Company purchased 850 12% one year convertible subordinated debentures at a subscription price of \$1,000 per debenture for a total cost of \$850,000. The debentures bear interest at a rate of 12% per annum (calculated annually) which was payable semi-annually on October 3, 2014 (received) and April 4, 2015. Each debenture was convertible at the holder's option into common shares of High North Resources Ltd. ("High North") for a period of one year at \$0.85 per common share.

The fair value attributable to the conversion feature, which was being accounted for as a derivative, was re-valued at each reporting period. On February 28, 2015, the conversion feature was calculated with a value of \$nil.

The loan receivable balance is comprised of the following:

	February 29, 2016	February 28, 2015
	\$	\$
Principal portion	-	850,000
Accrued interest	-	41,219
	-	891,219

In early 2015, the Company was informed by High North that they were not able to repay the principal and remaining interest payment of the debenture that matured on April 4, 2015. In March 2015, the Company elected to waive the event of default by High North and agreed to participate in a Plan of Arrangement ("Plan") to modify or convert the debentures in early June 2015. Under the Plan, the Company agreed to convert the principal and accrued interest receivable into common shares of High North at a deemed value of \$0.06 per share. Annual interest was reduced to 6% from April 4, 2015 up to the date of redemption, resulting in the recognition of \$24,033 in total interest income for the year ended February 29, 2016.

In July 2015, the Company finalized the election under the Plan to convert its entire principal and remaining interest balance into common shares of High North which resulted in the receipt of 15,254,203 High North common shares (Note 8) at a fair value of \$0.02 per share. The Company recognized impairment on its loan receivable of \$610,168 due to the terms of the transaction.

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8. FINANCIAL ASSETS

In July 2013, the Company sold its 30% interest in Valleyview to High North for 3,000,000 shares of High North valued at \$975,000. The High North shares were subject to a pooling agreement and were released as per the following schedule: (1) 10% on July 22, 2013; (2) 20% on January 22, 2014; (3) 20% on July 22, 2014; (4) 20% on January 22, 2015; and (5) 30% on July 22, 2015. At February 29, 2016, no (February 28, 2015 – 900,000) shares were held in escrow.

In October 2013, the Company subscribed to 3,000,000 units of High North (the “High North Unit”) at a price of \$0.35 per unit for \$1,050,000. Each High North Unit consists of one common share and one-half share purchase warrant which is exercisable for two years at an exercise price of \$0.50 per whole warrant. No value was allocated to the warrants on initial recognition.

During the year ended February 28, 2015, the Company recognized a permanent impairment on its financial assets of \$1,575,000.

In July 2015, the Company received 15,254,203 common shares of High North valued at \$0.02 per share as a result of the Company’s election to fully convert its debenture and remaining interest payment (Note 7).

During the year ended February 29, 2016, the Company acquired an additional 424,000 common shares of High North for \$0.01 per share and sold 12,824,203 common shares of High North for total proceeds of \$105,715 which resulted in a loss on sale of financial assets of \$315,422.

At February 29, 2016, the Company held 8,854,000 (February 28, 2015 – 6,000,000) High North shares; however, management determined that the shares had a fair value of \$nil (February 28, 2015 – \$450,000) as High North was placed into receivership in January 2016. The net change in fair value of these financial assets, net of tax, resulted in a loss of \$338,229 (February 28, 2015 – \$1,575,000) which was recorded to the statement of loss and comprehensive loss due to the permanent impairment of these shares.

Warrants:

In October 2015, the 1,500,000 warrants held in High North expired unexercised. As a result, the Company recorded a loss on warrants held of \$924 during the year ended February 29, 2016 (year ended February 28, 2015 – \$661,854).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 29, 2016	February 28, 2015
Accounts payable	\$ 6,939	\$ 11,900
Accrued liabilities	29,000	45,000
	35,939	56,900

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

No shares were issued during the year ended February 29, 2016.

During the year ended February 28, 2015, the Company:

- a) issued 2,175,002 shares for 2,175,002 warrants exercised at \$0.16 per share for total proceeds of \$348,000; and
- b) issued 200,000 shares for 200,000 share options exercised at \$0.155 per share for total proceeds of \$31,000. The original value of these options of \$25,916 was also transferred from reserves to share capital.

Share Options

The Company has a share option plan (the "Plan") whereby the Company can grant share options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued common shares of the Company. Options granted can have a maximum term of ten years and the board of directors can determine the vesting requirements.

During the year ended February 29, 2016, 565,000 stock options were forfeited resulting in \$228,093 being transferred from reserves to deficit.

A summary of the share options outstanding and exercisable at February 29, 2016 is as follows:

Number of Share Options	Exercise Price	Expiry Date
	\$	
300,000	0.155	February 3, 2019
765,000	0.40	August 11, 2019
100,000	0.50	September 25, 2019
1,165,000		

The weighted average life of options outstanding at February 29, 2016 was 3.33 years.

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10. SHARE CAPITAL AND RESERVES (continued)

Share Options (continued)

Share options transactions are summarized as follows:

	Number of Share Options	Weighted Average Exercise Price
		\$
Balance, February 28, 2014	1,317,000	0.71
Granted	1,430,000	0.41
Exercised	(200,000)	0.155
Forfeited	(817,000)	1.04
Balance, February 28, 2015	1,730,000	0.36
Forfeited	(565,000)	0.40
Balance, February 29, 2016	1,165,000	0.35

During the year ended February 29, 2016, the Company granted nil (February 28, 2015 – 1,430,000) share options with a total fair value of \$nil (February 28, 2015 - \$584,063).

The following weighted average assumptions were used in the Black-Scholes option pricing model for the valuation of the share options granted:

	February 29, 2016	February 28, 2015
Risk-free interest rate	N/A	1.53%
Dividend yield	N/A	Nil
Expected life	N/A	5 years
Volatility	N/A	126%

Warrants

During the year ended February 29, 2016, 2,824,998 warrants expired unexercised.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, February 28, 2014	5,000,000	0.16
Exercised	(2,175,002)	0.16
Balance February 28, 2015	2,824,998	0.16
Expired	(2,824,998)	0.16
Balance February 29, 2016	-	-

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11. RELATED PARTY TRANSACTIONS

During the year ended February 29, 2016, the Company entered into the following transactions with related parties, not disclosed elsewhere in these consolidated financial statements:

- a) Rent recoveries of \$23,600 (February 28, 2015 - \$55,793), office recoveries of \$20,400 (February 28, 2015 - \$24,600), and payroll recoveries of \$4,000 (February 28, 2015 - \$57,100) were received from companies related by way of common directors and officers; and
- b) Incurred exploration expenditures for geochemistry, drilling, and geological and engineering contractors of \$nil (February 28, 2015 - \$526,983) and property investigation and due diligence fees of \$nil (February 28, 2015 - \$44,989) to a company controlled by two directors of the Company.

On August 11, 2014 the Company signed two Executive Employment Agreements, one with the President, COO, and director of the Company and the other with the CEO and director of the Company. Each agreement states that the executive will earn an annual salary of \$180,000 plus bonuses (monthly salary of \$15,000) and is entitled to termination payments of one years' salary plus 10% of the salary for the loss of group benefits plus 50% of the total bonuses paid over the previous two calendar years.

Subsequent to year end, the Company entered into an option agreement to acquire a 100% right, title and interest in and to the Lincoln Lithium Property (Note 18). Concurrent with the closing of the acquisition, the CEO agreed to resign from his position in exchange for a termination payment of \$40,000.

In July 2015, the former CEO resigned and agreed to settle \$60,000 of deferred salary for \$30,000 ("settlement amount") which resulted in a salary recovery of \$30,000. The employee will have no further claims against the Company for additional salary or other employment compensation.

In November 2015, the Company and the current executives and officers agreed to reduce their monthly salaries to \$4,000 effective January 2016 as part of cost cutting initiatives.

As at February 29, 2016, the Company owed \$400 (February 28, 2015 - \$2,744) to an officer and director of the Company for reimbursement of expenses which is included in accounts payable and accrued liabilities.

As at February 29, 2016, the Company had a loan receivable of \$nil (February 28, 2015 - \$891,219) owing by High North and financial assets valued at \$nil (February 28, 2015 - \$450,924) in High North which is related by way of a common director.

As at February 29, 2016, the Company had a receivable of \$147 (February 28, 2015 - \$nil) owing by a company related by way of a director whom acts in capacity as an officer of this company.

Summary of key management personnel compensation:

	For the year ended	
	February 29, 2016	February 28, 2015
Director's fees	\$ 5,000	\$ 45,000
Management fees	541,000	694,924
Share-based compensation	-	476,373
	546,000	1,216,297

12. COMMITMENTS

- a) Commencing June 1, 2009, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. The Company receives recoveries on a month to month basis from various sub-tenants. On January 4, 2012, the Company signed a lease amending agreement extending the lease for an additional five years. The remaining minimum future lease payments, excluding operating costs are as follows:

March 1, 2016 to February 28, 2017	\$ 107,070
March 1, 2017 to May 31, 2017	\$ 26,768

- b) In October 2014, the Company entered into a definitive agreement with Petrel Robertson Consulting Ltd. for consulting work performed on potential oil and gas claims. The Company may be required to issue 300,000 common shares of the Company to Petrel conditional upon certain land acquisition thresholds.

13. CAPITAL DISCLOSURE AND MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of oil and gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the management of capital, the Company includes shareholders equity and long term obligations as capital.

In order to carry out planned exploration and development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. In addition, the Company is dependent upon external financings to fund activities. 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 is not subject to any externally imposed capital restrictions.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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 Company's financial instruments consist of cash, receivables, loan receivable, financial assets, and accounts payable and accrued liabilities. The fair value of receivables and accounts payables and accrued liabilities approximates their carrying values. Cash and financial assets are measured at fair value using level 1 inputs. The Company's investment in the High North warrants and the convertible portion of the High North debentures were measured using level 3 inputs to the Black Scholes valuation as disclosed in Notes 7 and 8. The principal portion of the High North debenture was measured using level 2 inputs.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity, commodity price and market price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and it currently has one property which is located in Canada. The Company is incurring all expenditures in Canadian dollars; as such, there is no foreign currency risk related to its oil and gas property.

However, the Company is subject to risk in fluctuations in the exchange rate of the United States dollar as it holds a bank account denominated in United States dollars. As at February 29, 2016, the Company had a balance of US\$12 (February 28, 2015 - US\$17,563). Each 1% change in the Canadian dollar versus the United States dollar will result in a minimal gain/loss.

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables consist of amounts due from the Canadian government and various businesses. The Company is not exposed to significant credit risk on its balance due from the Canadian government; however, there is credit risk related to the balances due from the various businesses as there is no guarantee those receivables will be fully collected.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is minimal interest rate risk as the Company's previously held loan receivable had a fixed interest rate of 12% per annum and the Company does not have any interest-bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk

The Company is subject to price risk for fluctuations in the market price of oil and gas through its investment in High North and its other oil and gas resource properties. Oil and gas prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the US with other major currencies, global and regional demand, and political and economic conditions. Worldwide oil and gas production levels also affect oil and gas prices, and the price of oil and gas are occasionally subject to rapid short-term changes due to speculative activities. The Company does not actively manage its exposure to oil or gas price risk.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

f) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

15. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of oil and gas properties. As at February 29, 2016 and February 28, 2015, the Company's operations were fully located in Canada.

16. SUPPLEMENTAL NON-CASH DISCLOSURES

	Year ended	
	February 29, 2016	February 28, 2015
	\$	\$
Change in fair market value of financial assets	-	3,362,850
Reallocation of value of options of exercise	-	25,916
Reallocation of reserves on forfeited and expired options and warrants	228,093	769,397
Conversion of loan receivable into financial assets	305,084	-

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended February 29, 2016	Year ended February 28, 2015
	\$	\$
Loss before income taxes	(1,935,910)	(5,914,418)
Expected income tax expense (recovery) at statutory rates	(503,000)	(1,538,000)
Change in statutory tax, foreign tax, and foreign exchange	86,000	1,211,050
Permanent difference	130,000	(36,800)
Change in unrecognized deductible temporary differences	287,000	630,900
Income tax expense (recovery)	-	267,150

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17. INCOME TAXES (continued)

The significant components of temporary differences, unused tax losses and unused tax credits that have not been recognized on the consolidated statements of financial position are as follows:

	February 29, 2016	Expiry dates	February 28, 2015	Expiry dates
	\$		\$	
Investment tax credit	73,000	2028 to 2034	73,000	2028 to 2034
Share issue costs	13,000	2037 to 2038	26,000	2036 to 2038
Debt with accretion	675,000	Not applicable	-	Not applicable
Capital losses – Canada	15,768,000	Not applicable	15,768,000	Not applicable
Non-capital losses – Canada	17,923,000	2026 to 2036	16,154,000	2026 to 2035
Equipment	170,000	Not applicable	162,000	Not applicable
Exploration and evaluation assets	6,273,000	Not applicable	6,469,000	Not applicable
Marketable securities	657,000	Not applicable	1,576,000	Not applicable

Tax attributes are subject to review, and potential adjustment, by tax authorities.

18. SUBSEQUENT EVENTS

- a. In May 2016, the Company entered into a property option and assignment agreement with a vendor to acquire 100% right, title and interest in and to the Lincoln Lithium Property in Nevada (the “Lincoln Property”). To earn its interest in the Lincoln Property, the agreement calls for the Company to pay the underlying owner of the Lincoln Property: (1) a non-refundable deposit of \$25,000 (paid) upon signing of the agreement and (2) an additional \$225,000 (paid) upon approval of the agreement by the TSX Venture Exchange. The Company is also required to expend \$250,000 in exploration expenditures on the Lincoln Property in the next year and to pay an additional \$750,000 at the end of the year to the vendor to earn its interest. The vendor will be issued shares valued at \$225,000 upon closing of the agreement. Upon exercise of the option agreement, the underlying owner will retain a 1% gross overriding royalty. The Company may purchase the gross overriding royalty at any point in time for cash consideration equal to \$1,000,000.
- b. In June 2016, the Company granted 900,000 stock options to certain officers, directors, consultants and employees of the Company. The options have a term of 5 years and are exercisable at a price of \$0.15 per common share.