VANADIUM ONE ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2018 AND 2017

EXPRESSED IN CANADIAN DOLLARS

Wasserman Ramsay

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Vanadium One Energy Corp.:

We have audited the accompanying consolidated financial statements of Vanadium One Energy Corp. and its subsidiary, which comprise the consolidated statements of financial position as at February 28, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

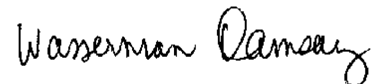
Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 consolidated financial statements present fairly, in all material respects, the financial position of Vanadium One Energy Corp. and its subsidiary as at February 28, 2018 and 2017 and the results of its operations, cash flows and equity 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 matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



Markham, Ontario
June 28, 2018

Chartered Accountants
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Canadian dollars)

As at,	February 28, 2018 $	February 28, 2017 $
ASSETS		
Current assets		
Cash and cash equivalents (note 7)	**104 803**	509 150
Restricted cash (note 7)	**356 391**	400 740
HST Receivables (note 8)	**84 961**	64 467
Prepaid expenses	**29 457**	248 560
	575 612	1 222 917
Exploration and evaluation assets (note 9)	**1 445 039**	844 642
	2 020 651	2 067 559
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**100 629**	71 088
	100 629	71 088
SHAREHOLDERS' EQUITY		
Capital stock, issued and outstanding (note 11)	**7 950 347**	7 307 605
Reserves	**1 574,227**	1 542 600
Accumulated other comprehensive deficit	**(5 674)**	(5 674)
Accumulated deficit	**(7 598 878)**	(6 848 060)
	1 920 022	1 996 471
	2 020 651	2 067 559

Going Concern (note 2), commitments and contingencies (note 18) and subsequent events (note 19)

Approved on behalf of the Board on June 28, 2018:

/s/ W. John Priestner	/s/ Jacques Arsenault
President and CEO	Chief Financial Officer

Accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(In Canadian dollars)

For the year ended,	February 28, 2018 $	February 28, 2017 $
General and administrative expenses	**125 512**	112 312
Professional and consulting fees	**420 560**	139 925
Management fees (note 12)	**120 000**	61 500
Write down on mineral property	**976**	285 789
Debt settlement	**-**	(150 371)
Share based payment	**83,770**	191 458
	750,818	640 613
Loss and comprehensive loss for the year	**(750,818)**	(640 613)
Basic and diluted loss per share	**(0,02)**	(0,05)
Weighted average number of common shares outstanding - basic and diluted	**30 563 859**	11 958 742

Accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Canadian dollars)

For the year ended,	February 28, 2018	February 28, 2017
	$	$
Operating activities		
Net loss for the period	**(750,818)**	(640 613)
Adjustments for items not involving cash:		
Gain on debt settlement	**-**	(150 371)
Write down on mineral property	**976**	285 789
Share based payment	**83,770**	191 458
	(666 072)	(313 737)
Changes in non-cash working capital items:		
HST receivables	**(20 494)**	(59 619)
Prepaid expenses	**219 103**	(248 560)
Accounts payable and accrued liabilities	**29 541**	43 907
Cash used in operating activities	**(437 922)**	(578 009)
Financing activities		
Issuance of common shares for cash (net)	**480 010**	1 014 896
Issuance of warrants for cash	**110 589**	683 077
Cash provided by financing activities	**590 599**	1 697 973
Investing activities		
Investment in exploration and evaluation assets	**(601 373)**	(210 389)
Cash used in investing activities	**(601 373)**	(210 389)
Increase (decrease) in cash	**(448 696)**	909 575
Cash and cash equivalents, beginning of the period	**909 890**	315
Cash , end of the period	**461 194**	909 890
Cash and cash equivalents	**104 803**	509 150
Restricted cash	**356 391**	400 740
Cash , end of the period	**461 194**	909 890

Accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(In Canadian dollars)

	SHARE CAPITAL		RESERVES	ACCUMULATED OTHER COMPREHENSIVE DEFICIT	DEFICIT	TOTAL
	#	$	$	$	$	$
Balance - March 1, 2016	**53 566 133**	**5 626 403**	**570 120**	**(5 674)**	**(6 207 447)**	**(16 598)**
Consolidation 10:1	(125 377 022)	-	-	-	-	-
Private placements	82 763 264	845 964	802 010	-	-	1 647 974
Issuance for exploration property	16 450 000	634 250	-	-	-	634 250
Debt settlement	650 000	130 000	-	-	-	130 000
Warrants exercised	500 000	70 988	(20 988)	-	-	50 000
Stock options issued	-	-	191 458	-	-	191 458
Loss of the period	-	-	-	-	(640 613)	(640 613)
Balance - February 28, 2017	**28 552 375**	**7 307 605**	**1 542 600**	**(5 674)**	**(6 848 060)**	**1 996 471**
Stock options issued	-	-	83 770	-	-	83 770
Warrants exercised	1 286 747	162 732	(52 143)	-	-	110 589
Private placement	4 636 454	480 010				480 010
Loss of the period	-	-	-	-	(750 818)	(750 818)
Balance - February 28, 2018	**34 475 576**	**7 950 347**	**1 574 227**	**(5 674)**	**(7 598 878)**	**1 920 022**

Accompanying notes form an integral part of these consolidated financial statements

1. General information and nature of operations

Vanadium One Energy Corp. ("**Vanadium**" or the "**Company**") was incorporated on February 27, 2007 pursuant to the *Business Corporations Act* (Ontario) and is engaged in the business of exploration, in Canada, for mineral resources used in the renewable energy sector. All mineral property interests held are currently in the exploration stage.

The Company listed its common shares on the TSX Venture Exchange for trading upon the completion of its initial public offering ("IPO") as disclosed in a prospectus filed with the regulators and dated May 25, 2007. On January 16, 2017, the Company changed its name from Vendome Resources Corp. to Vanadium One Energy Corp. The Company's shares are listed under the symbol VONE (formerly: VDR) on the TSX Venture Exchange.

These annual consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors on June 28, 2018.

2. Going concern disclosure

The Company's principal assets are mining claims and deferred exploration costs relating to properties which are not in commercial projects. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

Several adverse conditions and events cast substantial doubt upon the validity of this assumption. Vanadium is not currently generating any revenue from its operations and for the twelve-month period ended February 28, 2017, the Company recorded a net comprehensive loss of $750 818 (February 28, 2017 - $640,613) and an accumulated deficit of $7,598 878 (February 28, 2017 - $6,848,060). Its ability to continue as a going concern is uncertain and is dependent upon its ability to fund its working capital, complete the development of its exploration projects, and eventually to generate positive cash flows from operations. Management plans to explore all alternatives possible, including joint ventures, debt and equity financings, and merger opportunities.

These annual consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial statement classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

3. Basis of preparation

Statement of Compliance
These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and effective as of February 28, 2018. These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets which are recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of Consolidation
The annual consolidated financial statements of the Company include the accounts of its wholly-owned subsidiary Vendome Minas, S.A. de C.V. ("VDR Mexico"). The Consolidated financial statements accounts of VDR Mexico from the date that it commenced its operations, which was January 1, 2011.

Functional and presentation currency
These annual consolidated financial statements are presented in Canadian dollars, which is Company's functional currency.

4. Summary of significant accounting policies

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and cash equivalents with initial maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

(ii) Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

(iii) Exploration and evaluation assets

The Company capitalizes all costs related to investments in mineral property in which it holds a legal interest on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries, and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered. Exploration expenditure relates to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company has determined that all of its mineral property interests are currently exploration stage properties.

(iv) Income taxes and deferred taxes

The income tax expense or benefit for the period consists of two components: current and deferred. Income tax expense or benefit is recognized in the Consolidated Statement of Comprehensive Loss except to the extent it relates to a business combination or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. To the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences can be utilized, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(v) Warrants

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to Contributed Surplus.

The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is transferred to Contributed Surplus.

(vi) Foreign Currency Translation

Items included in the financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the Consolidated Statement of Comprehensive Loss.

Assets and liabilities of the Company's subsidiary are translated at the period end rates of exchange, and the results of its operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in Shareholders' Equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and certain intercompany loans that are not permanent in nature are presented in the income statement within “General and administrative expenditures”.

References to “$” are to Canadian dollars.

(vii) Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding during the period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

(viii) Financial Instruments

Financial instruments are classified into one of the following four categories: loans and receivables; fair value through profit or loss; held-to-maturity; and available-for-sale. Financial assets are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

• Financial assets and financial liabilities at fair value through profit and loss include financial assets and financial liabilities that are held for trading or designated upon initial recognition as at fair value through profit and loss. These financial instruments are measured at fair value with changes in fair values recognized in the condensed consolidated Statement of Comprehensive Loss.

• Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized as Other Comprehensive Income ("OCI") in the Statement of Comprehensive Loss, except when there is objective evidence that the asset is impaired, at which point the cumulative loss is recognized within the condensed consolidated Statement of Comprehensive Loss.

• Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method.

• Financial liabilities, other than financial liabilities classified as fair value through profit and loss, are measured in subsequent periods at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a short period, to the net carrying amount on initial recognition.

The Company measures its financial assets and financial liabilities initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Company has classified its financial instruments as follows:

Asset/ Liability	**Classification**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value
HST receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The Company had no held-to-maturity or available-for-sale financial assets as at February 28, 2018 and 2017.

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the income statement. The fair values of the Company's cash and cash equivalents, amounts receivable and accounts payable approximate their carrying values because of the immediate or short-term to maturity of these financial instruments.

(ix) Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(x) Flow-through Shares
The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities in Canada. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amounts recognized in common shares and the amount the investor pays for the shares is recognized as a liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the deferred income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income.

(xi) Share-based Payments
Stock options issued by the Company are accounted for in accordance with the fair value-based method. The fair value of options issued to directors, officers, employees of and consultants to the Company is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to Contributed Surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received, together with the amount previously recorded in contributed surplus are added to capital stock.

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

When options are exercised, the amount received, together with the amount previously recorded in Contributed Surplus are added to Capital Stock.

(xii) Impairment of non-financial assets (excluding inventories, investment properties and deferred taxes)
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("**CGUs**").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

(xiii) Fair Value Hierarchy
The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(xiv) Segment reporting
In accordance with IFRS 8, Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In the prior year the Company owned assets in two operating units, representing the geographic locations of the operations: Canada and Mexico.

(xv) Use of Estimates and Judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 5.

***(xvi)* Provisions**
A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at February 28, 2018 and 2017.

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

The Company has no material restoration, rehabilitation and environmental costs as at February 28, 2018 and 2017.

5. Summary of accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and judgments that, in managements' opinion, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

(ii) Impairment of non-financial assets

Exploration and evaluation properties are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration property may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company measures, presents and discloses any resulting impairment loss in accordance with IFRS.

Impairment is assessed by management using key impairment indicators of IFRS 6 - *Exploration for and evaluation of mineral resources*, such assessment is subject to uncertainty.

(iii) Share-based payment transactions

The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

(iv) Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(v) Restoration, rehabilitation and environmental obligations

Management's assumption of no material restoration, rehabilitation and environmental obligations is based on facts and circumstances that existed during the period. These facts and circumstances may be open to interpretation.

***(vi)* Carrying value of Exploration and Evaluation Properties**

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

6. Accounting pronouncements

Accounting standard issued for adoption in future periods

The following standard has been issued but is not yet effective. The Company is assessing the impact of this new standard but does not expect it to have a significant impact on the consolidated financial statements.

- In July 2014, the IASB published IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The improvements introduced by IFRS 9 include a logical model for financial asset classification and measurement, a single, forward-looking ‘expected loss’ impairment model based on expected credit losses, and a substantially-reformed approach to hedge accounting. This standard applies to fiscal years beginning on or after January 1, 2018; early adoption is permitted. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on March 1, 2018 and does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements based on its current holding of financial instruments.

- On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. There are optional exemptions for short-term leases and leases of low value items. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on March 1, 2018 and does not expect the adoption of IFRS 16 to have a material effect on its consolidated financial statements.

7. Cash and cash equivalents and restricted cash

Cash and cash equivalents were as follows:

	February 28, 2018 $	**February 28, 2017** $
Cash Canadian banks	104 803	34 494
Cash Canadian banks - In Trust	-	474 656
	104 803	**509 150**
Restricted Cash Canadian banks - Flow-Through	356 391	400 740
	461 194	**909 890**

8. Receivables and other

Receivables and other at February 28, 2018 are sales tax receivable of $84,961 (February 28, 2017 - $64,467).

9. Exploration and evaluation assets

The following is a summary of the Company's investment in exploration properties:

	Ivanhoe Ontario	San Miguel Mexico	Clinton B.C	Mont. Sorcier Quebec	Total
	$	$	$	$	$
Balance, March 1, 2016	**285 790**	**1**	**-**	**-**	**285 791**
Acquisition costs	-	-	120 500	689 150	809 650
Exploration costs	-	-	17 457	17 533	34 990
Write down of mineral property	(285 789)	-	-	-	(285 789)
Balance, February 28, 2017	**1**	**1**	**137 957**	**706 683**	**844 642**
Exploration costs	975	-	5 519	594 879	601 373
Write down of mineral property	(975)	(1)	-	-	(976)
Balance, February 28, 2018	**1**	**-**	**143 476**	**1 301 562**	**1 445 039**

(i) ***Ivanhoe Lake Property, Ontario***: In July 2012 the Company completed the acquisition of a 100% interest in the Ivanhoe Lake property (the "Property") located in the Borden Lake Gold District, Ontario, Canada. The vendors retain a 3% net smelter royalty on the property. The property is carried at the nominal amount of $1.

(ii) ***San Miguel Property, Mexico:*** In July 2011, the Company agreed to acquire the San Miguel property ("San Miguel Property") from Santa Claws Minas., De C.V. The San Miguel Property is located within the southern portion of the Sierra Madre del Sur precious metal belt in the State of Guerrero, Mexico. The Company has written down the value of the Property to $Nil.

(iii) ***Clinton Manganese Property, British Colombia:*** In July 2016, the Company agreed to acquire a 100% interest in the Clinton Manganese property ("Clinton Property") located near Clinton in British Columbia, Canada. The Company paid $20,000 in cash and issued of 12,000,000 common shares at $0.0075 to acquire the interest. In addition, finder's fees of 1,400,000 common shares at $0.0075 were issued in relation of the acquisition.

(iv) ***Mont Sorcier, Vanadium Project, Quebec:*** In November 2016, the Company agreed to acquire a 100% interest in the Mont Sorcier Vanadium property ("Sorcier Property") located near Chibougamau in Quebec, Canada. The Company paid $150,000 in cash and issued 2,750,000 common shares at $0.175. In order to earn its interest, the Company is obligated to undertake a minimum of $1 million in exploration expenditures on the property within in the first 24 months following signature of the agreement. The Vendor, Chibougamau Independent Mines, will retain a 2% Gross Metal Royalty ("GMR") on all mineral production from the property. In order to facilitate the deal, Globex Mining Enterprises Inc. (GMX-TSX), which held a 3% GMR on a number of claims, has reduced its royalty to 1% GMR but it has been extended to the recently enlarged claim group. In addition, a finder's fee of 400,000 post-consolidation common shares of the Company at $0.175 was issued in relation to the acquisition.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities were comprised of the following balances:

	February 28, 2018	February 28, 2017
	$	$
Accounts payable	56 629	27 088
Accrued liabilities	44 000	44 000
	100 629	**71 088**

In the prior year the Company negotiated debt settlement agreements with various related parties and creditors. The outstanding debts with creditors were extinguished through reduction of current debt from approximately $187,779 to $130,000 and the issuance of shares on a post-consolidation basis. The Company settled the reduced amount of the debt in exchange for the issuance of an aggregate of 650,000 post-consolidated common shares. The debt settlement was based on a deemed price of $0.20 per share on a post-consolidated basis.

Accounts payable and accrued liabilities includes an amount of $18,502 as at February 28, 2018 (February 28, 2017 - $2,265) due to related parties (see Note 12).

11. Shareholders' Equity

(i) Share capital

Authorized and issued: the Company is authorized to issue an unlimited number of common shares. The issued and outstanding common shares are as follows:

	February 28, 2018	February 28, 2017
Shares issued and fully paid:		
Beginning of the year	**28 552 375**	**53 566 133**
Shares issued	-	72 341 662
Issued for mining claims	-	13 400 000
Consolidation 10:1	-	(125 377 022)
Debt settlement (post-consolidation)	-	650 000
Issued for mining claims (post-consolidation)	-	3 050 000
Private placements	4 636 454	10 421 602
Warrants exercised	1 286 747	500 000
Shares issued and fully paid end of the period	**34 475 576**	**28 552 375**
For each class of share capital:		
The number of shares authorized		Unlimited
The number of shares issued and fully paid		34 475 576
The number of shares issued but not fully paid		Nil
Par value per share, or that the shares have no par value		no par value

(ii) Shares issued

(a) On August 3, 2016 Vanadium announced the closing of a private placement in the gross amount of $542,562. A total of 59,008,331 Units of the Company were issued at a price of $0.0075 per unit for gross proceeds of $442,562.48, and 13,333,331 “flow-through” shares at a price of $0.0075 per share for gross proceeds of $99,999.98. Each Unit consists of one common share in the capital of the Company and one half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of $0.01 for a period of 3 years from the closing date of the private placement.

The Company closed its first tranche of the private placement on July 27, 2016 of which the Company issued 21,089,999 Units for gross proceeds of $158,174.99 (the "First Tranche"). The Company closed its final tranche of the private placement on August 2, 2016 of which the Company issued 37,918,332 Units for gross proceeds of $284,387.49 and 13,333,331 "flow-through" shares for gross proceeds of $99,999.98 (the "Final Tranche").

Finder’s fees consisting of $54,256 in cash and 7,234,166 broker warrants ("Broker Warrants") were paid to the finders in accordance with policies of the TSX-V. Each Broker Warrant is convertible into one broker warrant unit (a "BW Unit") at a price of $0.0075 per BW Unit for a period of two years from the date of issuance. Each BW Unit consists of one Share (a "BW Share") of the Company and one-half Warrant of the Company (each whole warrant, a "BW Warrant"). Each BW Warrant will entitle the holder to purchase one Share (a "BW Warrant Share") of the Company for a period of 3 years following the date of issuance of the BW Warrants at a price of $0.01 per BW Warrant Share.

(b) On July 25, 2016 under the terms of the Clinton Manganese Property acquisition agreement described in Note 9(iii) above the Company issued 12,000,000 (pre-consolidation) common shares at $0.0075. In addition, finder’s fees of 1,400,000 common shares at $0.0075 were issued in relation to the acquisition (see note 9 (iii)).

(c) On September 28, 2016 Vanadium announced the consolidation of its common shares on the basis of one (1) new post-consolidation common share for every ten (10) pre-consolidation common shares. As a result of the consolidation, the Company's outstanding 139,307,795 common shares were reduced to 13,930,773 common shares. No fractional shares were issued. Any fractions of a share were rounded down to the nearest whole number of common shares. The Company's name and trading symbol remained unchanged. The consolidation was approved by the shareholders of the Company on September 6, 2016 and accepted by the TSX Venture Exchange on September 26, 2016.

(d) On September 28, 2016, in connection with the Company’s effort to restructure, Vanadium has negotiated debt settlement agreements with various creditors. The outstanding debt with the creditors were extinguished through reduction of current debt from approximately $187,778.69 to $130,000 and the issuance of shares on a post-consolidation basis (the “Debt Settlement”). The company has agreed to settle the reduced amount of the debt in exchange for the issuance of an aggregate of 650,000 post-consolidated common shares. The debt settlement will be based on a deemed price of $0.20 per share on a post-consolidated basis.

(e) On November 8, 2016 under the terms of the Mont Sorcier Vanadium Iron, Titanium acquisition agreement more fully described in Note 9(iv) the Company issued to Chibougamau Independent Mines 2,750,000 common shares. In addition, finder’s fees of 300,000 common shares of the Company were issued in relation to the acquisition.

(f) On December 16, 2016 The Company announced it has completed an initial tranche of a non-brokered private placement financing. Pursuant to the financing, the Company issued 2,004,936 “flow-through” shares at a price of $0.15 per share for gross proceeds of $300,740.40.

A cash fee was paid to finders representing 8% of the gross proceeds raised in the Financing. Additionally, finders received that number of compensation warrants (“Compensation Warrants”) totaling 8% of the number of FT Shares sold pursuant to the Financing. The Compensation Warrants are exercisable at a price of $0.15 per shares for a period of 18 months after the closing of the Financing. Finders was paid a corporate finance fee

representing 2% of the gross proceeds raised in the Financing and that number of Compensation Warrants equaling 2% of the number of FT Shares sold in the Financing.

(g) On February 27, 2017 the Company announced it has completed a non-brokered private placement financing as previously announced. Pursuant to the financing, the Company issued 8,416,666 units ("Units") of the Company at a price of $0.12 per Unit to raise aggregate proceeds up to $1,010,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each full warrant will entitle its holder to purchase one additional common share at an exercise price of $0.25 for a period of 24 months from the closing date of the private placement. All securities issued in connection with the financing are subject to a four-month hold period from the date of issuance in accordance with applicable securities laws.

A cash fee was paid to finders representing 8% of the gross proceeds raised in the financing. Additionally, finders received that number of compensation warrants totaling 8% of the number of Units sold pursuant to the financing. The Compensation Warrants are exercisable at a price of $0.12 per unit for a period of 24 months after the closing of the financing. Finders were paid a corporate finance fee representing 2% of the gross proceeds raised in the financing and that number of Compensation Warrants equaling 2% of the number of Units sold in the financing.

(h) On December 19, 2017 the Company announced it has completed a private placement financing as previously announced. Pursuant to the financing, the Company issued 4,626,454 "flow-through" common shares at a price of $0.11 per share for gross proceeds of $510,009.94. All securities issued in connection with the financing are subject to a four-month hold period from the date of issuance in accordance with applicable securities laws. A cash fee was paid to finders representing 6% of the gross proceeds raised in the Financing for a total amount of $30,000.

(i) A total of 1,286,747 warrants were exercised during the year, the Company issued 1,286,747 common shares for warrants exercised.

(iii) Stock Options

The Company's Stock Option Plan ("the "**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Company's common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 5 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. All options are being issued under the terms of the Company's Stock Option Plan which was approved by shareholders at the Company's Annual General and Special Meeting on September 6, 2016. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option. The stock options activity is summarized below:

	February 28, 2018		**February 28, 2017**	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at beginning of year	1 900 000	0,170	1 150 000	0,230
Granted during the period	750 000	0,135	1 900 000	0,170
Expired during the period	-	-	(1 150 000)	(0,230)
Balance at end of period	**2 650 000**	**0,160**	**1 900 000**	**0,170**

(a) In September 2016, the Company issued 1,050,000 incentive stock options to various Employees, Directors and a Consultant. The options are exercisable at $0.20 per option, on a post-consolidation basis, for a period of 3 years from the date of grant and vest immediately

The fair value of the 1,050,000 stock options at the issue date was $129,447, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of $0.20; 100% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

(b) On December 16, 2016, the Company issued 100,000 incentive stock options to the Corporate Secretary of the Company. The options are exercisable at $0.20 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 100,000 stock options at the issue date was $6,534, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of $0.20; 100% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%.

(c) On January 9, 2017, the Company issued 750,000 incentive stock options to Directors, Officers and Consultants of the Company. The options are exercisable at $0.12 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 750,000 stock options at the issue date was $55,477, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of $0.12; 100% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%.

(d) On March 12, 2017, the Company issued 750,000 incentive stock options to Directors, Officers and Consultants of the Company. The options are exercisable at $0.135 per option for a period of 3 years from the date of grant and vest immediately.

The fair value of the 750,000 stock options at the issue date was $83 70, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: 36 months expected average life; share price of $0.15; 157% expected volatility; risk free interest rate of 0.50%; and an expected dividend yield of 0%.

As at February 28, 2018 stock options issued and outstanding are as follows:

exercisable	**Weighted Average Exercise Price ($)**	**Expiry dates**
1 050 000	0,200	September 2019
100 000	0,200	December 2019
750 000	0,120	January 2020
750 000	0,135	March 2020
2 650 000	**0,160**	

The weighted average fair value of options issued in the year was $0.11 (2017 - $0.10)

(iv) Warrants

The following is a summary of warrants outstanding:

	February 28, 2018		February 28, 2017	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at beginning of the year	12 994 369	0,20	980 000	0,10
Issued during the year			29 504 166	0,01
Issued during the year			7 234 166	0,01
Expired during the year			(980 000)	(0,10)
Consolidation 10:1 (*)			(33 064 498)	-
Balance after consolidation 10:1	12 994 369	0,20	3 673 834	0,10
Issued during the year			8 416 666	0,25
Issued during the year			200 494	0,15
Issued during the year			841 667	0,16
Issued during the year			361 708	0,12
Warrants exercised	(1 286 747)	(0,08)	(500 000)	(0,10)
Balance at end of the period	**11 707 622**	**0,21**	**12 994 369**	**0,20**

(*) See Note 11 (i) (c) on the consolidation of the common shares on the basis of one (1) new post-consolidation common share for every ten (10) pre-consolidation common shares.

The fair value of the warrants was based on the Black-Scholes option-pricing model. The following assumptions were used to value them:

Number of warrants	**2,950,417**	**723,417**	**8,416,666**	**200,494**	**841,667**	**361,708**
Weighted average exercise price	$ 0.10	$ 0.08	$ 0.25	$ 0.15	$ 0.16	$ 0.12
Weighted average expected volatility	50%	50%	50%	50%	50%	50%
Weighted average expected warrant life	3 years	2 years	2 years	1.5 years	2 years	2 years
Weighted average expected dividend yield	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average risk-free interest rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

As at February 28, 2018, the outstanding post-consolidation share purchase warrants are as follows:

exercise price	Number outstanding and exercisable	Weighted average remaining contractual life (years)	Expiry
0,16	841 667	1,0	February 2019
0,25	8 416 666	1,0	February 2019
0,15	200 494	1,3	June 2019
0,10	364 500	1,4	July 2019
0,10	1 522 587	1,5	August 2019
0,12	361 708	1,5	August 2019
0,21	**11 707 622**	**1,1**	

12. Related Party Transactions

The Company's related parties include its subsidiaries, key management and their close family members, and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. In additions to share issuances, transactions with related parties were as follows:

Transactions during the year ended,	**February 28, 2018**	**February 28, 2017**
	$	$
Management fees paid to a company controlled by an officer	100 500	54 000
Consulting fees paid to a company controlled by an officer	18 000	-
Consulting fees paid to a director	21 000	-
Expenses reimbursed to a company controlled by an officer	27 419	20 078
Share based payments to officers and directors	83 770	191 458
Geological fees paid to a party related to a director, charged to mineral properties	36 153	-
Geological fees and expenses paid to a director, charged to mineral properties	69 041	-
	355 882	**265 536**

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Company. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

In the prior year the Company negotiated debt settlement agreements with related parties and creditors. The outstanding debts with creditors were totally extinguished through reduction of current debt from approximately $187,779 to $130,000 and the issuance of shares on a post-consolidation basis. The Company settled the reduced amount of the debt in exchange for the issuance of an aggregate of 650,000 post-consolidated common shares. The debt settlement was based on a deemed price of $0.20 per share on a post-consolidated basis. The Company accounted a gain on settlement of debt from related parties of $79,958 during the year ended February 28, 2017.

The Company's President and CEO purchased 400,000 units for $48,000 for the unit offering that closed in February, 2017

Amounts payable to related parties included in the accounts payable and accrued liabilities were as follows:

Outstanding balances owing to related parties as at,	**February 28, 2018**	**February 28, 2017**
	$	$
Management fees due to directors/officers	-	700
Amounts payable to a company controlled by a director	18 502	-
Expenses reimbursement	-	1 565
	18 502	**2 265**

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. These amounts include amounts paid to the CEO and CFO of the Company.

13. Segmented Information

The Company conducts its business in two geographic segments being Canada and Mexico and one business segment being exploration for mineral resource properties. At February 28, 2018 and 2017, the Company's mineral property interests were situated in Canada and Mexico. The following table summarizes total assets, liabilities and net losses by geographic location:

	February 28, 2018	February 28, 2017
	$	$
Canada	2 020 651	2 067 558
Mexico	-	1
Total assets	**2 020 651**	**2 067 559**
Canada	(100 629)	(71 088)
Mexico	-	-
Total liabilities	**(100 629)**	**(71 088)**
Canada	(750 817)	(640 613)
Mexico	(1)	-
Net loss	**(750 818)**	**(640 613)**

14. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 25% (2017 – 25%) to the net loss for the year for reasons noted below:

	February 28, 2018	**February 28, 2017**
	$	$
Income tax recovery based on statutory rate	(187 700)	(160 150)
Actual provision per financial statements:		
Non-cash compensation	21 000	48 000
Non-deductible items	900	33 800
Share issue costs	(10 500)	(5 000)
	(176 300)	**(83 350)**
Valuation allowance	176 300	83 350
	-	**-**

The Company has incurred tax losses of approximately $3,561,000 (2017 - $2,985,000) which may be used to reduce future taxable income. The potential benefit of these losses has not been recognized in these consolidated financial statements and will expire, if unused, in the fiscal years ended February 28 as follows:

	Amount
2029	31 000
2030	52 000
2031	253 000
2032	787 000
2033	665 000
2034	258 000
2035	198 000
2036	176 000
2037	435 000
2038	706 000
	3 561 000

The components of deferred income tax asset (liability) are as noted below:

	February 28, 2018	**February 28, 2017**
	$	$
Non-capital losses and share issue costs	890 000	733 000
Mineral properties	553 000	605 000
	1 443 000	1 338 000
Valuation allowance	(1 443 000)	(1 338 000)
	-	**-**

In addition to the above tax losses the Company has incurred Canadian Development Expenditures, Canadian Exploration Expenditures and Foreign Exploration and Development Expenditures in the amount of $3,490,000 (2017 - $3,250,000) which may be used to reduce future taxable income. The potential benefit of these expenditures has not been recognized in these financial statements and can be carried-forward without expiry.

15. Capital Management and Liquidity

The Company considers its capital structure to consist of its cash, common shares, stock options and warrants. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of mineral 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. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSX-V") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended February 28, 2018 and 2017.

The Company's capital for the reporting periods is summarized as follows:

	February 28, 2018	**February 28, 2017**
	$	$
Cash	461 194	909 890
Common shares	7 950 347	7 307 605
Reserves	1 594 227	1 542 600
Deficit	(7 598 878)	(6 848 060)
	2 386 890	**2 912 035**

16. Financial Instruments

Financial Instruments details can be summarized as follows:

	Level of Fair Value Measurement	**Balance as at February 28, 2018**	**Balance as at February 28, 2017**
		$	$
Loans and receivables			
Cash and cash equivalents	Level 1	461 194	909 890
Interest and sundry receivables	Level 2	84 961	64 467
		546 155	**974 357**
Financial liabilities measured at amortized cost			
Accounts payable and accrued liabilities	Level 1	100 629	71 088
		100 629	**71 088**

Fair Value of Non-Derivative Financial Instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Level 3 fair values are based on a number of valuation techniques other than observable market data. There are no level 3 values currently recorded on the balance sheet of the Company.

17. Financial Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and interest rate risk.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is not exposed to credit risk due to the nature of the collectible accounts. At February 28, 2018 and 2017, the Company does not have any allowance for doubtful accounts. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable. The Company considers the risk of loss for its amounts receivable to be remote and significantly mitigated due to the financial strength of the party from whom the receivables are due - the Canadian government for harmonized sales tax ("HST") refunds receivable.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity. In addition to having a working capital deficiency The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing to meet its ongoing working capital requirements. As the Company is dependent on debt and equity financing to generate working capital liquidity risk is considered high.

(iii) **Market risk**

Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. These risks are generally outside the control of the Company. The objectives of the Company are to mitigate market risk exposure within acceptable limits, while maximizing returns. The Company has no significant exposure to market risk.

(iv) **Interest rate sensitivity**

The Company has no significant exposure at February 28, 2018 and 2017 to interest rate risk through its financial instruments.

(v) **Foreign Exchange Risk**

Management believes that foreign exchange risk is not significant as at February 28, 2018 and 2017.

18. Commitments and contingencies

From time to time, the Company may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Company. As at February 28, 2018 the Company's management is not aware of any such commitments and/or contingencies.

19. Subsequent events

As of the date of these consolidated financial statements there are no subsequent events.