Fibresources Corporation

Financial Statements

For the years ended January 31, 2019 and 2018

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Fibresources Corporation

Opinion
We have audited the financial statements of Fibresources Corporation (the “Company”), which comprise the statements of financial position as at January 31, 2019 and January 31, 2018, and the statements of net and comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2019 and January 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company recorded net income of $ 238,333 and, as at January 31, 2019, the Company had an accumulated deficit of $ 7,109,520 and a working capital deficit of $ 1,756,960. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that the Company is not a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

"D&H Group LLP"

Vancouver, B.C.
May 30, 2019

Chartered Professional Accountants

Fibresources Corporation

Statements of Financial Position

For the years ended January 31, 2019 and 2018

(Expressed in Canadian Dollars)

	2019 $	2018 $
Asset		
Current asset		
Accounts receivable	250	278
Liabilities		
Current liabilities		
Demand loans (Note 3)	1,735,996	1,937,944
Notes payable (Note 4)	21,214	24,877
	1,757,210	1,962,821
Shareholders' equity (deficiency)		
Share capital (Note 5)	5,131,922	5,131,922
Contributed surplus (Note 6)	220,638	253,388
Deficit	(7,109,520)	(7,347,853)
	(1,756,960)	(1,962,543)
	250	278

Nature of operations and going concern (Note 1)

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

These financial statements were approved and authorized for issue by the Board of Directors on May 30, 2019, and are signed on its behalf by:

"Edgar Froese", Director   *"George Lai"*, Director

Fibresources Corporation

Statements of Net and Comprehensive Income (Loss)

For the years ended January 31, 2019 and 2018

(Expressed in Canadian Dollars)

	2019 $	2018 $
Expenses		
Bank charges and interest	102,474	92,858
Management fees	18,000	18,000
Filing fees	5,045	5,606
Loss before other items	(125,519)	(116,464)
Other items		
Gain on recovery of debt (Note 7)	328,852	-
Reversal of previously recorded stock-based compensation	35,000	-
	363,852	-
Net and comprehensive income (loss) for the year	238,333	(116,464)
Basic and diluted net income (loss) per common share	0.03	(0.01)
Weighted average number of common shares outstanding	8,254,826	8,254,826

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

Fibresources Corporation

Statements of Changes in Equity

For the years ended January 31, 2019 and 2018

(Expressed in Canadian dollars)

	Number of common shares #	Common shares amount $	Contributed surplus $	Deficit $	Total shareholders' equity (deficiency) $
Balance at February 1, 2017	8,254,826	5,131,922	253,388	(7,231,389)	(1,846,079)
Comprehensive income (loss) for the year	-	-	-	(116,464)	(116,464)
Balance at January 31, 2018	8,254,826	5,131,922	253,388	(7,347,853)	(1,962,543)
Reversal of previously recorded stock-based payments and adjustments	-	-	(32,750)	-	(32,750)
Comprehensive income for the year	-	-	-	238,333	238,333
Balance at January 31, 2019	8,254,826	5,131,922	220,638	(7,109,520)	(1,756,960)

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

Fibresources Corporation

Statements of Cash Flows

For the years ended January 31, 2019 and 2018

(Expressed in Canadian Dollars)

	2019 $	2018 $
Cash flows from operating activities		
Net income (loss) for the period	238,333	(116,464)
Items not affecting cash		
Reversal of previously recorded stock-based compensation	(35,000)	-
Gain on recovery of debt	(328,852)	-
Changes in non-cash working capital:		
Accounts receivable	28	(28)
Demand loans	124,154	115,565
Notes payable	1,337	927
	-	-
Change in cash during the year	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

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

1. Nature of operations and going concern

Fibresources Corporation (the "Company") was incorporated under the laws of the Province of Alberta on April 19, 1998 under the name of Cinemage Corporation. The Company changed its name to Fibresources Corporation on December 8, 2008. The Company's principal office is located at 1287 Scarborough Rd, PO Box 100, Bowen Island, BC, V0N 1G0.

On July 26, 2002, the Company received a Certificate of Continuance from the Director under the provisions of the Canada Business Corporations Act and discontinued from the jurisdiction of Alberta. The Company is now subject to the provisions of the Canada Business Corporations Act and the laws of Canada applicable therein.

The Company was a junior capital pool which completed its qualifying transaction by acquiring Advanced Cultural Technologies Inc. ("ACT") and was listed on the TSX Venture Exchange ("TSX-V"). The Company was suspended from trading by the TSX-V in September 2009 for failure to meet continuous disclosure obligations.

Effective September 11, 2009 the Company was subject to a cease trade order issued by the British Columbia Securities Commission, and effective December 15, 2009 the Company was also subject to a cease trade order issued by the Alberta Securities Commission (together the "CTOs"); which CTOs remain in place and effect as of the date hereof. As a result of the CTOs, the Company is precluded from issuing or trading in any of its securities, or in undertaking any act in furtherance of a trade in its securities.

During the year ended January 31, 2019, the Company recorded net income of $ 238,333 (2018 - net loss of $ 116,464), and as at January 31, 2019, had an accumulated deficit of $ 7,109,520 (2018 - $ 7,347,853) and a working capital deficit of $ 1,756,960 (2018 - $ 1,962,543). The Company has no source of operating revenues and no business operations. As a result, the Company is not a going concern. The Company believes the going concern basis of accounting continues to be appropriate as the Company has no significant assets, and liabilities are carried at face value. Adoption of another basis of accounting, such as liquidation basis, would have no effect on the financial statements as presented.

2. Summary of significant accounting policies

Basis of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

Basis of measurement
The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. All financial liabilities not expected to be repaid as at January 31, 2019 continue to be accounted for at their carrying values. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Summary of significant accounting policies - continued

Critical judgments and sources of estimation uncertainty

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Provisions for income 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 originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash and cash equivalents

Cash consists of cash in bank and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. At January 31, 2019 and 2018 the Company did not have any cash or cash equivalents.

Income taxes

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using income tax rates and income tax laws that have been enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

2. Summary of significant accounting policies - continued

Financial instruments

(i) *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) *Measurement*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Accounts receivable, demand loans and notes payable are classified as amortized cost.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in comprehensive income (loss) in the period in which they arise. Cash is classified as FVTPL.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income (loss) in the period in which they arise. At January 31, 2019 and 2018, the Company has not classified any financial assets as FVOCI.

(iii) *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Canadian dollars)

2. Summary of significant accounting policies - continued

(iv) *Derecognition*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss).

Share capital
Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Income (loss) per share
Basic and diluted income (loss) per share is determined by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

New standards adopted
As of the date of these financial statements, the following standards have been applied in these financial statements:

(i) The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of February 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of a financial asset under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS as at February 1, 2018.

	Original under IAS 39		New under IFRS	
	Classification	Carrying amount	Classification	Carrying amount
Accounts receivable	Loans and receivables	278	Amortized cost	278
Demand loans	Other financial liabilities	1,937,944	Amortized cost	1,937,944
Notes payable	Other financial liabilities	24,877	Amortized cost	24,877

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

(ii) Effective on February 1, 2018, the Company adopted IFRS 15, "Revenue from Contracts with Customers". The Company reviewed the impact of IFRS 15, and there were no changes as the Company has not earned revenue to date.

2. Summary of significant accounting policies - continued

New standards and interpretations not yet adopted

As of the date of these financial statements, the following standards have not been applied in these financial statements:

(i) 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, IFRS 16's approach to lessor accounting remains substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

Management has assessed the effect of the new standard on the Company's accounting policies and financial statement presentation, and has found that no changes are required.

3. Demand Loans

Demand loans relate to debts incurred by the Company in prior years. The demand loans are unsecured and are due on demand. Demand loans totaling $ 941,118 (2018 - $ 952,750) bear interest at 9.5% and 11.5% per annum and the remaining loans are non-interest bearing. See Note 8.

4. Notes payable

Notes payable consist of preferred security promissory notes bearing interest at 6% and 10% per annum and maturing at various dates between February 2019 and December 2019. The notes are secured by a general security interest over all of the assets and business undertakings of the Company. See Note 8.

5. Share capital

(a) Authorized

At January 31, 2019 and 2018, the Company's authorized share capital consisted of an unlimited number of common shares without par value.

(b) Reconciliation of changes in share capital

The Company had no private placements, and issued no warrants or options during the years ended January 31, 2019 and 2018.

6. Contributed surplus

During the year ended January 31, 2019, the Company reversed previously recorded stock-based compensation of $ 35,000 which resulted from a commitment to issue shares for certain employment services. The commitment was forfeited when the employee ceased employment with the Company in 2006.

(Expressed in Canadian dollars)

7. Gain on recovery of debt

The Company recorded a gain on recovery of debt of $ 328,852 (2018 - $ Nil) relating to amounts that have previously been recorded as demand loans. These debts meet the requirements in their jurisdiction to be considered statute barred and therefore have been reversed and treated as recovered.

8. Related party disclosures

Related parties are parties that have the ability to control or to exercise significant influence over the Company. Related parties include members of the Board of Directors and officers, close family members of officers and directors and entities that are controlled by these individuals.

During the year ended January 31, 2019, the Company accrued $ 18,000 (2018 - $ 18,000) of management fees to a director and a corporation controlled by a director.

As at January 31, 2019, demand loans of $ 1,394,054 (2018 - $ 1,485,163) remain payable to directors, immediate family of a director and corporations controlled by directors.

As at January 31, 2019, notes payable of $ 13,912 (2018 - $ 13,162) remain payable to a director and immediate family of a director.

9. Financial instruments

Categories of financial assets and financial liabilities
Financial instruments are classified into one of the following three categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVOCI"); and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial instrument	Category	January 31, 2019 $	January 31, 2018 $
Accounts receivable	Amortized cost	250	278
Demand loans	Amortized cost	1,735,996	1,937,944
Notes payable	Amortized cost	21,214	24,877

9. Financial instruments - continued

Fair value

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

§ Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

§ Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

§ Level 3 - applies to assets or liabilities for which there are unobservable market data.

The recorded amount for accounts receivable and notes payable approximate their fair value due to their short-term nature. Fair value of demand loans is nominal. The Company's fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to financial instruments is remote as cash is held with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

Interest rate risk

Notes payable bear interest at fixed rates, and therefore do not expose the Company to interest rate cash flow risk.

10. Capital risk management

The Company manages, as capital, the components of shareholders' equity. The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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 its capital structure, the Company may attempt to issue common shares, borrow or adjust the amount of cash.

There were no changes to the Company's approach to capital management during 2019 or 2018. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

11. Income taxes

The significant components of the Company's deferred income taxes are as follows as at January 31, 2019 and 2018:

	2019 $	2018 $
Deferred income tax asset		
Non-capital losses carried forward	483,499	519,737
Valuation allowance	(483,499)	(519,737)
Deferred income tax asset	-	-

The Company has available non-capital tax losses of approximately $ 1,790,737 (2018 - $ 1,992,600), which expire at varying dates up to 2039. The potential benefit of the losses has been reduced to Nil in the financial statements by management's determination of a valuation allowance.

The following reconciles income taxes at statutory combined federal and provincial income tax rates to the effective income taxes for the years ended January 31, 2019 and 2018:

	2019 $	2018 $
Expected income taxes (recovery) at statutory income tax rates (2019 - 27%; 2018 - 26%)	61,967	(30,281)
Increase (decrease) attributable to:		
Reversal of previously recorded stock-based compensation	(9,100)	-
Unrecognized non-capital losses	-	30,281
Recognized non-capital losses	(52,867)	-
Income taxes (recovery)	-	-