VINERGY RESOURCES LTD.

Consolidated Financial Statements

Years Ended February 28, 2014 and 2013

(Expressed in Canadian dollars)

SATURNAGROUP
CHARTERED ACCOUNTANTS LLP
1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Vinergy Resources Ltd.

We have audited the accompanying consolidated financial statements of Vinergy Resources Ltd., which comprise the consolidated statements of financial position as at February 28, 2014 and 2013 and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 involves evaluating the appropriateness of the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Vinergy Resources Ltd. as at February 28, 2014 and 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Vinergy Resources Ltd. to continue as a going concern.

Saturna Group Chartered Accountants LLP

Vancouver, Canada

June 26, 2014

VINERGY RESOURCES LTD.

Consolidated statements of financial position
(Expressed in Canadian dollars)

	February 28, 2014 $	February 28, 2013 $
Assets		
Current assets		
Cash	35,073	1,000
Amounts receivable	3,355	203
Advances to operator (Note 8)	13,846	13,846
Total current assets	52,274	15,049
Non-current assets		
Exploration and evaluation assets (Note 3)	25,000	–
Total assets	77,274	15,049
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	83,430	55,983
Due to related parties (Note 5)	298,314	284,886
Convertible debenture (Note 6)	190,438	–
Loan payable (Note 7)	20,000	–
Decommissioning obligations (Note 8)	–	3,000
Total current liabilities	592,182	343,869
Non-current liabilities		
Convertible debenture (Note 6)	–	162,368
Loan payable (Note 7)	25,000	–
Total liabilities	617,182	506,237
Shareholders’ deficit		
Share capital	700,821	585,821
Equity component of convertible debt	176,251	176,251
Deficit	(1,416,980)	(1,253,260)
Total shareholders’ deficit	(539,908)	(491,188)
Total liabilities and shareholders’ deficit	77,274	15,049

Nature of operations and continuance of business (Note 1)
Commitment (Note 14)
Subsequent event (Note 16)

Approved and authorized for issuance by the Board of Directors on June 26, 2014:

<u>/s/ “Randy Clifford”</u>	*<u>/s/ “Eugene Sekora”</u>*
Randy Clifford, Director	Eugene Sekora, Director

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

VINERGY RESOURCES LTD.
Consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended February 28, 2014 $	Year ended February 28, 2013 $
Revenue	–	–
Expenses		
Consulting fees	2,700	1,425
Management fees (Note 5)	28,800	28,800
Office and miscellaneous	776	488
Professional fees (Note 5)	61,510	31,069
Transfer agent and filing fees	18,966	18,119
Recovery of oil and gas properties	(3,000)	(16,405)
Total expenses	109,752	63,496
Loss before other income (expense)	(109,752)	(63,496)
Other income (expense)		
Gain on forgiveness of debt (Note 5)	–	18,000
Finance costs (Note 11)	(53,968)	(52,799)
Total other income (expense)	(53,968)	(34,799)
Net loss and comprehensive loss for the year	(163,720)	(98,295)
Loss per share, basic and diluted	(0.01)	–
Weighted average shares outstanding	24,348,398	24,033,330

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

VINERGY RESOURCES LTD.
Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Equity component of convertible debt	Deficit	Total shareholders' deficit
	Number of shares	Amount $	$	$	$
Balance, February 29, 2012	24,033,330	585,821	176,251	(1,154,965)	(392,893)
Net loss for the year	–	–	–	(98,295)	(98,295)
Balance, February 28, 2013	24,033,330	585,821	176,251	(1,253,260)	(491,188)
Shares issued pursuant to the exercise of share purchase warrants	2,300,000	115,000	–	–	115,000
Net loss for the year	–	–	–	(163,720)	(163,720)
Balance, February 28, 2014	26,333,330	700,821	176,251	(1,416,980)	(539,908)

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

VINERGY RESOURCES LTD.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended February 28, 2014 $	Year ended February 28, 2013 $
Operating activities		
Net loss for the year	(163,720)	(98,295)
Items not involving cash:		
Finance costs	28,070	31,304
Recovery of oil and gas properties	(3,000)	(16,405)
Changes in non-cash operating working capital:		
Amounts receivable	(3,152)	629
Advances to operator	–	1,425
Accounts payable and accrued liabilities	27,447	19,895
Due to related parties	13,428	38,966
Net cash used in operating activities	(100,927)	(22,481)
Financing activities		
Proceeds from loan payable	20,000	–
Proceeds from shares issued	115,000	–
Net cash provided by financing activities	135,000	–
Increase (decrease) in cash	34,073	(22,481)
Cash, beginning of year	1,000	23,481
Cash, end of year	35,073	1,000
Non-cash investing and financing activities:		
Promissory note issued for oil and gas property	25,000	–
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

1. Nature of Operations and Continuance of Business

Vinergy Resources Ltd. (the "Company") was incorporated as Vanguard Investments Corp. on March 20, 2001 under the provisions of the Alberta Business Corporations Act. On May 10, 2011, the Company changed its name to Vinergy Resources Ltd. and continued the Company's registered jurisdiction from Alberta to British Columbia. The Company's head office is located at 6012 – 85 Avenue, Edmonton, Alberta, T6B 0J5 and its shares are listed on the Canadian Securities Exchange under the symbol VIN.

On November 30, 2009, the Company entered into a Share Purchase Agreement (the "Agreement") with Zeus Energy Inc. ("Zeus") and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Zeus was incorporated on November 7, 2007 under the Alberta Business Corporations Act. Since the closing of the Agreement on November 30, 2009, the Company has been in the business of oil and gas acquisition, exploration and development.

During the year ended February 28, 2014 the Company incorporated six subsidiary companies: Arq Graphite Inc, 0990756 BC Ltd., Jonpol Rare Earths Inc., Leucadia Finance Partners Inc., Wayzata Film Finance Inc., and Wedona Uranium Inc. As at February 28, 2014, these subsidiaries had cash as their sole asset and had only a nominal number of transactions since incorporation. On January 14, 2014, the Company entered into an arrangement agreement with each of its six subsidiaries to effect a plan of arrangement. The plan of arrangement was entered into in an effort to differentiate the Company's assets and intended business operations. By undertaking the plan of arrangement, the Company intends to focus on its Nipisi Land Properties and to spin off and divest its rights and interest in the assets and intended business operations of its subsidiaries. Shareholders will receive from each subsidiary the number of common shares equal to the issued and outstanding common shares of the Company held by the shareholder as of the share distribution record date, multiplied by a conversion factor. Refer to Note 16.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 28, 2014, the Company had a working capital deficiency of $514,908, has not generated any revenues from operations, and has an accumulated deficit of $1,416,980. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that with its current cash and other funds that may be obtained from external financing that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretations Committee.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: 0990756 BC Ltd., Arq Graphite Inc., Jonpol Rare Earths Inc., Leucadia Investment Partners Inc., Wayzata Film Finance Inc., Wedona Uranium Inc., and Zeus Energy Inc. All inter-company transactions and balances have been eliminated.

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments

The preparation of these consolidated 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 period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

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

i) the recoverability of exploration and evaluation assets;;
ii) recovery of amounts receivable;
iii) rehabilitation provisions;
iv) accretion of the convertible debenture; and
v) deferred income tax asset valuation allowances.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Exploration and Evaluation Assets

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, geological and geophysical, drilling, sampling, decommissioning and often directly attributable internal costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment or expensed to exploration and evaluation impairments.

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Assets (continued)

(i) Recognition and measurement (continued):

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU") for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within profit or loss

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives for all production assets are assumed to be equal to the reserve life of the oil and natural gas assets, and therefore are also depreciated using the unit of production method. For other assets, depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

2. Significant Accounting Policies (continued)

(g) Impairment of Non-Current Assets (continued)

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

(h) Decommissioning, Restoration, and Similar Liabilities

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The future obligations for well closure activities are estimated by the Company using well closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the wells operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the well closure activities are to be carried out.

The present value of decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the oil and gas property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the statement of operations.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

2. Significant Accounting Policies (continued)

(i) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash is classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable.

2. Significant Accounting Policies (continued)

(i) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, due to related parties, loans payable, and convertible debenture.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

2. Significant Accounting Policies (continued)

(i) Financial instruments (continued)

(ii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(j) Foreign Currency Translation

The financial statements for the Company's subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates. The functional and reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

(k) Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the statement of financial position method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted losses per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at February 28, 2014, the Company had 4,300,000 (2013 – 6,600,000) potential dilutive shares outstanding.

(m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

2. Significant Accounting Policies (continued)

(n) Share-based Payments

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(o) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended February 28, 2014, and have not been applied in preparing these financial statements.

IFRS 9, *Financial Instruments* (New)
IFRS 10, *Consolidated Financial Statements* (Amended)
IFRS 11, *Joint Arrangements* (New)
IFRS 12, *Disclosure of Interests in Other Entities* (New)
IAS 27, *Separate Financial Statements* (Amended)
IAS 32, *Financial Instruments: Presentation* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Exploration and Evaluation Assets

Nipisi Land Properties – Alberta

On November 18, 2013, the Company entered into an agreement and was granted the right to earn a 6.7% net interest (before payout) and a 2% net interest (after payout) in the lands in the Nipisi Region of Alberta. To earn this interest, the Company has issued a promissory note to pay $25,000 to purchase the rights as held by C3 Energy Inc. under the Participation Option Agreement with Trincan Capital Corp. Refer to Note 6.

3. Exploration and Evaluation Assets (continued)

ARQ Properties - Ontario

On January 3, 2014, the Company entered into an agreement to acquire an option to earn 50% working interest in the ARQ Properties, located in Ontario. To earn this interest, the Company has agreed to the following:

Cash consideration of $125,000 to be paid:

- $25,000 on or before December 31, 2014;
- $50,000 on or before December 31, 2015; and
- $50,000 on or before December 31, 2016.

Exploration expenditures of $250,000 to be incurred:

- $50,000 on or before June 30, 2014;
- $100,000 on or before December 31, 2015; and
- $100,000 on or before December 31, 2016.

For the cash consideration, the Company has the option to pay the amount in cash or issue shares of the Company at a share price equal to the market price of the shares at the time of issuance.

Hyman Property - Ontario

On January 6, 2014, the Company entered into an agreement to acquire an option to earn 50% working interest in the Hyman Property, located in Sudbury, Ontario. To earn this interest, the Company has agreed to the following:

Cash consideration of $125,000 to be paid:

- $25,000 on or before December 31, 2014;
- $50,000 on or before December 31, 2015; and
- $50,000 on or before December 31, 2016.

Exploration expenditures of $250,000 to be incurred:

- $50,000 on or before December 31, 2014;
- $100,000 on or before December 31, 2015; and
- $100,000 on or before December 31, 2016.

For the cash consideration, the Company has the option to pay the amount in cash or issue shares of the Company at a share price equal to the market price of the shares at the time of issuance

The Company will also be responsible for its proportionate share of the royalty interest owing to the original property owner. The royalty interest is equal to $0.20 for each pound of uranium produced and sold, with a minimum payment of $12,000 per year.

RCU Properties - Ontario

On January 6, 2014, the Company entered into an agreement to acquire an option to earn 50% working interest in the RCU Properties, located in Ontario. To earn this interest, the Company has agreed to the following:

Cash consideration of $125,000 to be paid:

- $25,000 on or before December 31, 2014;
- $50,000 on or before December 31, 2015; and
- $50,000 on or before December 31, 2016.

Exploration expenditures of $250,000 to be incurred:

- $50,000 on or before December 31, 2014;
- $100,000 on or before December 31, 2015; and
- $100,000 on or before December 31, 2016.

3. Exploration and Evaluation Assets (continued)

***RCU Properties - Ontario** (continued)*

For the cash consideration, the Company has the option to pay the amount in cash or issue shares of the Company at a share price equal to the market price of the shares at the time of issuance

The Company will also be responsible for its proportionate share of the royalty interest owing to the original property owner. The royalty interest is equal to $0.20 for each pound of uranium produced and sold, with a minimum payment of $12,000 per year.

4. Accounts Payable and Accrued Liabilities

	February 28, 2014 $	February 28, 2013 $
Trade accounts payable	1,013	1,464
Accrued liabilities	10,000	8,000
Accrued interest payable	72,417	46,519
	83,430	55,983

5. Related Party Transactions

(a) For the year ended February 28, 2014, the amount of $28,800 (2013 – $28,800) was incurred to the President of the Company for management fees.

(b) For the year ended February 28, 2014, the amount of $19,200 (2013 - $19,200) was incurred to the spouse of the President of the Company for professional fees.

(c) For the year ended February 28, 2014, the amount of $nil (2013 - $18,000) owed to a company owned by the President of the Company was forgiven.

(d) As at February 28, 2014, the amount of $228,114 (2013 - $234,286) is owed to the President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.

(e) As at February 28, 2014, the amount of $69,800 (2013 - $50,600) is owed to the spouse of the President of the Company, which is non-interest bearing, unsecured, and due on demand.

(f) As at February 28, 2014, the amount of $400 (2013 – $nil) is owed to a company controlled by a director of the Company, which is non-interest bearing, unsecured, and due on demand.

6. Convertible Debenture

On January 15, 2010, the Company issued a $215,000 convertible debenture which bears interest at 10% per annum, is unsecured, and is due on January 16, 2015. The debenture is convertible into shares of the Company at a conversion price of $0.05 per share at any time at the option of the holder prior to the due date. The Company also issued 4,300,000 transferable detached share purchase warrants which are exercisable at $0.05 per share expiring on January 15, 2015.

The fair value of the equity component was determined to be $176,251 which was recorded as contributed surplus and an equivalent discount on the convertible debenture. The fair value was estimated using the Black-Scholes option pricing model assuming no expected dividends, a risk free interest rate of 2.99%, expected life of 5 years, and expected volatility of 100%. The accretion of the discount is being recognized over the term of the debenture. During the year ended February 28, 2014, the Company recognized accretion expense of $28,070 (2013 - $28,070). As at February 28, 2014, the carrying value of the convertible debenture is $190,438 (2013 - $162,368).

7. Loans Payable

(a) As at February 28, 2014, the Company owed $20,000 (2013 – $nil) to a non-related party. The amount owing is unsecured and bears interest at 20% per annum compounded monthly, and was due on February 25, 2014. As at February 28, 2014, the Company had incurred interest on this loan of $4,442 (2013 - $nil), which is included in accounts payable and accrued liabilities.

(b) As at February 28, 2014, the Company owed $25,000 (2013 – $nil) to a non-related party. The amount owing is unsecured, non-interest bearing, and is due on November 30, 2015.

8. Decommissioning Obligations

The total decommissioning obligation was estimated by management based on the Company's net ownership interest in all wells. This includes all estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the decommissioning obligations to be $nil as at February 28, 2014 based on estimated future costs provided by the property operator. As at February 28, 2014, the Company had $13,846 (2013 - $13,846) in advances to the operator to pay for its share of the decommissioning costs and other costs related to the properties.

The following table reconciles the decommissioning obligations:

	February 28, 2014 $	February 28, 2013 $
Balance, beginning of year	3,000	34,416
Decommissioning costs paid	–	(18,245)
Accretion	–	3,234
Change in estimation of liability	(3,000)	(16,405)
Balance, end of year	–	3,000
Less: current portion	–	3,000
Long-term portion	–	–

9. Share Capital

Authorized: Unlimited number of common shares without par value

On January 10, 2014, the Company issued 2,300,000 shares for proceeds of $115,000 pursuant to the exercise of share purchase warrants.

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, February 28, 2012 and 2013	2,300,000	0.05
Exercised	(2,300,000)	0.05
Balance, and February 28, 2014	–	–

11. Finance Costs

	2014 $	2013 $
Accretion of discount on convertible debenture	28,070	28,070
Accretion of decommissioning costs	–	3,234
Interest expense	25,898	21,495
	53,968	52,799

12. Financial Instruments

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at February 28, 2014 is as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, February 28, 2014 $
Cash	35,073	–	–	35,073

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, amounts due to related parties, loans payable, and convertible debenture, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of the convertible debenture is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

12. Financial Instruments (continued)

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. As the Company does not have any producing assets or any current programs for exploration management considers the Company's commodity price risk to be minimal.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and equity component of convertible debt.

The Company manages its capital The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended February 28, 2013.

14. Commitment

On November 29, 2013 (as amended on January 31, 2014), the Company entered into an agreement to purchase a property located in Leduc, Alberta. Pursuant to the amended agreement, the Company has agreed to the following terms in consideration for the property:

- $2,500 due on or before June 30, 2014
- $47,500 with completion of a successful feasibility study of the property is to be provided on or before September 30, 2014; and
- $600,000 on or before December 31, 2014.

15. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2014 $	2013 $
Canadian statutory income tax rate	25.92%	25.00%
Income tax recovery at statutory rate	(42,436)	(24,574)
Tax effect of:		
Permanent differences and other	7,276	7,826
Change in enacted tax rates	(11,593)	–
Change in valuation allowance	46,753	16,748
Income tax provision	–	–

15. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2014 $	2013 $
Deferred income tax assets		
Non-capital losses carried forward	247,145	203,727
Resource properties	86,714	83,379
Total gross deferred income tax assets	333,859	287,106
Valuation allowance	(333,859)	(287,106)
Net deferred income tax asset	–	–

As at February 28, 2014, the Company has non-capital losses carried forward of $950,559, which are available to offset future years' taxable income. These losses expire as follows:

	$
2015	57,781
2026	56,949
2027	36,881
2028	93,472
2029	64,705
2030	150,619
2031	149,954
2032	138,981
2033	65,566
2034	135,651
	950,559

The Company also has available resource related expenditure pools totalling $333,516 which may be deducted against future taxable income on a discretionary basis.

16. Subsequent Event

On June 17, 2014, the Company completed the plan of arrangement, pursuant to which the Company spun out various assets held into its newly incorporated companies, as follows:

- 0990756 BC Ltd. acquired the Company's right to the purchase and sale agreement with TBG Capital Inc in regards to a property in Leduc, Alberta;
- Arq Graphite Inc. has acquired the Company's mineral property option for the ARQ Properties located in Ontario;
- Jonpol Rare Earths Inc. acquired the Company's mineral property option for the Hyman Property located in Sudbury, Ontario;
- Leucadia Finance Partners Inc. acquired the Company's rights to a merchant banking business plan;
- Wayzata Film Finance Inc. acquired the Company's interest in a letter of intent to acquire a 100% of the issued and outstanding shares of a privately held company with a focus on the distribution, production and financing of motion pictures, news media and television assets; and
- Wedona Uranium Inc. acquired the Company's mineral property option for the RCU Properties located in Ontario.

Under the terms of the arrangement, the Company's shareholders will receive one common share of each of the six spun out companies for each Company share held as at June 5, 2014.