

**VINERGY RESOURCES LTD.**

Consolidated Interim Financial Statements

For the Quarter Ended  
November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

## **VINERGY RESOURCES LTD.**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

January 23, 2015

**VINERGY RESOURCES LTD.**Consolidated interim statements of financial position  
(Expressed in Canadian dollars)

	November 30, 2014 \$ (unaudited)	February 28, 2014 \$ (audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	849	35,073
Amounts receivable	2,967	3,355
Loans receivable (Note 4)	29,400	–
Advances to operator (Note 10)	13,846	13,846
<b>Total current assets</b>	<b>47,062</b>	<b>52,274</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 5)	25,000	25,000
<b>Total assets</b>	<b>72,062</b>	<b>77,274</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	131,424	83,430
Due to related parties (Note 7)	347,661	298,314
Convertible debenture (Note 8)	211,491	190,438
Loans payable (Note 9)	20,000	20,000
<b>Total current liabilities</b>	<b>710,576</b>	<b>592,182</b>
<b>Non-current liabilities</b>		
Loans payable (Note 9)	25,000	25,000
<b>Total liabilities</b>	<b>735,576</b>	<b>617,182</b>
<b>Shareholders' deficit</b>		
Share capital	700,821	700,821
Equity component of convertible debt	176,251	176,251
Deficit	(1,540,586)	(1,416,980)
<b>Total equity</b>	<b>(663,514)</b>	<b>(539,908)</b>
<b>Total liabilities and equity</b>	<b>72,062</b>	<b>77,274</b>

Nature of operations and continuance of business (Note 1)

Approved and authorized for issue by the Board on January 23, 2015:

*Signed "Randy Clifford"*\_\_\_\_\_  
Randy Clifford, Director*Signed "Eugene Sekora"*\_\_\_\_\_  
Eugene Sekora, Director

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

**VINERGY RESOURCES LTD.**

Consolidated interim statements of operations and comprehensive loss  
(Expressed in Canadian dollars)  
(unaudited)

	Three Months Ended November 30, 2014 \$	Three Months Ended November 30, 2013 \$	Nine Months Ended November 30, 2014 \$	Nine Months Ended November 30, 2013 \$
Revenue	-	-	-	-
Expenses				
General and administrative	101	147	460	376
Management fees (Note 7)	7,200	7,200	21,600	21,600
Professional fees (Note 7)	30,800	8,667	44,797	34,208
Transfer agent and filing fees	2,186	2,690	15,222	14,654
Loss before other expense	(40,287)	(18,704)	(82,079)	(70,838)
Other expense				
Loss on disposal of subsidiaries	-	-	(336)	-
Finance costs	(13,748)	(6,483)	(41,191)	(19,429)
Total other expense	(13,748)	(6,483)	(41,527)	(19,429)
Net loss for the period	(54,035)	(25,187)	(123,606)	(90,267)
Loss per share, basic and diluted	-	-	-	-
Weighted average common shares outstanding	26,333,330	24,033,330	26,333,330	24,033,330

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

**VINERGY RESOURCES LTD.**

Consolidated interim statements of equity  
(Expressed in Canadian dollars)  
(unaudited)

## Common shares

	Number of Shares	Amount	Equity component of convertible debt	Deficit	Total
		\$	\$	\$	\$
Balance February 28, 2013	24,033,330	585,821	176,251	(1,253,260)	(491,188)
Proceeds received from exercise of warrants	-	115,000	-	-	115,000
Net loss and comprehensive loss	-	-	-	(90,267)	(90,267)
Balance November 30, 2013	24,033,330	700,821	176,251	(1,342,527)	(466,455)
Balance February 28, 2014	26,333,330	700,821	176,251	(1,416,980)	(539,908)
Net loss and comprehensive loss	-	-	-	(123,606)	(123,606)
Balances November 30, 2014	24,033,330	700,821	176,251	(1,540,586)	(663,514)

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

**VINERGY RESOURCES LTD.**

Consolidated interim statements of cash flows  
(Expressed in Canadian dollars)  
(unaudited)

	Nine Months Ended November 30, 2014 \$	Nine Months Ended November 30, 2013 \$
Operating activities:		
Net loss for the period	(123,606)	(90,267)
Items not involving cash:		
Finance costs	41,191	19,429
Changes in non-cash operating activities:		
Amounts receivable	388	53
Loans receivable	(29,400)	—
Accounts payable and accrued liabilities	27,456	25,654
Due to related parties	49,747	46,028
<b>Net cash used in operating activities</b>	<b>(34,224)</b>	<b>897</b>
Financing activities:		
Proceeds received from the exercise of warrants	—	115,000
<b>Net cash provided by financing activities</b>	<b>—</b>	<b>115,000</b>
Increase (decrease) in cash	(34,224)	115,897
Cash, beginning of period	35,073	1,000
Cash, end of period	849	116,897
Supplemental disclosures:		
Interest paid	—	—
Income taxes paid	—	—

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

# VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

## 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. Pursuant to the plan of arrangement each of the subsidiary companies was spun-out of the Company effective June 17, 2014. Each of these subsidiaries became an independent reporting issuer and shareholders of the Company received one share in each subsidiary for each share they held of the Company.

The Company is exploring additional opportunities to acquire oil and gas properties for exploration and development. The Company has historically been involved in the oil and gas industry and continues to pursue opportunities in this sector. The Company is also investigating opportunities in other sectors.

These consolidated interim 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 November 30, 2014, the Company had a working capital deficiency of \$663,514, has not generated any revenues from operations, and has an accumulated deficit of \$1,540,586. 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) Statement of Compliance

These interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting of the International Financial Reporting Standards ("IFRS").

### (b) 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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (c) Basis of Consolidation

These consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary Zeus Energy Inc. The consolidated interim financial statements also include the accounts of its' former subsidiary companies 0990756 BC Ltd., Arq Graphite Inc., Jonpol Rare Earths Inc., Leucadia Investment Partners Inc., Wayzata Film Finance Inc., Wedona Uranium Inc., up to and including June 17, 2014 at which time pursuant to the Company's plan of arrangement each of the former subsidiaries was spun-out as an independent reporting issuer. All inter-company transactions and balances have been eliminated.

#### (d) 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 interim 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.

#### (e) 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.

#### (f) 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.



## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (f) Exploration and Evaluation Assets (continued)

##### (i) Recognition and measurement: (continued)

###### *Exploration and evaluation expenditures: (continued)*

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.

###### 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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (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.

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 is 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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (h) Decommissioning, Restoration, and Similar Liabilities (continued)

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.

#### (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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (i) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *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.

###### *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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (i) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Impairment of financial assets (continued)*

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.

##### (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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (k) Income Taxes (continued)

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 November 30, 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.

#### (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.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 2. Significant Accounting Policies (continued)

#### (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 three month period ended November 30, 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. Plan of Arrangement

On June 17, 2014, the Company completed its' 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 received one common share of each of the six spun out companies for each Company share held as at June 5, 2014.

### 4. Loans Receivable

In conjunction with the plan of arrangement for each of the former subsidiary companies: Arq Graphite Inc, 0990756 BC Ltd., Jonpol Rare Earths Inc., Leucadia Finance Partners Inc., Wayzata Film Finance Inc., and Wedona Uranium Inc., the Company advanced each of these reporting issuers \$4,900. These loans are non-interest bearing, unsecured and have no set terms of repayment.

### 5. 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 a non-related company. Refer to Note 9.

## VINERGY RESOURCES LTD.

Notes to the consolidated interim financial statements

November 30, 2014

(Expressed in Canadian dollars)

(unaudited)

### 6. Accounts Payable and Accrued Liabilities

	November 30, 2014 \$	February 28, 2014 \$
Trade accounts payable	34,869	1,013
Accrued liabilities	4,000	10,000
Accrued interest payable	92,555	72,417
	131,424	83,430

### 7. Related Party Transactions

- For the nine month period ended November 30, 2014, the amount of \$21,600 (2013 – \$21,600) was incurred to the President of the Company for management fees.
- For the nine month period ended November 30, 2014, the amount of \$14,400 (2013 - \$14,400) was incurred to the spouse of the President of the Company for professional fees.
- As at November 30, 2014, the amount of \$263,461 (February 28, 2014 - \$228,114) 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.
- As at November 30, 2014, the amount of \$84,200 (February 28, 2014 - \$69,800) is owed to the spouse of the President of the Company, which is non-interest bearing, unsecured, and due on demand.

### 8. 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. Please refer to Note 14 – Subsequent Event(s).

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 nine month period ended November 30, 2014, the Company recognized accretion expense of \$21,053 (2013 - \$28,070). As at November 30, 2014, the carrying value of the convertible debenture is \$211,491 (2013 - \$162,368).

### 9. Loans Payable

- As at November 30, 2014, the Company owed \$20,000 (2013 – \$20,000) 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 November 30, 2014, the Company had incurred interest on this loan of \$8,381 (2013 - \$2,152), which is included in accounts payable and accrued liabilities.
- As at November 30, 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.



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### 10. 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 November 30, 2014 based on estimated future costs provided by the property operator. As at November 30, 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:

	November 30, 2014 \$	February 28, 2014 \$
Balance, beginning of the period	–	3,000
Change in estimation of liability	–	(3,000)
Balance, end of period	–	–
Less: current portion	–	–
Long-term portion	–	–

### 11. Share Capital

Authorized: Unlimited number of common shares without par value.

At November 30, 2014 there were 26,333,330 shares issued and outstanding.

### 12. Financial Instruments

#### (a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at November 30, 2014 is as follows:

	Fair Value Measurements Using			Balance, November 30, 2014 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	849	–	–	849

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties, 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.

## **VINERGY RESOURCES LTD.**

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### **12. Financial Instruments (continued)**

#### (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/HST 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.

#### (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, equity component of convertible debt, and deficit.

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, 2014.

### **14. Subsequent Event(s)**

The Company's convertible debenture matured on January 16, 2015, and continues to accrue interest at the rate of 10% per annum. The convertible debenture is currently in default.