

**VINERGY RESOURCES LTD.**

Financial Statements

Years Ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Vinergy Resources Ltd.

#### Opinion

We have audited the financial statements of Vinergy Resources Ltd. (the "Company"), which comprise the statements of financial position as at February 28, 2019 and 2018, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has no revenue during the year ended February 28, 2019, as of that date, the Company has a working capital deficit of \$266,500 and an accumulated deficit of \$3,445,057. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lonny Wong.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

June 28, 2019

**VINERGY RESOURCES LTD.**Statements of financial position  
(Expressed in Canadian dollars)

	February 28, 2019 \$	February 28, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	35,971	826,899
Amounts receivable	5,962	–
Prepaid expenses and deposits	13,846	18,000
Loans receivable (Note 3)	816,538	912,174
<b>Total assets</b>	<b>872,317</b>	<b>1,757,073</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	903,817	848,928
Loan payable (Note 5)	20,000	20,000
Convertible debenture (Note 6)	215,000	215,000
<b>Total liabilities</b>	<b>1,138,817</b>	<b>1,083,928</b>
<b>Shareholders' equity (deficit)</b>		
Share capital	2,531,290	2,531,290
Share-based payment reserve	171,016	171,016
Equity component of convertible debt	176,251	176,251
Share subscriptions received (Note 7)	300,000	–
Deficit	(3,445,057)	(2,205,412)
<b>Total shareholders' equity (deficit)</b>	<b>(266,500)</b>	<b>673,145</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>872,317</b>	<b>1,757,073</b>

Nature of operations and continuance of business (Note 1)  
Subsequent events (Note 13)

Approved and authorized for issuance by the Board of Directors on June 28, 2019:

/s/ "Glen Macdonald"

Glen Macdonald, Director

/s/ "Glen Indra"

Glen Indra, Director

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

**VINERGY RESOURCES LTD.**Statements of operations and comprehensive loss  
(Expressed in Canadian dollars)

	Year ended February 28, 2019 \$	Year ended February 28, 2018 \$
Expenses		
Consulting fees	15,000	13,333
General and administrative	170	5,949
Investor relations	–	79,478
Professional fees	94,796	56,241
Share-based compensation (Note 9)	–	40,888
Transfer agent and filing fees	35,362	44,529
<b>Total expenses</b>	<b>145,328</b>	<b>240,418</b>
Loss before other expenses	(145,328)	(240,418)
Other expenses		
Interest expense	(32,143)	(31,225)
Write-off of loans receivable (Note 3)	(1,062,174)	–
<b>Total other expenses</b>	<b>(1,094,317)</b>	<b>(31,225)</b>
<b>Net loss</b>	<b>(1,239,645)</b>	<b>(271,643)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.03)</b>	<b>(0.01)</b>
<b>Weighted average common shares outstanding</b>	<b>36,750,330</b>	<b>36,750,330</b>

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

**VINERGY RESOURCES LTD.**Statements of changes in equity  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Equity component of convertible debt \$	Share subscriptions received \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$					
Balance, February 28, 2017	36,750,330	2,531,290	130,128	176,251	–	(1,933,769)	903,900
Fair value of stock options granted	–	–	40,888	–	–	–	40,888
Net loss for the year	–	–	–	–	–	(271,643)	(271,643)
Balance, February 28, 2018	36,750,330	2,531,290	171,016	176,251	–	(2,205,412)	673,145
Share subscriptions received	–	–	–	–	300,000	–	300,000
Net loss for the year	–	–	–	–	–	(1,239,645)	(1,239,645)
Balance, February 28, 2019	36,750,330	2,531,290	171,016	176,251	300,000	(3,445,057)	(266,500)

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

**VINERGY RESOURCES LTD.**

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended February 28, 2019 \$	Year ended February 28, 2018 \$
Operating activities:		
Net loss	(1,239,645)	(271,643)
Items not involving cash:		
Share-based compensation	–	40,888
Write-off of loans receivable	1,062,174	–
Changes in non-cash operating working capital:		
Amounts receivable	(5,962)	4,277
Prepaid expenses and deposits	4,154	12,679
Accounts payable and accrued liabilities	54,889	83,469
Due to related parties	–	7,766
Net cash used in operating activities	(124,390)	(122,564)
Investing activities		
Loans receivable advances	(966,538)	(607,774)
Net cash used in investing activities	(966,538)	(607,774)
Financing activities		
Repayment of loan payable	–	(25,000)
Share subscriptions received	300,000	–
Net cash provided by (used in) financing activities	300,000	(25,000)
Decrease in cash and cash equivalents	(790,928)	(755,338)
Cash and cash equivalents, beginning of year	826,899	1,582,237
Cash and cash equivalents, end of year	35,971	826,899
Cash and cash equivalents consist of:		
Cash in bank	16,141	807,850
Cash in legal trust account	19,830	19,049
Total cash and cash equivalents	35,971	826,899

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

# VINERGY RESOURCES LTD.

Notes to the financial statements

Years ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

## 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 Suite 1008, 409 Granville Street, Vancouver, BC, V6C 1T2 and its shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "VIN".

These 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, 2019, the Company has no revenue generated from operations, has a working capital deficit of \$266,500, and has an accumulated deficit of \$3,445,057. 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a going concern basis.

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

### (b) Application of New IFRS

#### *IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 introduces a new expected credit loss ("ECL") model for all financial assets in scope of the impairment requirements. The new ECL will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company adopted the amendments to IFRS 9, effective March 1, 2018 using the full retrospective method, with no significant impact on the Company's financial statements.

### (c) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of loans receivable, fair value of share-based payments, and unrecognized deferred income tax assets.



## VINERGY RESOURCES LTD.

Notes to the financial statements  
Years ended February 28, 2019 and 2018  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (c) Use of Estimates and Judgments (continued)

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (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) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash and cash equivalents	FVTPL
Amounts receivable	Amortized cost
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost
Convertible debenture	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## VINERGY RESOURCES LTD.

Notes to the financial statements

Years ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (e) Financial Instruments (continued)

##### Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

##### Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, 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 the statement of operations 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.

#### (f) Financial Liabilities and Equity Instruments

##### Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

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

##### Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

## VINERGY RESOURCES LTD.

Notes to the financial statements

Years ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (f) Financial Liabilities and Equity Instruments (continued)

##### Other financial liabilities (continued)

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

#### (g) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (h) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

#### (i) Reclassifications

Certain of the prior period amounts have been reclassified to conform to the current period's presentation.

## VINERGY RESOURCES LTD.

Notes to the financial statements

Years ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (j) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. 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, 2019, the Company had 4,300,000 (2018 – 9,608,500) potentially dilutive shares outstanding.

#### (k) 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 the statement of operations.

#### (l) 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 operations 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.

#### (m) 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, 2019, and have not been applied in preparing these financial statements.

##### New standard IFRS 16, “Leases”

The Company has not early adopted this new standard and it is not expected to have a significant impact on the Company’s 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.

## VINERGY RESOURCES LTD.

Notes to the financial statements

Years ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 3. Loans Receivable

- (a) 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 \$4,900 to each of these companies for a total \$29,400. These loans are non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loans receivable of \$29,400 due to the uncertainty of collection.
- (b) As at February 28, 2019, the Company has a loan receivable of \$nil (2018 - \$345,698) to 1099955 B.C. Ltd. These advances are non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loan receivable of \$345,698 due to the uncertainty of collection.
- (c) As at February 28, 2019, the Company has a loan receivable of \$nil (2018 - \$160,000) from a non-related party which is non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loan receivable of \$160,000 due to the uncertainty of collection.
- (d) As at February 28, 2019, the Company has a loan receivable of \$nil (2018 - \$60,000) to a non-related company which is non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loan receivable of \$60,000 due to the uncertainty of collection.
- (e) As at February 28, 2019, the Company has a loan receivable of \$nil (2018 - \$125,000) to a non-related company which is non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loan receivable of \$125,000 due to the uncertainty of collection.
- (f) As at February 28, 2019, the Company has a loan receivable of \$nil (2018 - \$25,000) to a non-related company which is non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loan receivable of \$25,000 due to the uncertainty of collection.
- (g) As at February 28, 2019, the Company has a loan receivable of \$nil (2018 - \$167,076) to a non-related company which is non-interest bearing, unsecured, and due on demand. As at February 28, 2019, the Company wrote off the loan receivable of \$167,076 due to the uncertainty of collection.
- (h) On March 8, 2018, the Company entered into a share exchange agreement with Botanical Technologies Inc. ("Botanical"), whereby it agreed to purchase all of the issued and outstanding shares of Botanical for the issuance of 9,000,000 common shares of the Company. The Company advanced \$150,000 to Botanical. The agreement collapsed and the Company has written off the loan receivable due to the uncertainty of collection.
- (i) On May 8, 2018, the Company entered into a share subscription agreement with Next Level Energy Inc. ("Next Level") whereby it agreed to purchase 1,245,330 common shares of Next Level at a price of \$0.4015 per share. As at February 28, 2019, the Company has advanced \$350,000 pursuant to the agreement.
- (j) On March 28, 2019, the Company entered into a share exchange agreement with Phyto Pharma, Inc. ("Phyto"), whereby it agreed to purchase all of the issued and outstanding shares of Phyto for US\$1,200,000 and the issuance of 7,000,000 common shares of the Company. As at February 28, 2019, the Company has advanced \$466,538 (US\$350,000) pursuant to the agreement. Refer to Note 13(b).

## VINERGY RESOURCES LTD.

Notes to the financial statements

Years ended February 28, 2019 and 2018

(Expressed in Canadian dollars)

### 4. Accounts Payable and Accrued Liabilities

	2019	2018
	\$	\$
Trade accounts payable	656,872	571,819
Accrued liabilities	26,818	89,088
Accrued interest payable	220,127	188,021
	903,817	848,928

### 5. Loan Payable

As at February 28, 2019, the Company owed \$20,000 (2018 – \$20,000) to a non-related party. The amount owing is unsecured, bears interest at 20% per annum compounded monthly, and is due on demand. As at February 28, 2019, the Company had incurred interest on this loan of \$44,652 (2018 - \$34,045), which is included in accounts payable and accrued liabilities.

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

The fair value of the equity component was determined to be \$176,251 which was recorded as equity and an equivalent discount on the convertible debenture. The accretion of the discount was recognized over the term of the debenture. As at February 28, 2019 and 2018, the carrying value of the convertible debenture is \$215,000.

### 7. Share Capital

Authorized: Unlimited number of common shares without par value

As at February 28, 2019, the Company received share subscription proceeds of \$300,000. Refer to Note 13(a).

### 8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, February 29, 2017	5,537,700	0.40
Expired	(329,200)	0.40
Balance, February 28, 2018	5,208,500	0.40
Expired	(5,208,500)	0.40
Balance, February 28, 2019	–	–

## VINERGY RESOURCES LTD.

Notes to the financial statements  
Years ended February 28, 2019 and 2018  
(Expressed in Canadian dollars)

### 9. Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, February 28, 2017	–	–
Granted	100,000	0.60
Outstanding, February 28, 2018	100,000	0.60
Expired	(100,000)	0.60
Outstanding, February 28, 2019	–	–

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2019	2018
Risk-free interest rate	–	0.82%
Expected life (in years)	–	2
Forfeiture rate	–	0%
Expected volatility	–	144%

For the year ended February 28, 2019, the total fair value of the stock options granted was \$nil (2018 - \$40,888) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the year ended February 28, 2019 was \$nil (2018 - \$0.41) per share.

### 10. Financial Instruments and Risk Management

#### (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, 2019 is as follows:

	Fair value measurements using			Balance, February 28, 2019 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash and cash equivalents	35,971	–	–	35,971

The fair values of other financial instruments, which include amounts receivable, loans receivable, accounts payable and accrued liabilities, loan payable, and convertible debenture, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents 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.

## VINERGY RESOURCES LTD.

Notes to the financial statements  
Years ended February 28, 2019 and 2018  
(Expressed in Canadian dollars)

### 10. Financial Instruments and Risk Management (continued)

(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.

### 11. 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 cash equivalents and equity comprised of issued share capital, share-based payments reserve, equity component of convertible debt, and share subscriptions received.

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, 2018.

### 12. 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:

	2019 \$	2018 \$
Canadian statutory income tax rate	27%	26.17%
Income tax recovery at statutory rate	(334,704)	(71,080)
Tax effect of:		
Permanent differences and other	–	10,685
Change in enacted tax rates	–	(19,582)
True up of prior year differences	(14,144)	–
Expiry of non-capital losses and resources expenditure pools	–	23,702
Change in unrecognized deferred income tax assets	348,848	56,275
Income tax provision	–	–



## VINERGY RESOURCES LTD.

Notes to the financial statements  
Years ended February 28, 2019 and 2018  
(Expressed in Canadian dollars)

### 12. Income Taxes (continued)

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

	2019 \$	2018 \$
Deferred income tax assets		
Non-capital losses carried forward	862,879	515,111
Property and equipment	7,712	–
Share issuance costs	13,262	19,894
Total gross deferred income tax assets	883,853	535,005
Unrecognized deferred income tax assets	(883,853)	(535,005)
Net deferred income tax asset	–	–

As at February 28, 2019, the Company has non-capital losses carried forward of \$3,195,849, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2026	56,949
2027	36,881
2028	93,472
2029	64,705
2030	54,711
2031	149,954
2032	138,703
2033	81,711
2034	138,430
2035	128,811
2036	102,196
2037	267,197
2038	617,903
2039	1,264,226
	3,195,849

### 13. Subsequent Events

- (a) On March 21, 2019, the Company issued 12,805,664 units at a price of \$0.12 per unit for gross proceeds of \$1,536,680, of which \$300,000 was received as at February 28, 2019. Each unit consisted of one common share and one transferable share purchase warrant exercisable at a price of \$0.15 per share expiring on March 21, 2021. In connection with this private placement, the Company paid finders' fees of \$6,720 and issued 56,000 finders' warrants with each warrant exercisable at \$0.15 per common share expiring on March 21, 2021.
- (b) Subsequent to February 28, 2019, the Company advanced a total of \$1,132,497 (US\$850,000) to Phyto. Refer to Note 3(j).