

# **VINERGY RESOURCES LTD.**

(the "Company")

## **FORM 51-102F1**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **FOR THE THREE AND NINE MONTH PERIODS ENDED NOVEMBER 30, 2012**

The following Management's Discussion and Analysis, prepared as of January 15, 2013, should be read together with the consolidated interim financial statements for the three and nine month periods ended November 30, 2012 and the related notes attached thereto. These consolidated interim financial statements and MD&A include the results of operations and cash flows for the three and nine month periods ended November 30, 2012 and the reader must be aware that historical results are not necessarily indicative of the future performance. The reader may also wish to refer to the Company's audited financial statements and MD&A for the year ended February 29, 2012. All amounts are reported in Canadian dollars. The aforementioned documents can be accessed on the SEDAR web site [www.sedar.com](http://www.sedar.com).

The aforementioned documents and additional disclosures pertaining to the Company's press releases and other information are also available on the SEDAR website [www.sedar.com](http://www.sedar.com).

Financial results are now reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Note 2 of the consolidated interim financial statements.

Certain statements contained in this interim management discussion and analysis may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Bella to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for the continued exploration and development of The Company's prospects, political and economic conditions, commodity prices and other factors.

#### **Description of Business**

Vinergy Resources Ltd. was incorporated as Vanguard Investments Corp. under the provisions of the Alberta Business Corporations Act on March 20, 2001. The articles of the Company were amended on August 27, 2001 to remove the "private issuer" restrictions from its articles. The Company's shares were listed for trading on the Canadian National Stock Exchange on April 14, 2010 under the trading symbol VIN.

The Company owns 100% of the shares of Zeus Energy Inc. ("Zeus" or the "Subsidiary"), a corporation incorporated under the Alberta Business Corporations Act on November 7, 2007 under the name 1361681 Alberta Inc. This company amended its articles to change its name to "Zeus Energy Inc." on May 28, 2008.

On November 30, 2009, the Company entered into a Share Purchase Agreement for the acquisition of all of the shares of Zeus. In consideration of the acquisition, the Company issued 18,333,330 of the Company's common shares. Legally, the Company is the parent of Zeus. However, as a result of the share exchange described above, control of the combined entities passes to the former shareholders of Zeus. This type of share exchange, referred to as a "reverse takeover," deems Zeus to be the acquirer for accounting purposes.

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### Performance Summary

The Company's business is presently carried on through the Subsidiary. References to the business of the Company include references to the business carried on through the Subsidiary (unless stated otherwise).

Zeus is engaged in the exploration of oil and gas resources. It holds a 12.5% working interest before payout and 7.5% working interest after payout in four oil and gas leases in South Eastern Saskatchewan.

During the year ended February 28, 2011 the Company was advised by the operator of its farm-in agreement that the last of the four exploration wells was not producing oil and it would be prudent to abandon it. It was therefore decided by management to write down the value of its oil and gas properties by \$194,315 (2010 - \$429,272). Zeus has an obligation to meet its pro rata share of ongoing costs to complete and receive clearance certificates for the abandonment of each of the four wells that were drilled. Presently, an estimate of \$30,000 per well is used by the Company's third party engineers for abandonment costs and final receipt of the clearance certificate. To ensure the Subsidiary's ability to meet its obligation the Company has estimated and provided the joint venture operator with sufficient funds to cover its' pro rata share. Abandonment of the four original wells drilled is now substantially complete.

The Company is actively pursuing new opportunities.

### Selected Annual Information

The following table sets forth selected audited financial information of the Company from the last three completed financial years:

	2012	2011	2010
	\$	\$	\$
Total revenue	—	—	—
Net loss for the year	(182,445)	(362,493)	(501,170)
Basic and diluted loss per share	(0.01)	(0.02)	(0.03)
Total assets	57,589	73,562	331,830
Total long-term financial liabilities	134,298	106,227	84,496

The differences in the net losses for the last three fiscal years was mainly due to the write-down of oil and gas properties. The Company recorded write-downs of \$13,492, \$194,315 and \$429,972 for the fiscal years 2012, 2011 and 2010, respectively.

### Results of Operations

During the three and nine month periods ended November 30, 2012 the Company incurred net losses of \$37,899 and \$90,304 respectively compared to net losses of \$33,961 and \$105,197 for the three and nine month periods ended November 30, 2011. The decrease in losses is predominately the result of a credit for rent that was received by the Company.

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### Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	November 30, 2012 \$	August 31, 2012 \$	May 31, 2012 \$	February 29, 2012 \$
Revenue	—	—	—	—
Net loss for the period	(37,899)	(12,441)	(39,964)	(77,248)
Basic and diluted loss per share	0.00	0.00	0.00	0.00

	November 30, 2011 \$	August 31, 2011 \$	May 31, 2011 \$	February 28, 2011 \$
Revenue	—	—	—	—
Net gain for the period	(33,961)	(40,357)	(30,879)	(259,335)
Basic and diluted loss per share	0.00	0.00	0.00	(0.01)

### Liquidity and Capital Resources

At November 30, 2012, the Company had cash of \$5,957 and a working capital deficiency of \$354,108.

The Company is actively seeking other opportunities to provide shareholder value. Although historically the Company has been involved in oil and gas exploration and production, future prospects will not necessarily be restricted or limited to this sector or business. While management is confident that it will be able to raise funds, there can be no assurance that these funds will be available on terms acceptable to the Company in the future.

The Company has a \$215,000 convertible debt due on January 16, 2015.

#### ***The nine month period ended November 30, 2012 compared to the nine month period ended November 30, 2011:***

##### ***Operating activities***

For the nine month period ended November 30, 2012, the Company's operating activities used cash of \$11,524 compared to \$25,229 for the nine month period ended November 30, 2011.

##### ***Investing activities***

For the nine month periods ended November 30, 2012 and November 30, 2011, the Company used cash of \$Nil in investing activities.

##### ***Financing activities***

For the nine month period ended November 30, 2012, the Company received cash of \$4,000 from the financing activities compared to the receipt of \$48,000 for the nine month period ended November 30, 2011.

##### ***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.

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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 at November 30, 2012.

### Transactions with Related Parties

- (a) For the nine month period ended November 30, 2012, the amount of \$21,600 (2011 – \$21,600) was incurred to the President of the Company for management fees.
- (b) For the nine month period ended November 30, 2012, the amount of \$14,400 (2011 - \$14,400) was incurred to the spouse of the President of the Company for professional fees.
- (c) During the nine period ended November 30, 2012, the amount of \$36,000 was refunded for rent, this provided for a (\$18,000) credit for the nine month period ended November 30, 2012 (2011 – expense \$27,000) from a Company controlled by the President of the Company.
- (d) As at November 30, 2012, the amount of \$227,086 (February 29, 2012 - \$214,520) 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 November 30, 2012, the amount of \$45,800 (February 29, 2012 - \$31,400) is owed to the spouse of the President of the Company, which is non-interest bearing, unsecured, and due on demand.

### Financial Instruments and Risks

#### (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, 2012 as follows:

	Fair Value Measurements Using			Balance, February 28, 2011 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	5,957	–	–	5,957

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 convertible debt is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

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### (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. The carrying amount of financial assets represents the maximum credit exposure. Amounts receivable consist of GST/HST refunds due from the Government of Canada.

### (c) Foreign Exchange Rate Risk

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

### (d) Interest Rate Risk

The Company's cash is currently held in current accounts with Chartered Canadian Banks and therefore the Company does not consider its exposure to interest rate fluctuations to be significant.

### (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.

## Disclosure by Venture Issuer Without Significant Revenue

An analysis of the material components of the Company's general and administrative expenses is disclosed in the consolidated interim financial statements for the three and nine month periods ended November 30, 2012 to which this MD&A relates.

## Disclosure of Outstanding Share Data

### *Share Capital*

Authorized: Unlimited common shares without par value

As at January 15, 2013, the Company had 24,033,330 shares issued and outstanding.

### *Share Purchase Warrants*

As at January 15, 2013, the following share purchase warrants were outstanding.

Number of warrants outstanding	Exercise price \$	Expiry date
2,300,000	0.05	January 15, 2015

## Accounting Standards Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards are not yet effective as of November 30, 2012 and have not been applied in preparing these financial statements.

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Accounting Standards Issued But Not Yet Effective (continued)

(i) Effective for annual periods beginning on or after July 1, 2012:

### *Amendments to IAS 1 "Presentation of Financial Statements"*

In June 2011, the IASB issued amendments to IAS 1 to require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements. The amendments are to be applied retrospectively.

(ii) Effective for annual periods beginning on or after January 1, 2013:

### *New standard IFRS 9, "Financial Instruments"*

Partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss.

### *New Standard IFRS 10, "Consolidated Financial Statements"*

In May 2011, the IASB issued IFRS 10 to replace portions of IAS 27, "Consolidated and Separate Financial Statements" and interpretation SIC-12, "Consolidated - Special Purpose Entities". IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be "An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee". Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and a continuous reassessment as facts and circumstances change.

### *New standard IFRS 11, "Joint Arrangements"*

In May 2011, the IASB issued IFRS 11 to replace IAS 31, "Interest in Joint Ventures". The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidations will be removed and replaced with equity accounting.

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### *New standard IFRS 12 “Disclosure of Interest in Other Entities”*

In May 2011, the IASB issued IFRS 12. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

### *New standard IFRS 13, “Fair Value Measurement”*

In May 2011, the IASB issued IFRS 13. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price.

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