

# VINERGY RESOURCES LTD.

(the "Company")

## FORM 51-102F1

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTH PERIODS ENDED NOVEMBER 30, 2013

The following Management's Discussion and Analysis, prepared as of January 16, 2014, should be read together with the consolidated interim financial statements for the three and nine month periods ended November 30, 2013 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, 2013 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 28, 2013. All amounts are reported in Canadian dollars.

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).

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 the Company 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.

#### **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).

A total decommissioning obligation has been 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 \$3,000 as at November 30, 2013 based on estimated future costs provided by the property operator which are expected to be incurred in fiscal 2014. As at November 30, 2013, the Company had \$13,846 (February 28, 2013 - \$13,846) in advances to the operator to pay for its share of the decommissioning costs and other costs related to the properties.

Zeus was engaged in the exploration of oil and gas resources.

The Company is actively pursuing new opportunities.

## VINERGY RESOURCES LTD.

For the three and nine month periods ended November 30, 2013

### Selected Annual Information

The following table sets forth selected audited financial information of the Company from the last three completed financial years. This information has been prepared in accordance with IFRS and is presented in Canadian Dollars which is the functional currency of the Company.

	2013 \$	2012 \$	2011 \$
Total revenue	—	—	—
Net loss for the year	(98,295)	(182,445)	(362,493)
Basic and diluted loss per share	—	(0.01)	(0.02)
Total assets	15,049	57,589	73,562
Total long-term financial liabilities	162,368	134,298	106,227

The differences in the net losses for the last three fiscal years is mainly attributable to the write-down of oil and gas properties. The Company recorded write-downs of \$Nil, \$13,492 and \$194,315 for the fiscal years 2013, 2012 and 2011, respectively.

### Results of Operations

During the three and nine month periods ended November 30, 2013 the Company incurred net losses of \$25,187 and \$90,267 respectively compared to net losses of \$37,899 and \$90,304 respectively for the three and nine month periods ended November 30, 2012.

### Summary of Quarterly Results

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

	November 30, 2013 \$	August 31, 2013 \$	May 31, 2013 \$	February 28, 2013 \$
Revenue	—	—	—	—
Net loss for the period	(25,187)	(34,554)	(30,527)	(7,991)
Basic and diluted loss per share	0.00	0.00	0.00	0.00

	November 30, 2012 \$	August 31, 2012 \$	May 31, 2012 \$	February 29, 2012 \$
Revenue	—	—	—	—
Net gain for the period	(37,899)	(12,441)	(39,964)	(77,248)
Basic and diluted loss per share	0.00	0.00	0.00	(0.01)

### Liquidity and Capital Resources

At November 30, 2013, the Company had cash of \$116,897 and a working capital deficiency of \$304,087.

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 debenture due on January 16, 2015.

## **VINERGY RESOURCES LTD.**

For the three and nine month periods ended November 30, 2013

### **Liquidity and Capital Resources** (continued)

For the nine month period ended November 30, 2013 compared to the nine month period ended November 30, 2012:

#### Operating activities

For the nine month period ended November 30, 2013, the Company's operating activities used cash of (\$897) compared to \$11,524 for the nine month period ended November 30, 2012.

#### Investing activities

For the nine month period ended November 30, 2013 and November 30, 2012, the Company used cash of \$Nil in investing activities.

#### Financing activities

For the nine month period ended November 30, 2013, the Company received cash of \$115,000 from the financing activities compared to \$4,000 for the nine month period ended November 30, 2012.

### **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 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 during the three and nine month periods ended November 30, 2013.

### **Related Party Transactions**

- (a) For the nine month period ended November 30, 2013, the amount of \$21,600 (2012 – \$21,600) was incurred to the President of the Company for management fees.
- (b) For the nine month period ended November 30, 2013, the amount of \$14,400 (2012 - \$14,400) was incurred to the spouse of the President of the Company for professional fees.
- (c) For the nine month period ended November 30, 2013, the amount of \$Nil (2012 – credit \$18,000) was incurred to a Company controlled by the President of the Company for rent.
- (d) As at November 30, 2013, the amount of \$265,914 (February 28, 2013 - \$234,286) is owed to the President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (e) As at November 30, 2013, the amount of \$65,000 (February 28, 2013 - \$50,600) is owed to the spouse of the President of the Company, which is non-interest bearing, unsecured, and due on demand.

## VINERGY RESOURCES LTD.

For the three and nine month periods ended November 30, 2013

### 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, 2013 as follows:

	Fair Value Measurements Using			Balance, November 30, 2013 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	116,897	–	–	116,897

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.

#### (a) 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.

#### (b) Foreign Exchange Rate Risk

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

#### (c) 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.

#### (d) 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.

#### (e) 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, 2013 to which this MD&A relates.

## **VINERGY RESOURCES LTD.**

For the three and nine month periods ended November 30, 2013

### **Disclosure of Outstanding Share Data**

#### Share Capital

Authorized: Unlimited common shares without par value

As at January 16, 2014, the Company had 24,033,330 shares issued and outstanding.

#### Share Purchase Warrants

As at January 16, 2014, there were no share purchase warrants outstanding.

In November of 2013 the Company received \$115,000 of proceeds for the exercise of 2,300,000 share purchase warrants that were outstanding and the shares were issued on January 10, 2014. See also Subsequent Event.

#### Options

As at January 16, 2014, the Company had Nil options issued and outstanding.

### **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, 2013 or for the three month period ended November 30, 2013, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 10, "Consolidated Financial Statements" and IFRS 12 "Disclosure of interests in Other Entities"

New standard IFRS 13, "Fair Value Measurement"

Amendments to IAS 1, "Presentation of Financial Statements"

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.

### **Subsequent Event**

In November of 2013 the Company received \$115,000 of proceeds for the exercise of 2,300,000 share purchase warrants outstanding. The shares were issued on January 10, 2014. See also Share Purchase Warrants.

On January 16, 2014 the Company announced that it was proceeding with a Plan of Arrangement ("POA"). The POA involves the spin-off of certain assets into six new subsidiary companies. Further details in regard to the POA may be found in the Company's press release of January 16, 2014 filed on SEDAR ([www.sedar.com](http://www.sedar.com)).