VINERGY RESOURCES LTD.

(formerly Vanguard Investments Corp.)

Consolidated Financial Statements

Years Ended February 28, 2011 and 2010

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Vinergy Resources Ltd. (formerly Vanguard Investments Corp.)

We have audited the consolidated balance sheets of Vinergy Resources Ltd. (formerly Vanguard Investments Corp.) as at February 28, 2011 and 2010, and the consolidated statements of operations, comprehensive loss, deficit, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Vinergy Resources Ltd. as at January 31, 2011 and 2010 and the consolidated results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

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

Saturna Group LLP

Saturna Group Chartered Accountants LLP

Vancouver, Canada

June 16, 2011

VINERGY RESOURCES LTD.
(formerly Vanguard Investments Corp.)
Consolidated balance sheets
As at February 28, 2011 and 2010
(Expressed in Canadian dollars)

	2011 $	2010 $
Assets		
Current Assets		
Cash	25,008	86,380
Amounts receivable	1,546	4,461
	26,554	90,841
Oil and gas properties (Note 4)	47,008	240,989
	73,562	331,830
Liabilities and Shareholders' Equity (Deficit)		
Current Liabilities		
Accounts payable and accrued liabilities	41,402	40,269
Due to related parties (Note 5)	156,620	136,558
Current portion of asset retirement obligations (Note 7)	29,761	18,462
	227,783	195,289
Asset retirement obligations (Note 7)	–	6,339
Convertible debt (Note 6)	106,227	78,157
	334,010	279,785
Shareholders' Equity (Deficit)		
Share capital (Note 8)	409,101	359,101
Contributed surplus (Note 9)	176,251	176,251
Deficit	(845,800)	(483,307)
	(260,448)	52,045
	73,562	331,830

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

Approved on behalf of the Board:

/s/ "Randy Clifford" *—* */s/ "Eugene Sekora"*

Randy Clifford, Director — Eugene Sekora, Director

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

VINERGY RESOURCES LTD.
(formerly Vanguard Investments Corp.)
Consolidated statements of operations, comprehensive loss, and deficit
Years ended February 28, 2011 and 2010
(Expressed in Canadian dollars)

	2011 $	2010 $
Revenue	–	–
Expenses		
Accretion of asset retirement obligations	4,960	4,133
Consulting fees	–	2,586
Management fees (Note 5)	28,800	50,200
Office and miscellaneous	1,437	2,064
Professional fees (Note 5)	25,884	59,180
Rent (Note 5)	34,500	7,500
Transfer agent and regulatory fees	23,027	3,002
Write-down of oil and gas properties (Note 4)	194,315	429,272
	312,923	557,937
Loss before other expenses	(312,923)	(557,937)
Other expenses		
Accretion of discounts on convertible debt	(28,070)	(37,688)
Interest expense	(21,500)	(2,593)
	(49,570)	(40,281)
Loss before income taxes	(362,493)	(598,218)
Future income tax recovery	–	97,048
Net loss and comprehensive loss for the year	(362,493)	(501,170)
Retained earnings (deficit), beginning of year	(483,307)	17,863
Deficit, end of year	(845,800)	(483,307)
Loss per share, basic and diluted	(0.02)	(0.03)
Weighted average shares outstanding	22,184,015	19,533,330

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

VINERGY RESOURCES LTD.
(formerly Vanguard Investments Corp.)
Consolidated statements of cash flows
Years ended February 28, 2011 and 2010
(Expressed in Canadian dollars)

	2011 $	2010 $
Operating activities		
Net loss for the year	(362,493)	(501,170)
Items not involving cash:		
Accretion of asset retirement obligations	4,960	4,133
Accretion of discounts on convertible debt	28,070	37,688
Future income tax recovery	–	(97,048)
Write-down of oil and gas properties	194,315	429,272
Changes in non-cash operating working capital:		
Amounts receivable	2,915	(1,280)
Accounts payable and accrued liabilities	1,133	40,269
Due to related parties	20,062	–
	(111,038)	(88,136)
Investing activities		
Oil and gas property expenditures	(334)	(144,634)
Cash acquired in reverse merger	–	10,756
	(334)	(133,878)
Financing activities		
Advances from related parties	–	92,598
Proceeds from convertible debt	–	215,000
Proceeds from shares issued	50,000	–
	50,000	307,598
Increase (decrease) in cash	(61,372)	85,584
Cash, beginning of year	86,380	796
Cash, end of year	25,008	86,380
Non-cash investing and financing activities:		
Shares issued for recapitalization	–	13,321
Shares issued to settle convertible debt	–	60,000
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

1. Nature of Operations and Continuance of Business

Vanguard Investments Corp. (the "Company") was incorporated on March 20, 2001 under the provisions of the Alberta Business Corporations Act. Refer to Note 14.

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 (refer to Note 3). 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.

These consolidated financial statements have been prepared on the 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, 2011, the Company has a working capital deficiency of $201,229, has not generated any revenues from operations, and has an accumulated deficit of $845,800. 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 sufficient working capital will be obtained from external financing 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 consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its' wholly owned subsidiary, Zeus Energy Inc. All inter-company balances and transactions have been eliminated on consolidation.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes to the consolidated financial statements. Significant consolidated financial statement items which involve the use of estimates include the impairment of oil and gas properties, asset retirement obligations, equity component of convertible debt, and future income tax asset valuation allowances. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(d) Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas operations whereby all costs relating to acquisition, exploration and development activities are capitalized into cost centres country by country. These costs include land acquisition costs, geological and geophysical expenses, carrying costs on non-producing properties, cost of drilling both productive and non-productive wells, production equipment, corporate expenses, asset retirement and abandonment costs and directly related overhead. Proceeds from the disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would significantly alter the rate of depletion and depreciation.

2. Significant Accounting Policies (continued)

(d) Oil and Gas Properties (continued)

The costs of acquiring and evaluating unproved properties are excluded from the depletion calculation until it is determined whether proved reserves are attributable to the properties or impairment has occurred. When an unproved property is deemed impaired, the cost of the property or the amount of impairment is written off.

Depletion of oil and gas properties is provided for each cost centre using the unit-of-production method based on production volumes before royalties in relation to total estimated proved reserves as determined by independent engineers. Natural gas reserves and production are converted at a ratio of six thousand cubic feet of natural gas to one barrel of oil.

The Company applies a ceiling test to its oil and gas properties' capitalized costs to ensure that such costs are recoverable and do not exceed their fair value. The test is applied in a two-stage process. The first stage requires the carrying amounts of cost centres to be tested for recoverability using undiscounted future cash flows from proved reserves and management's best estimate of forward indexed prices. When the carrying amount of a cost centre is not recoverable, the second stage of the process will determine the impairment whereby the cost centre would be written down to its fair value. The second stage requires the calculation of discounted future cash flows, using a risk-free rate, from proved plus probable reserves. The fair value is estimated using accepted present value techniques, which incorporate risks and other uncertainties when determining expected cash flows.

(e) Joint Interests

Substantially all of the Company's exploration activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities

(f) Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

(h) Foreign Currency Translation

Monetary assets and liabilities of integrated operations and other monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at transaction date rates. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in the results of operations

2. Significant Accounting Policies (continued)

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income taxes assets and liabilities are recognized for the estimated future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (“temporary differences”) and loss carry forwards. When necessary, a valuation allowance is recorded to reduce income tax assets to an amount where realization is more likely than not. Future income tax assets and liabilities are measured using enacted or substantively enacted tax laws and rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in the period that included the date of enactment or substantive enactment.

(j) Flow-through Shares

The Company follows the recommendations of Emerging Issue Committee Abstract No. 146, which is effective for all flow-through share transactions. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced. If the Company has sufficient unused tax losses carried forward or other future income tax assets to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these items, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

(k) Financial Instruments

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable, accrued liabilities, amounts due to related parties, and convertible debt are classified as other financial liabilities.

(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. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same since the exercise of warrants or options would reduce the loss per share.

(m) Comprehensive Loss

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company’s does not have any items representing comprehensive income or loss.

2. Significant Accounting Policies (continued)

(n) Stock-based Compensation

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

(o) Future Changes in Accounting Standards

In August 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1625, "Comprehensive Revaluation of Assets and Liabilities" for consistency with new Section 1582, "Business Combinations". The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The section is applicable for the Company for the fiscal year beginning March 1, 2011, and is not expected to have a material impact on the Company's consolidated financial statements.

In August 2009, AcSB issued CICA Handbook Section 3251, "Equity" in response to issuing Section 1602, "Non-controlling Interests". The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the Company's consolidated financial statements.

In January 2009, the AcSB issued CICA Handbook Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" which replace CICA Handbook Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning March 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently.

In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2010. Management has assessed the impact of adopting IFRS and it has determined that there is no material effect on the Company's consolidated financial statements.

(expressed in Canadian dollars)

3. Acquisition of Zeus Energy Inc. and Recapitalization

On November 30, 2009, the Company entered into a Share Purchase Agreement (the "Agreement") with 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 and is in the business of oil and gas acquisition, exploration and development. Effective November 30, 2009, the acquisition of Zeus was completed through the issuance of 18,333,333 shares to the shareholders of Zeus.

Prior to the acquisition of Zeus, the Company was a non-operating Capital Pool Company. The acquisition is a capital transaction in substance and therefore has been accounted for as a recapitalization of the business of Zeus. Under recapitalization accounting, Zeus is considered the acquirer for accounting and financial reporting purposes, and acquired the assets of the Company. Assets acquired of $13,321 are reported at their carrying amounts. These financial statements include the accounts of the Company since the effective date of the recapitalization being November 30, 2009, and the historical accounts of the business of Zeus since inception being November 7, 2007.

The assets acquired are as follows:

	$
Cash	10,756
Amounts receivable	2,566
Net assets acquired, net of costs	13,322

4. Oil and Gas Properties

	Cost $	Accumulated depletion $	Write-down $	2011 Net carrying value $	2010 Net carrying value $
Canada	670,595	–	623,587	47,008	240,989

Pursuant to a Farm-in and Participation Agreement dated April 2, 2008, the Company acquired a 12.5% interest (the "Participating Interest"), in a five test well drilling program in southeast Saskatchewan. The properties are subject to a 16% freehold royalty and the Crown Freehold Property Production Tax. To earn the Participating Interest, the Company agreed to share the capital costs of the drilling program pro-rata to its Participating Interest. The Farmor was appointed as the operator of the drilling program.

Upon completing its obligations as set out above, the Company will earn:

Before payout:

100% of the Farmor's pre-farmout working interest, pro-rata to the Company's Participating Interest, in the production and the spacing unit or drainage area to the base of the respective deepest formation actually drilled in the test wells, subject to a gross overriding royalty of 5% to 15% on 1/150th of monthly production in barrels payable to the Farmor by the Company in the ratio of it's Participating Interest; and

After payout:

Upon achievement of payout, 60% of the Farmor's pre-farmout working interest, pro-rata to the Company's Participating Interest, in the production and the spacing unit or drainage area to the base of the respective deepest formation actually drilled. The Farmor will retain 40% of its pre-farmout working interest, pro-rata to the Company's Participating Interest; and

4. Oil and Gas Properties (continued)

Undeveloped Lands in Drilled Quarter:

60% of the Farmor's pre-farmout working interest, pro-rata to the Company's Participating Interest, in the respective quarter-section in which test wells are drilled to the base of the respective deepest formation drilled. The Farmor will retain 40% of the pre-farmout working interest, pro-rata to the Company's Participating Interest, and will retain 100% of the pre-farmout working interest in all rights not earned by the Company in the balance of the farmout lands.

As at February 28, 2011, the Company wrote down its oil and gas properties by $194,315 (2010 - $429,272) as it was determined that its' exploratory wells were not commercially feasible.

5. Related Party Transactions

During the years ended February 28, 2011 and 2010, the Company was involved in the following related party transactions:

(a) The amount of $28,800 (2010 – $25,200) was incurred to the President of the Company for management fees.

(b) The amount of $nil (2010 - $25,200) was incurred to the former directors of the Company for management fees.

(c) The amount of $19,200 (2010 - $13,800) was incurred to the spouse of the President of the Company for accounting fees.

(d) The amount of $34,500 (2010 – $7,500) was incurred to a Company controlled by the President of the Company for rent.

(e) As at February 28, 2011, the amount of $144,420 (2010 - $122,518) 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.

(f) As at February 28, 2011, the amount of $12,200 (2010 – $14,040) is owed to the spouse of the President of the Company, which is non-interest bearing, unsecured, and due on demand.

All of the above transactions have been in the normal course of operations and have been recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties.

6. Convertible Debt

On January 15, 2010, the Company issued $215,000 in convertible debt which bears interest at 10% per annum, is unsecured, and is due on January 16, 2015. The debt is convertible into shares of the Company at a conversion price of $0.10 per share at any time at the option of the holder prior to the due date. The Company also issued 4,300,000 transferable detached share purchase warrants which are exercisable at $0.05 per share expiring on January 15, 2015.

The fair value of the equity component was determined to be $140,351 which was recorded as contributed surplus and an equivalent discount on the convertible debt. 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 debt. During the year ended February 28, 2011, the Company recognized accretion expense of $28,070 (2010 - $3,508).

(expressed in Canadian dollars)

7. Asset Retirement Obligations

The total future asset retirement obligations were 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 its total asset retirement obligations to be $29,761 as at February 28, 2011 based on total estimated cash flows to settle the obligations of $23,900. The estimated cash flows have been discounted using an average credit-adjusted risk free rate of return of 20% and an inflation rate of 3%.

The following table reconciles the asset retirement obligations:

	2011 $	2010 $
Balance, beginning of year	24,801	–
Liabilities incurred	–	20,668
Accretion	4,960	4,133
Balance, end of year	29,761	24,801
Current portion	29,761	18,462
Long-term portion	–	6,339

8. Share Capital

Authorized: Unlimited number of common shares without par value

	Number of shares	$
Balance, February 28, 2009	2,500,000	285,780
November 30, 2009 – recapitalization transactions		
Shares issued to shareholders of Zeus to effect the reverse merger	18,333,330	13,321
Shares issued to settle convertible debt	1,200,000	60,000
Balance, February 28, 2010	22,033,330	359,101
Shares issued pursuant to the exercise of share purchase warrants	1,000,000	50,000
Balance, February 28, 2011	23,033,330	640,352

(a) On January 4, 2011, the Company issued 1,000,000 shares pursuant to the exercise of 1,000,000 warrants at $0.05.

(b) On November 30, 2009, the Company issued 18,333,330 shares upon the closing of the Share Purchase Agreement as described in Note 3.

(c) On November 30, 2009, the Company issued 1,200,000 shares to settle convertible debt of $60,000.

9. Contributed Surplus

	$
Balance, February 28, 2009	35,900
Equity component of convertible debt	140,351
Balance, February 28, 2010 and 2011	176,251

(expressed in Canadian dollars)

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, February 28, 2009	–	–
Issued	4,300,000	0.05
Balance, February 28, 2010	4,300,000	0.05
Exercised	(1,000,000)	0.05
Balance, February 28, 2011	3,300,000	0.05

As at February 28, 2011, there were 3,300,000 share purchase warrants exercisable at $0.05 per share expiring on January 15, 2015 outstanding.

11. 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 February 28, 2011 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, February 28, 2011 $
Cash	25,008	–	–	25,008

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.

(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.

(expressed in Canadian dollars)

11. Financial Instruments (continued)

(d) Interest Rate Risk

The Company's cash contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(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.

12. 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, contributed surplus 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 remains unchanged from the year ended February 28, 2010.

13. Income Taxes

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

	2011 $	2010 $
Canadian statutory income tax rate	27.75%	28.84%
Income tax recovery at statutory rate	(100,592)	(167,335)
Tax effect of:		
Permanent differences and other	(1,788)	(8,842)
Change in enacted tax rates	8,317	42,772
Previously unrecognized tax losses	–	(127,609)
Expiry of non-capital loss	18,452	19,089
Change in valuation allowance	75,611	144,877
Future income tax recovery	–	(97,048)

(expressed in Canadian dollars)

13. Income Taxes (continued)

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

	2011 $	2010 $
Future income tax assets		
Non-capital losses carried forward	152,590	125,558
Resource properties	67,898	19,319
Total gross future income tax assets	220,488	144,877
Valuation allowance	(220,488)	(144,877)
Net future income tax asset	–	–

As at February 28, 2011, the Company has non-capital losses carried forward of $610,361, which are available to offset future years' taxable income. These losses expire as follows:

	$
2015	57,781
2026	56,949
2027	36,881
2028	93,472
2029	64,705
2030	150,619
2031	149,954
	610,361

The Company also has available resource related expenditure pools totalling $318,599 which may be deducted against future taxable income on a discretionary basis.

14. Subsequent Event

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.