

VINERGY RESOURCES LTD.
(to be renamed Vinergy Cannabis Capital Inc.)

CSE FORM 2A
LISTING STATEMENT

June 28, 2019

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CAUTIONARY STATEMENTS REGARDING U.S. CANNABIS OPERATIONS

This Listing Statement qualifies the securities of an entity that derives a portion of its revenues directly (through its investment in a Colorado-based industrial hemp cultivator) from the production and distribution of hemp-based cannabidiol (“CBD”) products in the United States, which industry is highly regulated. The Issuer currently has direct involvement (through an investment) in the industrial hemp industry of certain states of the United States and it expects to indirectly and directly derive a portion of its revenues from the cannabis/marijuana industry generally in other states of the United States, which industry is illegal under United States federal law. The Issuer may become indirectly and/or directly involved (through its investments) in the cannabis industry in the United States where local state laws permits such activities. Currently, the Issuer (through one of its investments) is directly involved in the manufacturing and distribution of industrial hemp in the states of Colorado and California. The Issuer is not directly engaged in the manufacture, importation, possession, use, sale or distribution of any other variety of cannabis in the recreational or medical cannabis marketplaces. See “*General Development and Business of the Issuer – Material Assets and Investments*”.

Currently, more than half of the states in the United States permit some form of cannabis cultivation, sales, and use for certain medical purposes (some without limits on tetrahydrocannabinol (“THC”) while others with strict limits on the levels of THC). Ten of those states, along with the District of Columbia, have also legalized cannabis use by adults for non-medical purposes (often referred to as “recreational use”). Notwithstanding the permissive regulatory environment of medical cannabis and recreational cannabis (in certain instances) at the state level, cannabis (excluding industrial hemp) continues to be categorized as a controlled substance under the *Controlled Substances Act* (the “CSA”) in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis (excluding industrial hemp) are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Issuer of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Issuer. Any such proceedings brought against the Issuer may adversely affect the Issuer’s operations and financial performance.

As a result of the conflicting views between state legislatures and the federal government of the United States regarding cannabis (excluding industrial hemp), investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future investments of the Issuer in the United States. As such, there are a number of risks associated with the Issuer’s existing and future investments in the United States.

For the reasons set forth above, the Issuer’s existing and proposed interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

There are a number of risks associated with the business of the Issuer. See “*Risk Factors*”.

FORWARD LOOKING STATEMENTS

This Listing Statement contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements speak only as of the date of this Listing Statement and include, but are not limited to, statements with respect to:

- the ability of the Issuer to obtain necessary financing;
- the performance of the Issuer’s business and operations as it relates to its Investments;
- the Issuer’s expected market and the profitability thereof;
- the timing and legislative framework for the legalization of marijuana for recreational use in Canada;
- the regulatory framework for medical and recreational use of marijuana in the United States;
- the Issuer’s Investments’ ability to obtain the necessary licensing and approvals for their proposed products;
- the ability of the Issuer and/or its Investments to research and develop marketable products for the medicinal and recreational marijuana markets;
- the expected growth in the number of users of medical and, if legalized, recreational marijuana in Canada and the United States;
- the impact of potential legalization of recreational use of marijuana in Canada;
- the impact of recent federal disclosure concerning its stance on marijuana use in the United States;
- the Issuer’s future liquidity and financial capacity;
- the grant and impact of any additional licenses to conduct activities with cannabis;
- anticipated and unanticipated costs;
- costs, timing and future plans concerning the business and operations of the Issuer;
- results and expectations concerning various partnerships, strategic alliances, projects and marketing strategies of the Issuer; and
- the economy generally.

The forward-looking statements contained in this Listing Statement are based on a number of assumptions which may prove to be incorrect including, but not limited to:

- the Issuer’s ability to raise capital;
- the Issuer’s ability to satisfy certain requirements as an “investment company” pursuant to Section 1.7 of Appendix A to CSE Policy 2 – Qualifications for Listing;
- the Issuer’s Investments’ ability to secure the requisite licenses and governmental approvals to research and develop and sell marijuana by-products and conduct their businesses;
- the success of the Issuer’s research and development efforts;
- the market for and potential revenues to be derived from the Issuer’s Investments’ proposed products;
- the impact of potential legalization of marijuana for recreational use in Canada and the United States;

- the expected growth in the number of users for medical and, if legalised, recreational marijuana and marijuana products in Canada and the United States;
- the timing of and legislative framework for the legalization of marijuana for recreational use in Canada being consistent with the Issuer's expectations;
- the market for and potential revenues to be derived from the Issuer's proposed cannabis extract products and other projects being consistent with the Issuer's expectations;
- the consumer interest in and demand for the Issuer's Investments' products;
- the ability of the Issuer and/or its Investments' to successfully compete in the medical and, if legalized, recreational marijuana markets in Canada and the United States; and
- costs, timing and future plans concerning operations of the Issuer and/or its Investments being consistent with current expectations.

These forward-looking statements should not be relied upon as representing the Issuer's views as of any date subsequent to the date of this Listing Statement. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under "Risk Factors" in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Issuer does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable law.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

GLOSSARY

"2014 Farm Bill" means section 7606 of the United States *Agricultural Act of 2014*;

"2018 Farm Bill" means the United States Agricultural Improvement Act of 2018;

"ACMPR" means the Access to Cannabis for Medical Purposes Regulations (Canada) pursuant to the *Controlled Drugs and Substances Act* (Canada);

"Affiliate" means a company that is affiliated with another company as described below. A company is an **"Affiliate"** of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is "controlled" by a Person if (a) voting securities of a company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of a company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

“**AGCO**” means the Alcohol and Gaming Commission of Ontario;

“**Associate**” has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**AVC**” has the meaning set out under the heading “*Directors and Officers of the Issuer – Corporate Cease Trade Orders or Bankruptcies*”;

“**Bill 11**” has the meaning set out under the heading “*Regulatory Overview – Canada – Provincial and Territorial Developments—Manitoba*”;

“**BC Cannabis Act**” has the meaning set out under the heading “*Regulatory Overview – Canada – Provincial and Territorial Developments—British Columbia*”;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**Board of Directors**” or “**Board**” means the board of directors of Vinergy;

“**Business Day**” means any day other than a Saturday, Sunday, or a statutory or civic holiday in the City of Vancouver, British Columbia;

“**Canadian Securities Exchange**” has the meaning set out under the heading “*Regulatory Overview*”;

“**Cannabis Act**” means Canada’s *Cannabis Act* (S.C. 2018, c. 16);

“**Cannabis Control Act**” has the meaning set out under the heading “*Regulatory Overview – Canada – Provincial and Territorial Developments—Ontario*”;

“**CBD**” means cannabidiol;

“**CBP**” means the United States Customs and Border Protection;

“**CDA**” means the Colorado Department of Agriculture;

“**CDPHE**” means the Colorado Department of Health and Environment;

“**CDS**” means the CDS Clearing and Depository Services Inc.;

“**CDSA**” *Controlled Drugs and Substances Act* (Canada);

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**Change of Business**” means a redeployment of the Vinergy’s assets or resources that results in a change to the principal business without a major acquisition or change of control;

“**Cole Memorandum**” has the meaning set out under the heading “*Regulatory Overview – U.S. Cannabis Regulation*”;

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Computershare**” means Computershare Trust Issuer of Canada;

“**Concurrent Financing Unit**” has the meaning set out under the heading “*General Development of the Business – Equity Financing*”;

“**Concurrent Financing Warrant**” has the meaning set out under the heading “*General Development of the Business – Equity Financing*”;

“**Concurrent Financing**” has the meaning set out under the heading “*General Development of the Business – Equity Financing*”;

“**CSA**” means the United States *Controlled Substances Act*;

“**CSE**” means the Canadian Securities Exchange;

“**CSE Conditional Approval**” means CSE conditional approval of the Change of Business;

“**CSE Listing**” means the listing of the Vinergy Shares on the CSE;

“**DEA**” Drug Enforcement Administration;

“**DOJ**” means the United States Department of Justice;

“**Dunes**” has the meaning set out under the heading “*Directors and Officers of the Issuer – Corporate Cease Trade Orders or Bankruptcies*”;

“**Eagle Energy**” has the meaning ascribed in “*General Development of Business – Investments – Eagle Energy*”;

“**Eagle Energy Agreement**” has the meaning ascribed in “*General Development of Business – Investments – Eagle Energy*”;

“**FDA**” means the United States Food and Drug Administration;

“**FDAC**” means the United States *Federal Food, Drug, and Cosmetic Act*;

“**FinCEN Memorandum**” has the meaning set out under the heading “*Regulatory Overview – Overview: U.S. Federal Law – General*”;

“**IFRS**” means the International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board, effective January 1, 2011;

“**IHR**” means the Industrial Hemp Regulations under the Cannabis Act;

“**industrial hemp**” or “**hemp**” is a variety of *Cannabis sativa* that is often differentiated based on its chemical profile. Unless otherwise specified herein, “hemp” and “industrial hemp” are used interchangeably.

“**Investments**” has the meaning set out under the heading “*Narrative Description of the Business – Investment Policy*”;

“**Investment Committee**” means the investment committee established by the Board of Directors in accordance with the Investment Policy;

“**Investment Policy**” has the meaning set out under the heading “*Narrative Description of the Business – Investment Policy*”;

“**Issuer**” means Vinergy after giving effect to the Change of Business;

“**January 2017 Financing**” has the meaning set out under the heading “*General Development of the Business – General Development of the Issuer’s Business*”;

“**January 2017 Finder’s Warrants**” has the meaning set out under the heading “*General Development of the Business – General Development of the Issuer’s Business*”;

“**January 2017 Unit**” has the meaning set out under the heading “*General Development of the Business – General Development of the Issuer’s Business*”;

“**January 2017 Warrant**” has the meaning set out under the heading “*General Development of the Business – General Development of the Issuer’s Business*”;

“**LCBO**” means the Liquor Control Board of Ontario;

“**Listing Date**” means the date of the CSE Listing;

“**Listing Statement**” means this listing statement, as may be amended and/or supplemented from time to time;

“**Maxim**” has the meaning set out under the heading “*Directors and Officers of the Issuer – Corporate Cease Trade Orders or Bankruptcies*”;

“**MD&A**” means management’s discussion and analysis;

“**NSLC**” means the Nova Scotia Liquor Control Corporation;

“**OCS**” means an Ontario Cannabis Store;

“**Ontario Regulations**” has the meaning set out under the heading “*Regulatory Overview – Canada – Provincial and Territorial Developments—Ontario*”;

“**Person**” means an Issuer or individual;

“**Pro-Forma Financial Statements**” means the unaudited pro forma statement of financial position for the Issuer as at November 30, 2018 to give effect to the Change of Business as if it had taken place as of November 30, 2018, which is attached to this Listing Statement as Schedule “C”;

“**Phyto Agreement**” has the meaning ascribed in “*General Development of Business – Material Assets and Investments – Phyto Pharma Inc.*”;

“**Phyto**” means Phyto Pharma Inc.;

“**Phyto Share**” means a common share in the capital of Phyto;

“**Phyto Shareholder**” means a holder of a Phyto Share”;

“**Québec Cannabis Act**” has the meaning set out under the heading “*Regulatory Overview – Canada – Provincial and Territorial Developments— Québec*”;

“**Saturna**” has the meaning set out under the heading “*Interest of Experts*”;

“**SOPs**” has the meaning set out under the heading “*Regulatory Overview – Overview: U.S. Federal Law – General Compliance Procedures*”;

“**Staff Notice 51-352**” has the meaning set out under the heading “*Regulatory Overview*”;

“**State Operators**” has the meaning set out under the heading “*Regulatory Overview – U.S. Compliance Procedures*”;

“**THC**” means delta-9-tetrahydrocannabinol;

“**TSX-V**” means the TSX Venture Exchange;

“**U.S.**” or “**United States**” means the United States of America;

“**USAM**” has the meaning set out under the heading “*Regulatory Overview – Overview: U.S. Federal Law – General*”;

“**USDA**” means the United States Department of Agriculture;

“**Vinergy**” means Vinergy Resources Ltd.;

“**Vinergy Financial Statements**” means the audited financial statements of Vinergy for the years ended February 28, 2018 and 2017 and the unaudited interim financial statements of Vinergy for the subsequent nine-month period ended November 30, 2018, which are attached to this Listing Statement as Schedule “A”;

“**Vinergy MD&As**” means Vinergy’s MD&As for the year ended February 28, 2018 and subsequent nine-month period ended November 30, 2018, which are attached to this Filing statement as Schedule “B”;

“**Vinergy Shares**” means the common shares in the capital of Vinergy;

“**Wind**” has the meaning set out under the heading “*Directors and Officers of the Issuer – Corporate Cease Trade Orders or Bankruptcies*”; and

“**Zeus**” has the meaning set out under the heading “*Corporate Structure – Inter-Corporate Relationships*”.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

In this Listing Statement, other words and phrases that are capitalized have the meanings assigned in this Listing Statement.

All references to “\$”, “CDN\$” or “dollars” in this Circular are to lawful currency of Canada unless otherwise expressly stated. References to “US\$” are to United States dollars.

CORPORATE STRUCTURE

Corporate Name, Head and Registered Office and Jurisdiction of Incorporation

The head office of Vinergy is located at 1008 – 409 Granville Street, Vancouver, BC, V6C 1T2 and its registered office address is 1500 – 1055 West Georgia Street, Vancouver, B.C. V6E 4N7.

Vinergy was incorporated as Vanguard Investments Corp. on March 20, 2001 under the *Business Corporations Act* (Alberta). On May 10, 2011, the Issuer changed its name to Vinergy Resources Ltd. and continued the Issuer’s registered jurisdiction from Alberta to British Columbia.

Vinergy has been listed for trading on the CSE since April 14, 2010 under the trading symbol “VIN”.

Inter-Corporate Relationships

On November 30, 2009, the Issuer entered into a share purchase agreement with Zeus Energy Inc. (“**Zeus**”) and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Since that time, Vinergy’s principal business activity has been the acquisition, exploration and development of oil and gas assets.

Re-qualification

The Issuer plans to re-qualify on the CSE following its Change of Business.

GENERAL DEVELOPMENT OF THE BUSINESS

General Development of the Issuer’s Business

From 2009 to 2016, Vinergy was engaged in the business of oil and gas acquisition, exploration and development. However, during the fiscal year ended February 29, 2016, Vinergy wrote off its remaining oil and gas assets and began investigating business opportunities in other sectors.

On January 9, 2017, Vinergy closed a financing consisting of 10,417,000 units (each a “**January 2017 Unit**”) at a price of \$0.20 per January 2017 Unit for gross proceeds of \$2,083,400 (the “**January 2017 Financing**”). Each January 2017 Unit consisted of one Vinergy Share and one-half (1/2) of one common share purchase warrant (each a “**January 2017 Warrant**”), each whole January 2017 Warrant being exercisable into one additional Vinergy Share at a price of \$0.40 until January 9, 2018. Vinergy is entitled to accelerate the expiry date of the January 2017 Warrants upon 30 days’ notice if the volume weighted average price of the Vinergy Shares on the CSE exceeds \$0.55 for any 10 consecutive trading days.

The expiry date of the January 2017 Warrants was extended for an additional six months to July 9, 2018. On July 6, 2018, the Issuer extended the expiry date of the January 2017 Warrants to October 9, 2018. All other terms of the warrants have remained unchanged.

In connection with the January 2017 Financing, Vinergy paid a cash finder’s fee of \$122,803 and issued 329,200 finder’s warrants exercisable to acquire one Vinergy Share at a price of \$0.40 for an exercise period of one year (the “**January 2017 Finder’s Warrants**”). The January 2017 finder’s Warrants are expired as at January 9, 2018.

In early 2018, following a thorough evaluation of the Issuer’s existing resources and a review of its strategic options, the Issuer made a decision to refocus its business operations to become an investment company (see “*General Development of the Business – Transition to an Investment Issuer*”).

Additional information pertaining to Vinergy, including financial information, is contained in the various disclosure documents of Vinergy filed with applicable securities commissions and the CSE and made available through the Internet on the SEDAR website at www.sedar.com and on the CSE website at www.thecse.com.

Other than the transactions detailed herein, Vinergy has not completed any significant acquisitions or dispositions during the most recently completed financial year ended February 28, 2017 or the current financial year.

Transition to an investment issuer

In early 2018, following a thorough evaluation of the Issuer’s existing resources and a review of its strategic options, the Issuer made a decision to refocus its business operations from a junior oil and gas company to an investment company.

The Board of Directors takes the position that the Issuer satisfies all criteria to be categorized as an “investment entity” as defined under IFRS.¹ First, the Issuer has raised capital from multiple arm’s length parties for the purpose of providing investors with the ability to pool funds to earn returns on the capital invested through the appreciation

¹ See IFRS 10 – *Consolidated Financial Statements* and see IFRS 9 – *Financial Instruments*.

of the Issuer’s share price or through investment income from its Investments (as defined in “*Narrative Description of the Business – Investment Policy*”; also see below “*Equity Financing*”). Second, Vinergy has multiple Investments, as detailed in its listing statement, and it intends to invest funds solely for returns from capital appreciation, investment income or both (see below “*Material Assets and Investments*” and see “*Narrative Description of the Business – Investment Policy*”). Third, the Issuer intends to evaluate the performance of its Investments on a fair value basis as it continues to invest in further Investments, which will include both private investment and the marketable securities of public companies. Last, Vinergy plans to continue seeking opportunities to diversify and expand its portfolio of investments in the Cannabis Sector, which the Investment Committee evaluates and deems value creating to both existing and prospective shareholders.

The Board of Directors believes that the current and anticipated cannabis market (see *Narrative Description of the Business – Canada: Overview of the Cannabis Industry Regulation*” and *Narrative Description of the Business – Canada: Overview of the Cannabis Industry Regulation*”), its network of business contacts and its depth of investment experience will enable the Issuer to identify and capitalize on investment opportunities that will bring greater value to the Issuer’s shareholders. Specifically, the Issuer will focus on investing in private and public companies whose businesses involve later stage cannabis business opportunities or other selected sectors with strong intellectual property, exceptional management and high growth potential that may be strategically positioned in the global cannabis market. However, the Issuer may take advantage of special situations and other opportunities, as such opportunities arise, and make investments in other sectors which the Investment Committee identifies from time to time as offering particular value. For a full description of the Issuer’s current holdings, please see “*General Development of the Business – Investments*”. For a full description of the Issuer’s Investment Strategy, please refer to the Issuer’s Investment Policy under the heading “*Narrative Description of the Business – Investment Policy*”.

Equity Financing

On March 22, 2019, Vinergy closed a non-brokered private placement for gross proceeds of \$1,614,679.68 (the “**Concurrent Financing**”) through the sale of 12,805,664 units of Vinergy (a “**Concurrent Financing Unit**”) at a price of \$0.12 per Vinergy Unit, with each Vinergy Unit consisting of one Vinergy Share and one common share purchase warrant (a “**Concurrent Financing Warrant**”). Each Vinergy Warrant is exercisable at a price of \$0.15 per Vinergy Share for a period of 24 months from the date of issuance. In connection with the Concurrent Financing, the Issuer paid eligible finders aggregate cash finder's fees of \$6,720 and issued an aggregate of 56,000 finders warrants (the “**Concurrent Financing Finder’s Warrants**”) which are exercisable at \$0.15 cents per common share until March 21, 2021.

Material Assets and Investments

The following chart is a summary of the Issuer’s material assets and investments. The Issuer has excluded ancillary intellectual property and other minor transactions and investments, with none such items being larger than \$25,000. References to “Direct”, “Indirect” or “Ancillary” classifications of each asset or investment have the meanings ascribed thereto in Staff Notice 51-352 (as defined below). As of the date hereof, none of the Issuer’s investments give the Issuer “Direct” or “Indirect” involvement (as such terms are defined in the Staff Notice 51-352) in the U.S. marijuana industry.

Asset/Issuer Name	Description of Investment	Type of Investment, Classification and Jurisdiction
Phyto Pharma Inc.	The Issuer entered into a Share Exchange Agreement with certain shareholders (the “ Phyto Shareholders ”) of Phyto Pharma Inc. (“ Phyto ”) dated March 28, 2019 (the “ Phyto Agreement ”). On closing the Phyto Agreement, Vinergy will: (1) acquire all of the issued and outstanding common shares in the capital of Phyto (each a “ Phyto Share ”) in consideration	<i>Type of Investment:</i> 100% equity ownership position (valued at \$840,000) <i>Jurisdiction:</i> Colorado, California, Puerto Rico and e-

<p>for 7,000,000 Vinergy Shares at a deemed value of \$0.12 per Vinergy Share; and (2) issue total of 560,000 Vinergy Shares (the “Finder’s Shares”) at a deemed value of \$0.12 per Finder’s Share to an arm’s length third-party finder.</p> <p>As additional consideration, should the revenue of Phyto during the six-month period following the date of closing be greater than \$3,000,000, the Issuer shall issue to the Phyto Shareholders pro rata in proportion to their holdings of Phyto Shares at the time of closing, 7,000,000 Vinergy Shares.</p> <p>Closing of the Phyto Agreement is subject to, among other things, CSE Conditional Approval and Vinergy closing the Vinergy Financing.</p> <p>Phyto is a phytopharmaceutical and intellectual property holding company that has been created to develop products from industrial hemp, using accepted pharmaceutical formulation techniques, to reliably produce identifiable and replicable dosage forms for human use. Phyto has two distinct business segments: (1) a consumer products segment in manufacturing, marketing and selling hemp-based CBD products to a range of market sectors; and (2) a specialty pharmaceutical testing segment focused on developing and commercializing novel CBD products derived from its hemp farming and biomass production.</p> <p>Phyto does not make specific therapeutic claims concerning its products. The use of the terms “pharmaceutical”, “pharmaceutical grade”, “pharmaceutical dosage forms” or any other form thereof are used to describe the scientific process by which new formulation products are created.</p> <p>Phyto’s subsidiary, Full Spectrum Biosciences Inc., holds an approved industrial hemp manufacturing license and an industrial hemp cultivation license in the state of Colorado. Phyto currently operates a 12,000 sq. ft. storage and manufacturing facility for biomass, extraction and distribution of industrial hemp in Denver, Colorado. Phyto also has a proprietary seed strain library and over 20 CBD product scans under its “Rehab RX” brand. Phyto also has products under the brand names “PhytocineTM” and “Medicine Bee”.</p> <p>Phyto’s objective is to scale and implement a state-based production laboratory model in multiple legal jurisdictions, to test, create and produce hemp products through innovative delivery models. Phyto intends to develop and distribute products containing CBD obtained from its industrial hemp cultivation and processing facility located in Colorado.</p> <p>Phyto currently produces and sells hemp-derived CBD products in Colorado, California, Puerto Rico and on its e-</p>	<p>commerce in the United States (where permitted)</p> <p><i>Classification:</i> Direct (licensed manufacturer and distributor of industrial hemp)³</p>
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	<p>commerce site but it intends to expand its operations both domestically and internationally, where legally permitted.²</p> <p>Phyto intends to develop strategic relationships with licensed entities to allow Phyto to manufacture and distribute Phyto products in jurisdictions where legally allowed but where Phyto is not appropriately licensed to do so. Phyto also intends to offer the following strategic services to third parties:</p> <ol style="list-style-type: none"> 1. advisory services to third-parties that are interested in establishing licensed hemp cultivation, processing and sales operations; 2. strategic relationships that create value by sharing expertise and industry knowledge; 3. capital in the form of debt, royalties, or equity to new business units within the cannabis sector; and 4. licensing agreements to use Phyto technology and intellectual property. <p>Phyto has confirmed that it does not directly or indirectly grow, harvest, or distribute or sell cannabis (with the exception of industrial hemp) or any substances that violate or contravene United States federal or state law, nor does it intend to do so in the future.</p> <p>Phyto has confirmed to Vinergy that Phyto, its subsidiaries, affiliates and partnerships, currently meet (and intend to continue to meet) all licensing requirements in the applicable jurisdictions of operation.</p>	
Eagle Energy	<p>Pursuant to a private placement financing, Vinergy purchased 1,245,330 common shares in the capital of Next Level Energy Inc. doing business as Eagle Energy (“Eagle Energy”) at CDN\$0.4015 per common share for an aggregate total investment of \$500,000.00 (the “Eagle Energy Agreement”). Closing of the Eagle Energy Agreement is subject to CSE Conditional Approval.</p> <p>As of the date hereof, the Issuer has advanced \$350,000.00 to Eagle Energy as a partial transfer of the Issuer’s \$500,000.00 investment in Eagle Energy.</p>	<p><i>Type of Investment:</i> \$500,000 equity ownership position</p> <p><i>Jurisdiction:</i> Canada with intention to target certain U.S. states.</p> <p><i>Classification:</i> N/A⁴</p>

³ At this time, Phyto directly manufactures and distributes industrial hemp and hemp derived CBD products in the state of Colorado and (through strategic relationships with third party license holders) in the state of California and in Puerto Rico (see below “*Regulatory Overview*”), which activities are federally legal in both the U.S. and in local jurisdiction. Phyto also recently received approval to distribute its products (where permitted) through its e-commerce site on Amazon.com.

² *Ibid.*

⁴ At this time, Eagle Energy does not supply its products to the U.S. Eagle Energy’s technology is categorized as “device and manufacturing intellectual property”, therefore, if it is sold in the U.S., Eagle Energy may be categorized as having “ancillary” U.S. cannabis-related involvement.

	<p>Eagle Energy is in the business of manufacturing and distributing a proprietary and first to market caffeine inhaler. Eagle Energy plans to be a world leader in plant-based supplement inhaler delivery systems. The Eagle Energy product is an electronic caffeine delivery system that allows consumers to inhale their caffeine without any calories or sugar. The patent-pending electronic inhaler contains a formula of natural plant extracts that provides the user with a fast-acting energy boost.</p>	
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Terminated Investments

As part of Vinergy’s Investment Policy (defined herein), its objective is to identify promising companies with excellent projects, innovative technologies or both (see “*Narrative Description of the Business – Investment Policy*”). Vinergy seeks investment opportunities with attractive risk to reward ratios. The Issuer may, for a number of reasons including, but not limited to, changing market conditions, a recommendation from the Board of Directors or the availability of a more suitable investment opportunity, elect to terminate a particular investment (see “*Risk Factors – Termination of Investments in Certain Circumstances*”).

MJ BioPharma

Vinergy has advanced the aggregate amount of \$590,698.00 to a private company, doing business as MJ BioPharma, pursuant to an intended transaction whereby the Issuer would acquire all of the issued and outstanding securities of MJ BioPharma. The Issuer elected to terminate this transaction. As of the date hereof, the full amount of \$590,698.00 remains outstanding. The Issuer is in the process of reviewing this receivable for collectability.

Botanical Technologies Inc.

Vinergy has advanced the aggregate amount of \$150,000 to Botanical Technologies Inc., a private company operating in the cannabis space, pursuant to an intended transaction whereby the Issuer would acquire all of the issued and outstanding securities of Botanical Technologies Inc. The Issuer elected to terminate this transaction. As of the date hereof, the full amount of \$150,000 remains outstanding. The Issuer is in the process of reviewing this receivable for collectability.

Private Cannabis Company Investment

In June 2018, Vinergy advanced the aggregate amount of \$250,000.00 to a possible acquisition target – a private company operating in the cannabis space. The Issuer elected to terminate this transaction. As of October 2018, the full amount of \$250,000.00 has been repaid to the Issuer.

REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a general discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Issuer may have direct, indirect or ancillary involvement through its subsidiaries and Investments.

At this time, the Issuer has direct exposure to U.S. industrial hemp-related activities but no other exposure to U.S. cannabis-related activities, direct, indirect, ancillary or otherwise. However, the Issuer’s investment strategy under its Investment Policy (see “*Narrative Description of the Business – Investment Policy*”) makes it likely that the Issuer will gain exposure to U.S. cannabis-related activities (in addition to industrial hemp-related activities) in a number of ways including, without limitation: (i) the manufacture and sale of its Investments’ cannabis consumer products in certain states, (ii) material investments in U.S. cannabis companies that operate in certain states, that may or may

not result in the Issuer gaining control over the Issuer and (iii) immaterial investments or ancillary involvement in companies that operate in certain states.

In accordance with Staff Notice 51-352, the Issuer will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Summary of the Issuer’s U.S. Cannabis Activity

As of the date hereof, the Issuer has direct and ancillary exposure to U.S. industrial hemp-related activities through its investment in Phyto but no other exposure to U.S. cannabis-related activities, direct, indirect, ancillary or otherwise. The Issuer intends to make investments in companies that undertake U.S. cannabis-related activities through (i) acquiring a controlling interest in a licensed manufacturer and distributor (ii) the manufacture and sale of cannabis consumer products, (iii) material investments in companies with U.S. cannabis-related activities it does not control and (iv) immaterial investments or ancillary involvement in companies it does not control that operate in the cannabis sector.

The Issuer will restrict its investments to companies and dealers that are in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state (see “*Overview: U.S. Federal Law – Compliance with Applicable State Law in the United States*”).

One of the Issuer’s Investments, Phyto, is in the business of producing and selling industrial hemp and hemp-based CBD products (see “*General Development and Business of the Issuer – Material Assets and Investments*”). While such products come from the same plant genus and species, Industrial Hemp and marijuana are legally distinct and are generally regulated, respectively, by two separate overarching bodies of law: the 2018 Farm Bill and the CSA (each defined herein). See “*Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries*”. Consequently, Phyto’s products are not sold pursuant to the rules and regulations governing the cultivation, transportation and sale of medicinal or recreational cannabis. Rather, Phyto cultivates, processes, transports and sells its products pursuant to the 2018 Farm Bill and in accordance with applicable state and local laws. All industrial hemp produced and sold by Phyto constitutes industrial hemp under the 2018 Farm Bill, as well as the laws of the states in which it produces and sells such industrial hemp. If sold internationally, products are sold in accordance with the laws of the importing and exporting jurisdiction.

The following table is a summary of the Issuer’s balance sheet exposure to U.S. cannabis-related activities, expressed in Canadian dollars:

	Operating Subsidiary
Current assets	\$172,075
Non-current assets	\$-
Total assets	\$172,075
Current liabilities	\$397,466
Non-current liabilities⁽¹⁾	\$-
Total liabilities	\$397,466
Members’ equity	\$(225,391)
Total liabilities and Member’s equity	\$172,075

Note:

(1) Payable to the Issuer.

The following is a summary of the operating losses from U.S. cannabis-related activities for the period ended November 30, 2018:

Operating Subsidiary

Revenue	\$284,006
Cost of sales	\$(221,161)
Gross margin	\$62,845
Less – Operating expenses	\$(419,821)

The operating expenses above include expenses directly incurred by the Issuer’s through its US Investments. These operating expenses do not include any allocation of costs incurred at the Issuer’s Canadian head office and for Canadian employees. They also exclude any share-based compensation.

The following represents the portion of certain assets on the Issuer’s consolidated balance sheet that pertain to U.S. Cannabis activity as of November 30, 2018:

Balance Sheet Line Item	Percentage which Relates to Holdings with U.S. Cannabis-Related Activities
Cash	\$61,647 (4%)
Deposits	\$-
Property and equipment	\$74,610 (100%)
Intangible assets	\$-

The Issuer has looked at all its holdings that are based in the U.S. and given that none of these holdings have any Canadian operating activity, all holdings in such entities was included in the Company’s assets.

Readers are cautioned that the foregoing discussion regarding financial information was drawn from the Issuer’s Pro Forma Financial Statements and has not been audited nor is it in compliance with IFRS based on consolidation principles.

Table of Concordance

In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	See “ <i>General Development and Business of the Issuer</i> ” See “ <i>General Development and Business of the Issuer – Material Assets and Investments</i> ”
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	See <i>Cover Page</i> (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” See “ <i>Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	conducts U.S. marijuana-related activities.	<i>Industrial Hemp Industries</i>
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	See “ <i>Risk Factors – General Risks</i> ” See “ <i>Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries</i> ”
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	See “ <i>Regulatory Overview – Ability to Access Public and Private Capital</i> ” See “ <i>Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries</i> ” See “ <i>Risk Factors – General Risks</i> ”
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.	See “ <i>General Development and Business of the Issuer – Material Assets and Investments</i> ” See “ <i>Regulatory Overview – Summary of the Issuer’s U.S. Cannabis Activity</i> ”
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has not been obtained at this time. See “ <i>Regulatory Overview – U.S. Compliance Procedures</i> ”
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” See “ <i>Regulatory Overview – U.S. Compliance Procedures</i> ”
	Discuss the issuer’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” See “ <i>Regulatory Overview – U.S. Compliance Procedures</i> ”

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer’s license, business activities or operations.	
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer’s investee(s) operate.	N/A
	Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s license, business activities or operations.	N/A
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A

U.S. Cannabis Regulation

Federal Regulation

Although a number of states of the United States have legalized medical marijuana, recreational marijuana, or both, it remains illegal under United States federal law. Cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government’s approach to enforcement of such laws has of least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice (“**DOJ**”) issued a memorandum known as the “**Cole Memorandum**” to all U.S. Attorneys’ offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated

medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated cannabis businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute cannabis-related offenses. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

On January 15, 2019, U.S. Attorney General nominee William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan or any other service could be found guilty of money laundering or conspiracy. Despite these laws, in February 2014, the Financial Crimes Enforcement Network ("**FCEN**") of the Treasury Department issued a memorandum (the "**FCEN Memorandum**") providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memorandum. Please refer to "*Risk Factors*" for further discussion.

State Regulation

As of the date hereof, the Issuer does not have an operating presence in any U.S. state with respect to cannabis related activities (other than industrial hemp operations; see below "*U.S. Federal Law—Industrial Hemp*" and "*U.S.*

State Law—Industrial Hemp”). Upon acquiring U.S. operations in a particular state, the Issuer will, as soon as reasonably practicable, evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

Although the Issuer intends to make commercially reasonable efforts to ensure that the activities of its Investments are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Issuer of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Issuer.

U.S. Federal Law – Industrial Hemp

On December 20, 2018 the Agricultural Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law by President Donald Trump. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States.

Under the 2018 Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol [THC] concentration of not more than 0.3 percent on a dry weight basis.” Although the U.S. federal government removed hemp from the CSA, it must be removed by each state to allow farming and extraction. The U.S. Department of Agriculture (the “**USDA**”) has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the USDA to review and approve any state-promulgated regulations relating to industrial hemp. Under the 2018 Farm Bill, state departments of agriculture must consult with the state’s governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. Until such time as the USDA approves a state’s industrial hemp regulations, commercial sale of industrial hemp may not be permissible. In states opting not to devise a hemp regulatory program, the USDA will construct a regulatory program under federally-run program.

The timing of such USDA regulations cannot be assured. Further, under the 2018 Farm Bill, the United States Food and Drug Administration (“**FDA**”) has retained authority over the addition of CBD to products that fall within the Food, Drug and Cosmetics Act (the “**FDCA**”). As per a FDA statement dated December 20, 2018, the FDA confirmed that it is unlawful under the FDCA to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived (see “*Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries*”).

The FDCA is also intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application (“**NDA**”) process or conform to a “monograph” for a particular drug category, as established by the FDA’s Over-the-Counter (“**OTC**”) Drug Review. CBD is an active ingredient in drug products that have been

approved or authorized for investigation by the FDA; therefore, under the FDA's current position, it cannot be used in dietary supplements or as a food additive.

There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. Additionally, the 2018 Farm Bill does not legalize CBD derived from "marihuana" (as such term is defined in the CSA), which is and will remain a Schedule I controlled substance under the CSA.

Continued development of the industrial hemp industry—specifically with regards to CBD and the cannabinoid product industry—will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Issuer's investments in such businesses would be materially and adversely affected. See "*Risk Factors*".

U.S. State Law – Industrial Hemp

The Issuer intends to make commercially reasonable efforts to ensure that all its State Operators (defined herein) operate in accordance with federal and applicable state law concerning the cultivation, production and sale of industrial hemp and hemp products (including CBD products derived from hemp).

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally-approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan.

Historically, the fifty U.S. states have had different laws (or lack thereof) regulating industrial hemp. Based on the Issuer's review of state laws, it notes that few states (if any) have state statutory language which explicitly prohibits the retail sale of hemp-derived CBD. Prior to the implementation of the 2018 Farm Bill (and corresponding state federal/state approval requirements), Kentucky, Tennessee, Indiana, Missouri and Colorado had passed laws that explicitly exempted hemp extracts such as CBD from legal prohibitions normally incurred by controlled substances such as cannabis. The Issuer does not anticipate the regulations of these states to change based on recent federal regulatory developments. Further, the Issuer's position is that where state law is silent on the subject of hemp-derived CBD's legality, federal law provides protection, particularly in those states that have adopted model legislation that explicitly exempt from control those products and substances that are exempted by federal law.

The Issuer expects that many states will seek to have primary regulatory authority over the production of hemp and CBD products derived from hemp. However, it is unclear at this time how the FDA intends to enforce its policy against adding CBD and THC to food and beverages, or how it plans to interpret statements concerning "a claim of therapeutic benefit".⁵ On March 20th, 2019, CVS Pharmacy announced that it intends to sell over-the-counter CBD products, including CBD-infused sprays, roll-ons, creams and salves to be used as an "alternative source of relief" in 800 stores in eight U.S. states (see "*Risk Factors – Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries*").⁶ Certain critics have cautioned that there is a risk that "people turn down effective medications to use unproven products, like CBD". However, as of the date hereof, the FDA has avoided issuing specific/situational guidance. The FDA's current position (as of the date hereof) is as follows:

⁵ Lyndsay Meyer, "Statement from FDA Commissioner Scott Gottlieb, M.D., on signing of the Agriculture Improvement Act and the agency's regulation of products containing cannabis and cannabis-derived compounds" (December 20, 2018), online: U.S. Food and Drug Administration <<https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm>>.

⁶ Shamard Charles, M.D., "CVS to sell CBD products in 800 stores in 8 states" (March 21, 2019), online: NBC News <<https://www.nbcnews.com/health/health-news/cvs-sell-cbd-products-800-stores-8-states-n986016>>.

“When a product is in violation of the FD&C Act, FDA considers many factors in deciding whether or not to initiate an enforcement action. Those factors include, among other things, agency resources and the threat to the public health. FDA also may consult with its federal and state partners in making decisions about whether to initiate a federal enforcement action.”⁷

In late 2018, the FDA confirmed, “pathways remain available for the FDA to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in food or dietary supplements”. On April 2, 2019, the FDA announced that intends to hold a public hearing on May 31, 2019 for stakeholders to share their experiences and challenges with CBD products, including information and views related to product safety. The FDA further announced its intention to form a high-level internal agency working group to explore potential pathways for dietary supplements and/or conventional foods containing CBD to be lawfully marketed; including a consideration of what statutory or regulatory changes might be needed and what the impact of such marketing would be on the public health.⁸ In light of the FDA’s statements and the fact that there is growing support from industry and the scientific community to ‘de-regulate’ CBD generally,⁹ the Issuer anticipates the FDA to continue the status quo of federal ‘non-enforcement’ in cases where state and local law permit certain activities.

Colorado

Investment Activities

As of the date hereof, the Issuer has one Investment—Phyto (see “*General Development and Business of the Issuer – Material Assets and Investments*”)—with U.S. hemp-related activities. Through Phyto, the Issuer has direct involvement in the U.S. industrial hemp industry. The Issuer has no knowledge about or control over which states Phyto’s products may transit through once Phyto delivers its products to the designated primary destination. Regulations with respect to the treatment of industrial hemp vary from state to state and continue to evolve.

Regulatory Changes

Prior to the implementation of the 2018 Farm Bill, Colorado had a legal industrial hemp industry with a robust regulatory program in place (discussed below). Over the upcoming year, the state will update its current regulatory model to conform with federal requirements under the 2018 Farm Bill. The Issuer intends to take commercially reasonable steps to ensure Phyto continues to satisfy operational and regulatory requirements in Colorado (see below “*U.S. Compliance Procedures*”).

History of Colorado Regulations prior to 2018 Farm Bill

Passed in 2012, Amendment 64 to the Colorado Constitution directed the General Assembly to enact legislation governing the cultivation, processing and sale of industrial hemp by July 1, 2014. In 2013, responsibility for establishing regulations pertaining to the cultivation of industrial hemp, including registration and inspection, was delegated to the Colorado Department of Agriculture (“**CDA**”). The CDA adopted rules and regulations that set forth requirements for registration, inspection, and testing. Registration requirements include but are not limited to: disclosing the name and address of the entity that will hold the registration, and the name of each officer, director, member, partner or owner of at least 10% of the entity and any other person who has managing or controlling

⁷ U.S. Food and Drug Administration, “FDA and Marijuana: Questions and Answers” (December 20, 2018), online: U.S. Food and Drug Administration <<https://www.fda.gov/NewsEvents/PublicHealthFocus/ucm421168.htm>>.

⁸ FDA Statement, FDA US Food & Drug Administration, online: <<https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm635048.htm>>.

⁹ Judith Kohler, “Legislators, hemp advocates say farm bill is a boon for Colorado’s growing industry” (December 13, 2018), online: The Denver Post <<https://www.denverpost.com/2018/12/13/colorado-hemp-farm-bill-impacts/>>; Bill Ranford, “Colorado’s hemp industry seen to have a green future” (January 12, 2019), online: The Gazette <https://gazette.com/business/colorado-s-hemp-industry-seen-to-have-a-green-future/article_83520c76-0ada-11e9-83a8-2b7168446965.html>; see Note by the Secretariat on the scope of control of substances: proposed scheduling recommendations by the World Health Organization on cannabis and cannabis-related activities, ECOSOC CND, 62nd Sess, Annex, Provisional Agenda Item 9(a), UN Doc E/CN.7/2019/12 at 10, (the WHO recommended “adding a footnote to the entry for cannabis and cannabis resin in Schedule I of the 1961 Convention to read ‘Preparations containing predominantly cannabidiol [CBD] and not more than 0.2 per cent of delta-9-tetrahydrocannabinol [THC] are not under international control’”).

authority over the entity; providing the CDA with GPS coordinates and a map of the land area where the industrial hemp will be cultivated; listing the intended use of harvested industrial hemp materials; and payment of a non-refundable fee. All registrants are subject to routine inspection and sampling by the CDA to verify that the THC concentration of the plants being cultivated does not exceed 0.3% on a dry weight basis¹⁰, and to ensure registrants are complying with applicable reporting requirements. Reporting requirements include a pre-planting report detailing the varieties to be planted, a planting report specifying the exact land areas where planting occurred, and a harvest report documenting the size of the harvest and the anticipated harvest date.

Following the implementation of section 7606 of the *Agricultural Act of 2014* (the “**2014 Farm Bill**”), the Colorado legislature passed the Colorado Industrial Hemp Regulatory Program Act establishing the Colorado Industrial Hemp Regulatory Program. The Colorado Industrial Hemp Regulatory Program Act expressly authorizes two distinct categories of Industrial Hemp cultivation registration to be issued and administered by the CDA: (i) Research and Development; and (ii) Commercial. “Research and Development” is defined as the “cultivation of industrial hemp by an institution of higher education under the pilot program administered by the CDA for purposes of agricultural or academic research in the development of growing industrial hemp.” In comparison, “Commercial” is defined as “the growth of industrial hemp, for any purpose including engaging in commerce, market development and market research, by any person or legal entity other than an institution of higher education or under a pilot program administered by the CDA for purposes of agricultural or academic research in the development of growing industrial hemp.”

On May 30, 2018, the governor of Colorado signed House Bill 18-1295 into law. This legislation modifies the Colorado Food and Drug Act to establish that food, cosmetics, drugs, and devices, as those terms are defined in the act, are not adulterated or misbranded by virtue of containing industrial hemp. This law codified a policy established in 2017 by the Colorado Department of Health and Environment (“**CDPHE**”) that allowed for the production and sale of food products containing industrial hemp, so long as certain express conditions were satisfied. Under applicable legislation, food products containing industrial hemp must be produced by a wholesale food manufacturing facility that has registered with the CDPHE, and the finished product must contain a THC concentration of no more than three-tenths of one percent (0.3%).

Ability to Access Public and Private Capital

The Issuer expects in the future to raise equity and/or financing in public markets in Canada. If the Issuer’s ability to raise equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Issuer expects that it may have to raise equity and/or debt financing privately. However, commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to businesses engaged in cannabis-related activities. There can be no assurance that additional financing, if raised privately, will be available to the Issuer when needed or on terms which are acceptable. The Issuer’s inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See “*Risk Factors – Additional Financing*”.

U.S. Compliance Procedures

The Issuer will take commercially reasonable steps to ensure that each of its current and future Investments that has “Direct”, “Indirect”, “Ancillary” or other forms of involvement in the U.S. cannabis industry (collectively, the “**State Operators**” and each, a “**State Operator**”) holds all licenses, permits and/or requisite authorizations, as applicable, to enable the State Operator to comply with the applicable licensing requirements and regulatory framework enacted by the applicable U.S. state for any of such State Operator’s business. Further, the Issuer will take commercially reasonable steps to learn of and to promptly disclose (unless otherwise required by law) any notices of violation with respect to any Non-Licensed Entity’s cannabis-related activities by its respective regulatory authority.

¹⁰ In November 2018—shortly before the 2018 Farm Bill was signed by President Trump—Colorado codified the definition of “industrial hemp” into a statute, thereby enabling the state to change its definition more easily in the event that the federal government implements changes.

The Issuer will require each of its State Operators to utilize, an enterprise compliance platform, as required, which integrates that State Operator's inventory management program and standard operating procedures ("SOPs") with the software's compliance checklists and auditing features to facilitate continued compliance with state and local requirements. The Issuer will require its State Operators to use comprehensive compliance software solution that is developed specifically for the cannabis industry. The software must feature, among other things, a robust auditing system that allows for both internal as well as third-party compliance auditing, covering all state and municipal, facility and operational requirements. Further, the software must monitor regulations in real-time and have a mechanism to track all required licensing maintenance criteria and account for any regulatory changes.

The Issuer intends to make commercially reasonable efforts to ensure that all its activities, including those of its State Operators, are compliant with applicable U.S. state and local law. To do so, the Issuer will access legal counsel, where necessary, and will develop a robust compliance program catered towards each State Operator that is designed to ensure operational and regulatory requirements continue to be satisfied within requisite state and local jurisdiction. As part of such program, the Issuer intends to retain local outside counsel in each state where a State Operator operates to monitor that State Operator's compliance with U.S. state law on an ongoing basis. The Issuer will work closely with U.S. counsel to develop and improve its internal compliance program, and will defer to their legal opinions and risk mitigation guidance regarding each state regulatory framework. The internal compliance program, including the use of a compliance platform, will require continued monitoring by managers and executives of the Issuer and the State Operators to ensure all operations conform with legally compliant SOPs. The Issuer will also require the employees and management of its State Operators to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

While the Issuer intends to take commercially reasonable steps to ensure that the business activities of its State Operators are compliant with applicable state and local law, certain activities remain illegal under United States federal law. See "*Risk Factors – Risks Specifically Related to the United States Regulatory System*".

Overview: Canadian Law

Legislation legalizing the recreational use of cannabis in Canada was implemented on October 17, 2018 under the Cannabis Act. The Cannabis Act is intended to support the federal government's platform advocating for the legalization of recreational cannabis in order to regulate the illegal market and restrict access by under-aged individuals. The Cannabis Act regulates the production, distribution and sale of cannabis for adult use.

The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis. Provincial legislation has implemented measures authorizing the sale of cannabis that has been produced by a person authorized under the Cannabis Act to produce cannabis for commercial purposes. The licensing, permitting and authorization regime has been implemented by regulations made under the Cannabis Act.

The Cannabis Act enables the ability to provide legal access to cannabis and to control and regulate its production, distribution and sale.

Federal Developments

On October 17, 2018, the Cannabis Act came into force, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act coming into force, only the sale of medical cannabis was legal and was regulated by the ACMPR made under the CDSA. The Cannabis Act replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract. Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force (being October 17, 2018) is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires. Given that the Cannabis Act is very new, the impact of such regulatory changes on the Corporation's business is unknown.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal (i.e., adult use/recreational) use, to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

The Cannabis Act, among other things, set out regulations relating to the following matters:

1. Licences, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging, Labelling and Advertising;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Industrial Hemp Products

Industrial hemp in Canada is regulated under the Industrial Hemp Regulations (“**IHR**”), pursuant to subsection 139(1) of the Cannabis Act. The IHR sets out the regulatory framework for controlling and authorizing activities involving industrial hemp. The IHR defines Industrial Hemp as “a cannabis plant – or any part of the plant – in which the concentration of delta-9-tetrahydrocannabinol (“**THC**”) is 0.3% or less in the flowering heads and leaves”. A license issued by Health Canada under the IHR is required in order to conduct various activities involving Industrial Hemp (those who obtain the license are not subject to the Cannabis Regulations). An IHR issued license allows the holder to conduct certain activities authorized by that specific category of license, including, selling, importing and exporting Seed or Grain and cultivating industrial hemp. These licenses also authorize certain ancillary activities, such as harvesting and transferring industrial hemp, and making certain derivative industrial hemp products, such as hulled hemp seed, hemp protein and hemp seed oil.¹¹

Not every activity that involves industrial hemp falls within the scope of the IHR. For example, the extraction of cannabidiol (“**CBD**”) or another phytocannabinoid from the flowering heads, leaves and branches of the plant (whether categorized as hemp or otherwise) falls under the jurisdiction of the Cannabis Regulations and requires a cannabis processing license issued under the Cannabis Act.¹² As of the date hereof, edible cannabis products, such as CBD infused products, are illegal in Canada (see below “*Cannabis Products*”).

Licences, Permits and Authorizations

The Cannabis Act establishes six different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity: (i) cultivation licenses; (ii) processing licenses; (iii) analytical testing licenses; (iv) sales for medical purposes licenses; (v) research licenses; and (vi) cannabis drug licenses. The Cannabis Act also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro processing). Different licenses and each subclass therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each subclass. The Cannabis Act provide that all licences issued under the Cannabis Act will be valid for a period of no more than five years.

¹¹ Canada, Health Canada, Industrial Hemp Licensing Application Guide, (Guide) (Canada: Health Canada, 16 October 2018), online <<https://www.canada.ca/content/dam/hc-sc/documents/services/publications/drugs-health-products/industrial-hemp-licensing-application-guide/pub-eng.pdf>>.

¹² *Ibid.*

The Cannabis Act provides that all licences issued under the Cannabis Act are valid for a period of no more than five years and that no licensed activity (except for destruction, antimicrobial treatment and distribution) be conducted in a dwelling-house. The Cannabis Act also permits both outdoor and indoor cultivation of cannabis. The implications to allow outdoor cultivation are not yet fully known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Security Clearances

Select personnel (including individuals occupying a “key position,” directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licences issued under the Cannabis Act are obliged to hold a valid security clearance issued by the Minister of Health. The Cannabis Act enables the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences.

Health Canada acknowledges in the Cannabis Act that there are individuals who may have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health is authorized to grant security clearances to any individual on a case-by-case basis.

Cannabis Tracking System

Under the Cannabis Act, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Act provides the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister of Health. The Minister has introduced the Cannabis tracking, and licence holders are required to use this system to submit monthly reports to the Minister, among other things.

Cannabis Products

The Cannabis Act permits the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, including in such forms as “pre-rolled” and capsule products. The THC content and serving size of cannabis products is limited by the Cannabis Act. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited but are expected to be permitted within one year following the coming into force of the Cannabis Act. The Cannabis Act acknowledges that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Cannabis Act include vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging, Labelling and Advertising

The Cannabis Act sets out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements require plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator; (ii) a mandatory health warning, rotating between Health Canada’s list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

The Cannabis Act introduces restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act.

Cannabis for Medical Purposes

With the Cannabis Act in force on October 17, 2018, the medical cannabis regime migrated from the CDSA and the ACMPR to the Cannabis Act. The medical cannabis regulatory framework under the Cannabis Act remains substantively the same as existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under Part 14 of the regulations under the Cannabis Act, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with licensed producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as marijuana plants or seeds, must be obtained from licensed producers. It is possible that (ii) and (iii) could significantly reduce the addressable market for the Issuer's products and could materially and adversely affect the business, financial condition and results of operations of the Issuer. However, management of the Issuer believes that many patients may be deterred from opting to proceed with options (ii) or (iii) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken a scientific, evidence-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. *Cannabis sativa* with less than 10 parts per million of THC can be used in natural health products, foods, vet products, cosmetics etc. as long as they are from the permissible parts of the plant and from a variety registered under the industrial hemp regulations. There is no current pathway for cannabis (more than 10ppm THC) or its derivatives (THC/CBD) to be in NHPs with health claims, cosmetics with cosmetic claims, OTCs, pet health products or foods. Phytocannabinoids are on the PDL and can undergo DIN registration for human and veterinary drug products.

Canada – Provincial and Territorial Developments

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the Canadian Federal Government, the Cannabis Act provides that the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

All Canadian provinces and territories have announced their current or proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are essentially three general frameworks: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g., privately licensed bricks and mortar retail stores, while online retail stores are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market is ultimately supplied by federally licensed cultivators and processors. In many cases, the provinces that have or propose to have privately licensed retailers will have a government run wholesaler. Such privately licensed retail stores are or will be required to obtain their cannabis products from the wholesalers, while the wholesalers, in turn, acquire the cannabis products from the federally licensed cultivators and processors. In addition, each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age is 18.

British Columbia

On December 5, 2017, the Government of British Columbia announced a hybrid retail and distribution model that would allow private retail distribution of cannabis through dispensaries. The announcement noted that the provincial

Liquor Distribution Branch would handle wholesale distribution of cannabis and both public and private retail dispensaries, such as those proposed to be operated by the Issuer, would be eligible to operate in the province.

On February 5, 2018, the Government of British Columbia announced that, among other matters:

- the rules governing recreational cannabis retail stores will be similar to those currently in place for liquor retail stores;
- public and private retailers will have similar operating rules; and
- recreational cannabis retail stores will not be co-located with any other businesses, such as liquor stores or pharmacies.

On April 26, 2018, the Government of British Columbia introduced bill C-30, *the Cannabis Control and Licensing Act* (the “**BC Cannabis Act**”), which, along with the proposed bill C-31, the Cannabis Distribution Act, contains the legal framework for recreational cannabis sales in British Columbia. The BC Cannabis Act provides clarity to the proposed retail framework announced by the Government of British Columbia on February 5, 2018. The BC Cannabis Act, among other things:

- sets the minimum age to purchase, sell or consume recreational cannabis in British Columbia as 19;
- stipulates that adults are allowed to possess up to 30 grams of cannabis in a public space;
- prohibits the use of cannabis on school properties and in vehicles; and
- authorizes adults to grow up to four cannabis plants per household, other than in properties that are used as day-cares, and requires that such plants not be visible from public spaces off the property.

The BC Cannabis Act was passed on May 17, 2018 and subsequently received royal assent on May 31, 2018. On July 9, 2018, the Cannabis Control and Licensing Interim Regulations (British Columbia) and the Cannabis Transitional Regulation (British Columbia) came into force. The Cannabis Control and Licensing Interim Regulations (British Columbia) provided a framework for the licensing of private retailers of cannabis. On October 17, 2018, the Cannabis Control and Licensing Interim Regulations (British Columbia) and the Cannabis Transitional Regulation (British Columbia) were repealed.

In their place, three new regulations came into force on October 17, 2018: the Cannabis Licensing Regulation (British Columbia), Cannabis Control Regulation (British Columbia), and the Cannabis Control and Licensing Transitional Regulation (British Columbia).

The Cannabis Licensing Regulation (British Columbia) establish the regime governing the sale of recreational cannabis in British Columbia, including the licensing of privately-owned cannabis retail outlets. The Cannabis Licensing Regulation (British Columbia):

- do not set a maximum number of licenses to be awarded, but stipulate that an applicant for a
- retail store licence or group of related persons must not hold more than 8 retail store licences;
- set out the two classes of licences; retail store licences and marketing licences;
- authorize the security manager to carry out investigations and background checks;
- set out general rules and requirements with respect to licences;
- establish the framework for compliance and enforcement, including the schedule for
- administrative monetary penalties and suspensions for non-compliance by licensees; and
- prohibit the opening of cannabis or consumption of cannabis in licenced retail stores and government cannabis stores.

Alberta

Alberta Bill 26, *An Act to Control and Regulate Cannabis*, and Bill 29, *An Act to Reduce Cannabis and Alcohol Impaired Driving*, received royal assent on December 15, 2017. Sections 1-16 of Bill 29 have been proclaimed in force April 8, 2018. Bill 26 amends the Gaming and Liquor Act and will allow for the purchase of cannabis through privately run retail stores and government-operated online sales. The Alberta Gaming and Liquor Commission is the sole wholesale distributor in the province.

Consumption of cannabis is allowed anywhere that tobacco consumption is permitted, but cannabis use is banned in vehicles. Smoking and vaping cannabis is prohibited on hospital, school or child care properties, and within prescribed distances of areas such as playgrounds, sports fields and outdoor pools. Albertans are allowed to grow up to four plants per household, and there is a possession limit of 30 grams of cannabis in a public place. The Regulations to the Gaming and Liquor Act were amended to include regulations related to cannabis on February 15, 2018 and will come into force upon the coming into force of Bill 26.

Saskatchewan

On January 8, 2018, the Government of Saskatchewan released details of the provinces proposed distribution framework whereby the SLGA would initially licence approximately 60 private cannabis retail applicants in 40 Saskatchewan municipalities and First Nation communities. Private cannabis retailers is only permitted to sell cannabis, cannabis accessories and ancillary items in standalone storefront operations. In addition to private cannabis retail shops, Saskatchewan also permits the private sector to provide cannabis at the wholesale level, meaning the private sector is permitted to source cannabis products from licenced producers and sell to private retailers, such as those proposed to be operated by the Issuer. On March 14, 2018, the Government of Saskatchewan released its framework for the deregulation of cannabis for adult use, provided details regarding its plan for the distribution, sale and use of cannabis in Saskatchewan, and began the selection process for the 51 cannabis retail permits available in the province.

The Cannabis Control (Saskatchewan) Act received royal assent on May 30, 2018. On October 17, 2017, The Cannabis Control (Saskatchewan) Regulations came into force. The Cannabis Control (Saskatchewan) Regulations sets out a detailed regime for the sale of cannabis in Saskatchewan, including the conditions required to obtain retail store and wholesale permits, as well as the conditions under which transfers of permits are allowed.

Manitoba

On November 7, 2017, the Government of Manitoba announced a hybrid retail and distribution model that would allow private retail distribution of cannabis through dispensaries. The announcement stated that all cannabis sold in retail stores must be purchased from the Manitoba Liquor and Lotteries Corporation, which will source product from federally licensed producers, and that provincial regulation of wholesaling, distribution and retail in Manitoba will be through the Liquor and Gaming Authority. On December 5, 2017, the Government of Manitoba introduced Bill 11, *The Safe and Responsible Retailing of Cannabis Act (Liquor and Gaming Control Act and Manitoba Liquor and Lotteries Corporation Act Amended)* (“**Bill 11**”), which contains the regulatory framework for recreational cannabis sales in Manitoba.

On February 16, 2018, following a request for proposals issued on November 7, 2017 seeking applicants to operate cannabis retail outlets, the Government of Manitoba announced that it conditionally accepted proposals from four organizations, which does not include the Issuer, to operate cannabis retail outlets in Manitoba.

Bill 11 was accented on June 4, 2018 and amended The Liquor and Gaming Control Act (Manitoba) and The Manitoba Liquor and Lotteries Corporation Act to authorize and regulate the retail sale of cannabis in Manitoba when such sales are permitted by the federal government.

Ontario

On September 8, 2017, the Government of Ontario announced its proposed plan to give the existing Liquor Control Board of Ontario (“**LCBO**”) the oversight of retail sales of recreational cannabis in Ontario, upon the deregulation of cannabis for adult use in Canada. On December 12, 2017, the Ontario government passed the *Cannabis Control*

Act, 2017 (Ontario) (“**Cannabis Control Act**”), which regulates certain aspects of the lawful use, sale and distribution of recreational cannabis. Ontario’s legislative and regulatory framework sets out, among other matters:

- creates a new provincial retailer overseen by the LCBO, the Ontario Cannabis Retail Corporation;
- to manage the distribution of recreational cannabis through stand an LCBO-controlled online;
- order and distribution service, which together, will comprise the only channels through which consumers will be able to legally purchase recreational cannabis in Ontario;
- sets a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and
- allows the smoking or vaping of cannabis wherever smoking of tobacco is permitted.

On October 17, 2018, the Cannabis Statute Law Amendment Act, 2018 came into force and amended several aspects of Ontario’s cannabis regulatory regime, including the Cannabis Control Act, and enacted the Ontario Cannabis Act.

The Ontario Cannabis Act sets out the licensing scheme for private cannabis retail stores in Ontario and is administered by the Alcohol and Gaming Commission of Ontario (“**AGCO**”). The AGCO has began accepted licensing applications.

On November 14, 2018, the Government of Ontario enacted O. Reg. 468/18 under the Ontario Cannabis Act (the “**Ontario Regulations**”). The Ontario Regulations govern several elements of the framework for the licensing of private cannabis retail in Ontario. Retailers are required to hold a general retail operator licence, as well as a retail store authorization for each premises. Certain employees occupying positions of authority at retail stores are required to hold cannabis retail manager licences. Licensees under the Cannabis Act who are authorized to produce cannabis for commercial purposes, and their affiliates, are collectively limited to a single retail store authorization. While there is no arbitrary cap placed on the number of licences and authorizations available, the province may impose a limit in the future. Licences and authorizations are not transferable. However, authorized cannabis retail outlets may sell cannabis accessories, such as certain smoking accessories, in the same location where cannabis is sold. The Ontario Regulations and the Ontario Cannabis Act together provide that federally licensed producers of cannabis and their affiliates cannot obtain more than one cannabis retail store license in Ontario. Further, a company is not eligible to be issued a retail operator license if more than 9.9 per cent of the company is owned or controlled, directly or indirectly, by one or more licensed producers or their affiliates.

The new Ontario legislation has, among other matters:

- created a subsidiary of the LCBO, known as the Ontario Cannabis Store (“**OCS**”);
- banned the use of recreational cannabis in public places, workplaces and motor vehicles, as is the case with alcohol (restrictions relating to consumption of medical cannabis are covered under the Smoke-Free Ontario Act); and
- create significant penalties for non-compliance.

While it had initially been announced that the OCS would manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, on August 13, 2018, the new Ontario Government turned around and announced a modified Cannabis Retail Model under which recreational cannabis will first be distributed online through an LCBO-controlled platform and channel as of October 17, 2018, to be followed by a private retail model by April 1, 2019.

Québec

On June 12, 2018, the Government of Quebec assented An Act to constitute the Société québécoise du cannabis, to enact the Cannabis Regulation Act and to amend various highway safety-related provisions was assented (“**Québec Cannabis Act**”). The Québec Cannabis Act only allows the newly-constituted Société Québécoise du Cannabis to purchase cannabis from a producer, arrange for its transportation and storage, and sell it, with certain exceptions.

New Brunswick

The Government of New Brunswick has introduced three bills related to cannabis: the *Cannabis Control Act*, the *Cannabis Management Corporation Act*, and the *Cannabis Education and Awareness Fund Act*. All three bills received royal assent on March 16, 2018 and have since been proclaimed. The framework in place focuses on providing safe, legal access to cannabis in a responsible manner, while ensuring New Brunswick can take advantage of the full range of economic opportunity this new industry provides.

Highlights of the framework:

- The Cannabis Management Corporation Act establishes in legislation the Cannabis Management Corporation, a Crown corporation charged with the oversight, organization, conduct, management and control of the retail sales of cannabis.
- The Cannabis Control Act controls the consumption and practice of cannabis. It establishes the legal age for the purchase, consumption and cultivation of cannabis at 19 and outlines general restrictions on consumption and possession.
- The Cannabis Education and Awareness Fund Act establishes a fund to support research and the development, implementation and delivery of education and awareness programs for harm reduction and the responsible practice of cannabis consumption.
- Amendments to the New Brunswick Liquor Corporation Act allows NB Liquor to operate cannabis retail operations through a subsidiary, Cannabis NB.
- Amendments to the Motor Vehicle Act establishes a drug-impaired driving program.

Nova Scotia

Nova Scotia introduced the Cannabis Control Act on April 3, 2018 which establishes the province's legislative framework for recreational cannabis legalization (the medical cannabis framework is unaffected¹³). The Nova Scotia Liquor Corporation ("NSLC") is the only authorized retailer of cannabis in Nova Scotia. Cannabis can be purchased by adults 19 or over at designated NSLC stores or online. Cannabis consumption is restricted to private residences and outdoor public spaces, with certain restrictions, and consumption is prohibited in vehicles and other areas where tobacco use is prohibited. Each household is permitted to cultivate four cannabis plants.

Newfoundland and Labrador

The use of recreational cannabis in Newfoundland and Labrador is governed by the following provincial legislation: the *Cannabis Control Act*, amendments to the *Highway Traffic Act* and *Smoke Free Environment Act, 2005* recreational cannabis will be sold through private stores, with the Crown-owned liquor corporation overseeing the distribution to private sellers who will sell it to consumers. The Newfoundland and Labrador Liquor Issuer has the authority to licence and regulate private retailers and to control the possession, sale and delivery of cannabis as well as set prices. It will also be the initial online retailer and will sell cannabis products in isolated communities. Consumption of cannabis is restricted to private residences and the province has not deviated from the federal rules allowing for the growth of four cannabis plants per household.

Prince Edward Island

The main provincial laws and regulations that govern recreational and medically-authorized cannabis use are: (i) the *Cannabis Control Act* and its regulations, (ii) the *Cannabis Management Corporation Act* and its regulations and (iii) the *Smoke-Free Places Act* and its general regulations. Provincial legislation restricts retail sales to the PEI Cannabis Management Corporation through the PEI Cannabis stores and online store. If you are buying recreational cannabis from another source, you are buying it illegally. Medically authorized cannabis users can continue to buy

¹³ Patients that have been authorized by their health care practitioner and Health Canada to access cannabis for medical purposes can still buy it from a licenced producer, grow their own for medical use, or designate someone to grow it for them. Health Canada continues to regulate medical cannabis.

from the licensed producer that they are registered with, or may continue to grow their own. Under the legislative framework, cannabis consumption is restricted to private residences, with certain communal spaces being designated for cannabis consumption, and consumption is prohibited in vehicles and other areas where tobacco smoking is already prohibited. The province has followed the federal legislation and allowed possession of 30 grams of dried cannabis, and each household is permitted to cultivate four cannabis plants.

Yukon

The use of recreational cannabis in the Yukon is governed by the *Cannabis Control and Regulation Act*. The Government of Yukon has established a temporary government-run store and online site. The Yukon Liquor Corporation will be responsible for both the store and an e-commerce system. The Yukon Liquor Corporation is responsible for both the store and the e-commerce system.

The Cannabis Licensing Board will be formed in early 2019 and will begin accepting applications for private retail in the spring of 2019. Only those who are 19 years or older may purchase and/or grow cannabis. Cannabis cultivation is restricted to private residences and the Government of Yukon is considering where cannabis may be grown, for example, in an enclosed space such as in your home, greenhouse or garage.

The Northwest Territories

The Northwest Territories relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut

The use of recreational cannabis in Nunavut is governed by the *Nunavut Cannabis Act* and the *Cannabis Statutes Amendment Act*, highlights of which include:

- Use and distribution is restricted to those who are 19 or older;
- Allows the Nunavut Liquor and Cannabis Commission to sell cannabis remotely (on-line and by phone), in physical stores, and through an Agent;
- Allows the Government of Nunavut to licence establishments that sell cannabis, including stores and lounges;
- Requires community consultations before opening a cannabis store or lounge;
- Allows for regulation of cannabis cultivation, but does not expressly forbid it;
- Establishes an inspection, search and seizure regime; and
- Cannabis consumption is allowed in private homes and in some designated public spaces where tobacco smoking is allowed.

International

Medical and recreational marijuana opportunities also appear to be developing in other G20 countries as these jurisdictions move towards establishing new or improved medical and recreational marijuana legislative and regulatory frameworks and systems. The Issuer intends to investigate and monitor potential opportunities in international jurisdictions where medical and/or recreational marijuana is legally allowed by all levels of government presently, or where the government is actively moving towards such a legal framework.

NARRATIVE DESCRIPTION OF THE BUSINESS

Investment Policy

The Issuer has adopted the following investment policy to govern its investment activities and strategy (the “**Investment Policy**”):

Overview of Business

Vinery’s business objective is to identify promising companies with excellent projects, innovative technologies or both, using management’s extensive experience in deal sourcing and capital combination to maximize returns for the Issuer’s shareholders. The Issuer will focus on investing in private and public companies whose businesses involve cannabis business opportunities or other selected sectors with strong intellectual property, exceptional management and high growth potential that may be strategically positioned in the global cannabis market (the “**Investments**”).

The Issuer may take advantage of special situations and other opportunities, as such opportunities arise, and make investments in other sectors which the Investment Committee identifies from time to time as offering particular value. Although the Issuer will not limit its concentration of investment to any specific geographic region, the Issuer anticipates that approximately 50% of its future investments will be in North American investments.

Investment Objectives

The principal investment objectives of the Issuer will be as follows:

- to seek high return investment opportunities in the cannabis sector through direct investment in property and indirect investment via equity shareholdings;
- to identify early stage cannabis investment opportunities with attractive risk to reward ratios through industry contacts of the Board of Directors, its advisory board, and the Investment Committee;
- to preserve its capital and limit the downside risk of its Investments;
- to achieve a reasonable rate of capital appreciation;
- to minimize the risk associated with investments in securities; and
- to seek liquidity in its Investments.

The Issuer’s investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of senior management and approval by the Board of Directors. The Issuer does not anticipate the declaration of dividends to shareholders during its initial stages and plans to re-invest the profits of its Investments towards the further growth and development of the Issuer’s investment portfolio.

Investment Strategy

In pursuit of returns and to achieve the investment objectives as stated above, while mitigating risk, the Issuer, when appropriate, shall employ the following disciplines:

- investments shall focus on the cannabis industry, concentrating on companies in the development stage. However, investments may also be made in intermediate stage pre-IPO companies and those companies with a listed market for their securities, where appropriate.
- the Issuer will obtain detailed knowledge of the relevant business the investment shall be made in, as well as the investee company.
- the Issuer will work closely with the investee company’s management and Board of Directors, and in some cases assist in sourcing experienced and qualified persons to add to the board of directors and/or management of the investee companies.
- the Issuer will maintain a flexible position with respect to the form of investment taken.
- the Issuer may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, net profit interests and

- other hybrid instruments.
- investments will be made in private and public companies.
- investments may include:
 - (a) acquisition, development and licensing of intellectual property interests with an eye to retaining a carried interest, either through royalties, a carried joint venture percentage or equity holdings in the purchaser of such property interests;
 - (b) capital investment in private technology companies, and assistance in moving them to a merger with a larger company or to the public stage through initial public offering, reverse takeover, or as the Qualifying Transaction for a CPC;
 - (c) early stage equity investments in public technology companies believed to have favourable management and business plans;
 - (d) use of the TSX-V's CPC Program, as permitted by the TSX-V, to form special purpose public shells; and assist in sourcing and identifying target companies for their Qualifying Transaction, together with experienced professionals to operate the new company; and
 - (e) where appropriate, acting as a third party finder of opportunities in target or other companies, in exchange for a fee.
- The Issuer will have flexibility on the return sought, while seeking to recapture its capital (on a pre-tax basis) within eighteen months of the initial investment.
- The Issuer will seek to maintain the ability to actively review and revisit all of its investments on an ongoing basis.
- From time to time, the Issuer may insist on board or management representation on target companies.
- The Issuer will watch for liquidity of its investments and seek to realize value from same in a prudent and orderly fashion.
- The Issuer will take holdings in companies within the framework of the above guidelines, and which from time to time may result in the Issuer holding a control position in a target company.
- The Issuer will utilize the services of independent technology organizations, advisors and consultants to gain additional information on target investments where appropriate.
- To the extent permissible by law, the Issuer will obtain contractual rights of access to the books and records of the investee companies, as per the requirements of Policy 2.1 of the Exchange Policies.
- A minimum of 50% of the Issuer's available funds will have been allocated to a minimum of two specific investments as required under Policy 2.1 of the Exchange Policies.
- A limit of 25% of the investment capital base (at the time of the investment) in any one transaction has been set.

Notwithstanding the foregoing, from time to time, the Board of Directors may authorize such investments outside of these disciplines as it sees fit for the benefit of the Issuer and its shareholders.

Composition of Investment Portfolio

The nature and timing of the Issuer's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Issuer.

As noted above, subject to the availability of capital, the Issuer intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

Investment Committee

The Issuer will establish an investment committee (the "**Investment Committee**") of at least one member of its Board of Directors and management and one independent consultant to monitor its investment portfolio on an ongoing basis and to review the status of each investment at least once a month or on an as needed basis. Nominees for the investment committee shall be recommended by the Board.

The members of the Investment Committee shall be appointed annually by the Board of Directors at the first directors' meeting subsequent to the annual meeting of shareholders or on such other date as determined by the Board (see the below heading "*Current Investment Committee* for biographies of Vinergy's current Investment Committee).

Members of the Investment Committee may be removed or replaced by the Board. Officers of the Issuer may be members of the Investment Committee. Each member of the Investment Committee shall be financially literate.

Investment Evaluation Process

The directors, officers and management of the Issuer will work jointly and severally to uncover appropriate investment opportunities. However, the Issuer's Investment Committee will monitor the Issuer's investment portfolio on an ongoing basis and will review the status of its investments.

Prospective investments will be first presented to the Investment Committee. The Investment Committee will make an assessment of (a) whether the proposal is consistent with the Issuer's Investment Policy, (b) whether the proposal fits with the investment and corporate strategy of the Issuer, (c) the merits of the proposed investment; and (d) whether the investment has the potential to create value of the Issuer's shareholders. If the proposed investment is approved in principle by the Investment Committee, the Issuer will then conduct a preliminary due diligence investigation and, based on that investigation, the Investment Committee will decide whether to undertake more robust due diligence, move forward with the proposed investment or abandon the proposed investment. The Investment Committee may engage the participation of outside professional consultants to assist in its decision making.

All prospective investments will be submitted by the Investment Committee to the Board of Directors for final approval. The Board of Directors may delegate the management and oversight of any investment to the Investment Committee or certain members of the Investment Committee.

Financial Reporting

As an "investment entity", Vinergy qualifies for the exemption to treat its Investments at their fair value through profit and loss (see above "*General Development of the Business – Transition to an Investment Issuer*"). The Issuer will use fair value as the primary measurement attribute to evaluate its investment portfolio. Fair value will be used internally by management, the board of directors and the Investment Committee. It will then be communicated to the Issuer's investors through financial disclosure. In addition, the Issuer will disclose the judgments and assumptions it has made in determining the fair value treatment of its Investments in its financial statements.

Conflicts of Interest

The Issuer will adopt a system for discovering conflicts of interest and maintaining the independence of the Investment Committee in the presence of a potential conflict.

Prior to making any Investment Commitment, the Issuer shall adopt procedures for checking for potential conflicts of interest, which shall include but not be limited to a circulation of the potential target company and its affiliates to the Issuer's principal management.

All members of the Board of Directors and Investment Committee shall be obligated to disclose any interest in the potential investment. In the event a conflict is detected, the target company shall be notified of the potential conflict in writing. The members of the Board of Directors and its advisors shall be responsible for the detection of a potential conflict.

Where a conflict is determined to exist either within the Board of Directors or the Investment Committee, the member of the Board having a disclosable interest, shall abstain from making further decisions or recommendations concerning such investment. In the event of a conflict within the Investment Committee, the member of the Investment Committee affected shall be temporarily replaced with an alternate member for the purpose of evaluating the potential investment. In the event of a conflict within the Board of Directors, the

director affected shall be required to provide full disclosure of their interest in the potential investment and shall abstain from all voting in respect of same.

The Issuer and its affiliates, directors, officers, members of the Investment Committee (collectively the "**Parties**") are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with their duties to the Issuer. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including companies in which the Issuer may invest. The Parties may also engage in transactions with the Issuer where any one or more of the Parties is acting in their capacity as financial advisor, broker, intermediary, principal, or counterparty, provided that such transactions are carried out on terms similar to those which would apply in a like transaction between parties not connected with the Parties or any one of them and such transactions are carried out on normal commercial terms as if negotiated at arm's length.

Exit Strategies

As previously disclosed, the Issuer's business purpose is to invest funds solely for returns from capital appreciation and investment income. The Issuer's current portfolio and prospective portfolio will primarily consist of the following: investments in the marketable securities of publicly traded companies, investments in equity of private companies and secured debt facilities for growth stage companies.

The Issuer's general exit strategies are as follows:

Investments in Publicly Traded Companies

- The Issuer will continue to evaluate opportunities to invest in other publicly traded companies in order to diversify and expand its current investment portfolio.
- Marketable securities, by their virtue, will be traded on a public exchange such as the CSE or the TSX, whereby the Issuer will have the ability to reduce exposure in and/or liquidate an Investment at the discretion of the Investment Committee.

Investments in Private Companies

- The Issuer may use the following exit strategies when a private company's business achieves value appreciation and additional transactions such as further funding (through preferential liquidity arrangement(s)), IPOs or mergers arise.

Current Investment Committee

The Investment Committee shall be comprised of the following individuals:

Amandeep Thindal, CPA, CA

Amandeep Thindal has been an active participant in the public market sector for the past 10 years as an independent investor and more recently has provided financial consulting services to several public companies. In addition, Mr. Thindal also sits on the board of directors of various public issuers.

Most recently Mr. Thindal held the position of CFO for Reliq Health Technologies Inc. from July 2015 to November 2018. Prior to Joining Reliq Health Technologies Inc., Mr. Thindal spent four years as a partner and CFO of a Greater Vancouver based private mid-tier real estate development company where he played an active role in land acquisitions, financial management, human resources and marketing of the company's projects. During his tenure, Mr. Thindal helped the company secure over \$75,000,000 in both traditional mortgage and private equity financing.

Mr. Thindal obtained his Chartered Accountant Designation in 2010 and holds a Bachelor of Business Administration degree with joint concentration in Accounting and Finance from Simon Fraser University.

Aarun Kumar

Aarun Kumar has extensive experience in the public markets sector, spending the previous six years as an investment advisor at PI Financial and Haywood Securities. During his tenure as an investment advisor, Mr. Kumar raised more than \$10,000,000 in financings predominately in the Technology and Health Care sectors. In addition, Mr. Kumar has significant experience as a capital markets advisory, with a focus on mergers and acquisitions for both public and private companies. In 2016, Mr. Kumar was the largest trader on three Canadian Small-Cap Technology companies: AcuityAds, Apivio Sytems and TIO Networks.

Mr. Kumar holds a Bachelor of Commerce in Finance from the University of British Columbia. He is also a Chartered Financial Analyst level 3 Candidate, which equips him with the skills to identify and evaluate financial opportunities.

Ken Ralfs

Mr. Ralfs has a Bachelor of Science (Geology) from the University of British Columbia and has been a self-employed business consultant from 1998 to present. Mr. Ralfs has extensive experience with public companies as a director, officer and audit committee member with these companies.

Mr. Ralfs was previously employed by CM Oliver and started as a floor trader on the Vancouver Stock Exchange. He then used his background experience in Geological studies to become a stock broker specializing in the mining sector. Mr. Ralfs' previous work history also includes positions at Garder Watson and McDermid St. Lawrence prior to him leaving the brokerage business to focus on junior exploration company development in 1989.

Current Investments

Please see "*General Development of Business – Investments*".

Business Objectives and Milestones Over Next 12 Months

Over the next 12-month period the Issuer will continue to monitor its current investment portfolio and evaluate whether the Issuer's Investments should continue to be held in whole or in part or be divested of. The Issuer's key objective over the next year is to grow its current investment portfolio by adding investments that (a) are accretive to the existing investment portfolio; (b) provide potential for growth or hyper-growth opportunities; and (c) are consistent with the criteria and objectives set out in the Issuers Investment Policy. To review a copy of the Issuers Investment Policy, please refer to the heading "*Narrative Description of the Business – Investment Policy*".

In order to meet the Issuer's key objective, management will need to source and identify investment opportunities to present to the Investment Committee. Management intends to devote a significant amount of time over the next year in working to identify investments for review by the Investment Committee. In order to grow the Issuer's investment portfolio, the Issuer will need additional investment capital. While the Issuer will initially have approximately \$1,752,877 in cash available to acquire investments, it is expected that more capital will be needed throughout the year to continue to acquire new investments. The Issuer will obtain such capital either from the divestiture of existing Investments or from the sale of its own securities. There can be no assurance that the Issuer will be successful in raising additional capital. Please see "*Risk Factors*".

The fulfillment of the Issuer's business objectives will be contingent upon, among other things, compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The legislative and compliance regime for the use of marijuana for medical and recreational purposes in Canada, the United States and elsewhere is evolving and, in many respects, conflicting and unpredictable. Similarly, the Issuer cannot predict the time and expense required to secure all appropriate regulatory approvals for its proposed products (including, but not limited to, a CDSB

Licence), or the extent of testing and documentation that may be required by governmental authorities. The impact of applicable governmental legislative and compliance regime and any delays in obtaining, or failure to obtain, regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Issuer. See “*Risk Factors*”.

The Issuer’s primary business objectives are to assist its two portfolio companies achieve their business plans outlined below:

Eagle Energy Business Objectives:

Business Objective	Timeframe	Projected Sales
Shopify Revenue	6 months	\$375,000
Amazon Revenue	6 months	\$135,000
Shopify Revenue	12 months	\$1,131,000
Amazon Revenue	12 months	\$408,700
Shopify Revenue	24 months	\$4,678,007
Amazon Revenue	24 months	\$1,523,628

- From late 2017-March 2018, the Eagle Energy shifted its focus to e-commerce versus retail distribution and obtained approval to sell and market Eagle Energy on Amazon, Facebook, Google. This shift to e-commerce platforms has produced significantly higher profit margins for the company;
- Eagle Energy optimized its online storefront and is now scaling its Shopify revenue by launching new suppliers and increasing marketing spend. In the last three months, Eagle Energy has realized substantial growth in website traffic and sales. Additionally, there has been steady growth in the website’s conversion rate;
- The 6-month Shopify projections listed above reflect a 213% increase in sales compared to the previous 6-month period. Sales velocity is expected to continue to grow at approximately 40% per quarter for the next two quarters and is then expected to stabilize at approximately 30% growth per quarter for the next year;
- Eagle Energy’s Amazon USA account has been inactive/in transition over the last 3 months due to Amazon eliminating their Vendor Express platform and moving all vendors to Seller Central/FBA;
- Eagle Energy filed a US Provisional Patent in September 2014 with respect to the Eagle Energy caffeine inhaler, when the founders conceived the idea. This patent application has been renewed and updated to reflect product development for three consecutive years. Eagle Energy is working with its council, the USPO and WIPO to have this patent issued in 2019. An application to issue the patent is expected to be made in January, 2019;
- Trademark registrations have been prioritized in Eagle Energy’s three main markets: Canada, USA and China. Eagle Energy has successfully registered “EAGLE ENERGY”, “INHALE YOUR ENERGY” [slogan] and its Eagle Logo in Canada and China. The USPO has issued “INHALE YOUR ENERGY” and the Eagle logo but has yet to issue “EAGLE ENERGY”. The company expects this trademark to be issued by the end of 2018.

Phyto Pharma Inc. Business Objectives:

Phyto’s long-term objective is to build one of the cannabis industry’s first multinational, value-added, end-to-end cannabis product providers encompassing raw hemp material and retail brands covering the key segments of the legal cannabis market. Phyto focuses on building its platform of assets via genetics and seed production, proprietary extraction methods leading to retail and nutraceutical brands for distribution in bricks and mortar, e-commerce and offices of licensed health professionals. Phyto also intends to hold a minority equity stake in licensed operations within legal cannabis jurisdictions to further expand its brand recognition and market share.

Bulk Manufacturing and Distribution

- Phyto began generating nominal revenues from its business operations in August 2018 through the sale and distribution of industrial hemp raw material (mainly isolate) in Colorado. Phyto projects increasing its revenue over the next 12 months to US\$3,000,000 by signing additional manufacturing agreements in Colorado, forming additional strategic relationships in other U.S. states and developing additional hemp-derived CBD products.
- Over the next two quarters, Phyto intends to continue to increase its bulk farm tolling operations, hemp distillate manufacturing operations and isolate production operations. Presently, Phyto manufactures and sells approximately 50 kilograms of industrial hemp per month (split between two purchase agreements at approximately US\$5,000 each for gross proceeds of US\$250,000). Phyto intends to increase its production levels over the next two quarters to 50 kilograms per week for gross revenue of up to US\$1,000,000 a month.
- The Company presently manufactures its hemp-derived CBD products through third party license holders in the states of California and Colorado and sells products to multiple bricks and mortar stores nationally. The Company was also recently approved to sell hemp derived CBD products through its e-commerce store on Amazon.com and expects to increase online sales through marketing and advertising on multiple platforms.

Product Development

- Phyto intends to continue making specific and deliberate investments in research and development (including by way of strategic acquisitions) to increase the diversity and quality of its products and the image and impact of the Phyto brand.
- Phyto's short-term business objectives are to continue to create a sustainable business model in California, Colorado and Puerto Rico through the sale of hemp-derived CBD, raw hemp material and Phyto's proprietary brands, including RehabRX™ and Phytocine™. Phyto recently launched a topical line that includes industrial hemp-derived (CBD-only) sports gel, body butter and pain relief lotions which are now moving into stores nationwide within the US. The pain relief product under the RehabRX™ brand is focused as an athletic lifestyle brand and Phyto intends to recruit athletes as spokespersons for these products.

Domestic and International Expansion

- Phyto is targeting growth of its promising brands and innovative formulations, projects, assets and overall business frameworks within the industrial hemp sector in various jurisdictions. The Company intends to build new strategic relationships with both vertical market partners and end-user product companies.
- Phyto's business plan over the next two quarters will be to increase the visibility of its retail brands in multiple states within the US and internationally (through the development of further strategic relationships with licensed third parties). Phyto intends to pursue export deals in Australia and Central America (where legally permitted) which could increase Phyto's sales by an additional US\$2 million by Phyto's 2019 fiscal year end.

Funds Available

As of the date hereof, Vinergy has a working capital position of approximately \$2,502,461 including available cash of approximately \$1,139,762.

Principal Purposes

The available funds will be used to fund, in order of priority, the Issuer's estimated expenditures during the next 12 months of operations, which are budgeted for as follows:

Expenditure	(\$)
Available Cash Funds of the Issuer	\$1,139,762
Expenses Related to the Completion of the Change of Business	(100,000)
Investment in Eagle Energy	(150,000)
Business Development and marketing	(120,000)
Investor Relations	(36,000)
General and Administrative costs for 12 months	(300,000)
TOTAL UNALLOCATED WORKING CAPITAL	\$433,762

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Information

The following table is a summary of selected financial information for Vinergy for the fiscal years ended February 28, 2018 and 2017 and February 29, 2016. This information has been prepared in accordance with IFRS and is expressed in Canadian dollars. See also the Vinergy Financial Statements attached hereto as Schedule "A".

	Year Ended February 28, 2018 (audited)	Year Ended February 28, 2017 (audited)	Year Ended February 29, 2016 (audited)
Revenue	-	-	-
Net Loss	(271,643)	(265,614)	(99,814)
Other income	-	-	-
Basic and diluted loss per share	(0.01)	(0.01)	-
Total Assets	1,757,073	1,921,593	44,187
Total non-current liabilities	-	-	-
Cash dividends declared	-	-	-

See Vinergy's MD&A for the year ended February 28, 2018 attached to this Listing Statement as Schedule "B" for a discussion of the factors causing period to period variations in Vinergy's financial condition for the fiscal years ended February 28, 2018 and 2017 and February 29, 2016, including significant acquisitions and changes in the direction of Vinergy's business.

Quarterly Information

The following table is a summary of selected financial information for the eight most recently completed fiscal quarters of Vinergy. This information has been prepared in accordance with IFRS and is expressed in Canadian dollars. See also the Vinergy Financial Statements attached hereto as Schedule "A".

	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
Three Months Ended	Nov. 30, 2018	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018
Total Revenue	-	-	-	-
Loss before other income (expense)	(67,223)	(55,258)	(6,019)	(61,294)
Net Loss	(70,824)	(46,587)	(14,209)	(54,445)
Loss per share-basic and diluted	-	-	-	-
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
Three Months Ended	Nov. 30, 2017	Aug. 31, 2017	May 31, 2017	Feb. 28, 2017
Total Revenue	-	-	-	-
Loss before other income (expense)	(96,805)	(63,937)	(15,479)	(188,328)
Net Loss	(134,868)	(86,477)	(23,170)	(195,739)
Loss per share-basic and diluted	-	-	-	(0.01)

See Vinergy’s MD&As for the year ended February 28, 2018 and the subsequent nine-month period ended November 30, 2018, attached to this Listing Statement as Schedule “B” for a discussion of the factors causing period to period variations in Vinergy’s financial condition over the past eight fiscal quarters.

Financial Information

See attached Schedule “C” for the pro forma consolidated statement of financial position of the Issuer as at November 30, 2018.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis

Vinergy’s annual MD&A for the year ended February 28, 2018 and interim MD&A for the nine-month period ended November 30, 2018 are attached to this Listing Statement as Schedule “B”.

MARKET FOR SECURITIES

The Vinergy Shares are presently listed on the CSE under the stock symbol “VIN”. See “*Description of Securities – Stock Exchange Price - Vinergy*” below.

CONSOLIDATED CAPITALIZATION

The following table sets forth the share and loan capital of Vinergy as at February, 28, 2017, November 30, 2018 and the date of this Listing Statement (after giving effect to the Change of Business). The table should be read in conjunction with the Vinergy Financial Statements and the accompanying notes thereto, attached as Schedule “A”, and the Pro Forma Financial Statements of the Issuer and accompanying notes thereto, attached as Schedule “C”, to this Listing Statement.

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of February 28, 2017	Amount Outstanding as of November 30, 2018	Amount Outstanding as of the date of this Listing Statement
Vinergy Shares	unlimited	36,750,330	36,750,330	56,555,994 ⁽⁴⁾
Warrants	12,805,664 ⁽¹⁾	5,208,500 ⁽⁵⁾	5,208,500 ⁽⁶⁾	12,805,664 ⁽¹⁾
Convertible Debenture ⁽²⁾	\$215,000	\$215,000	\$215,000	\$215,000
Unsecured loan ⁽³⁾	-	\$45,000	\$20,000	\$20,000

Notes:

- (1) This value gives effect to the 12,805,664 Concurrent Financing Warrants and the 56,000 Concurrent Financing Finder's Warrants. See "*General Development of the Business – Equity Financing*").
- (2) On January 15, 2010, Vinergy 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 Vinergy at a conversion price of \$0.05 per share at any time at the option of the holder prior to the due date. The debenture matured on January 16, 2015 and is currently in default. Vinergy continues to accrue interest on the debenture at the rate of 10% per annum. As at November 30, 2018, Vinergy had incurred interest on this convertible debenture of \$168,406.91, which is included in Vinergy's accounts payable and accrued liabilities.
- (3) This value gives effect to a \$20,000 loan that is due to a non-related party, is unsecured, bears interest at 20% per annum compounded monthly and is due on demand. As at November 30, 2018, Vinergy had incurred interest on this loan of \$41,741.45, which is included in Vinergy's accounts payable and accrued liabilities.
- (4) This value gives effect to the 7,000,000 Vinergy Shares issued pursuant to the Phyto Agreement (see "*General Development of Business – Material Assets and Investments – Phyto Pharma Inc.*") and the 12,805,664 Vinergy Shares issued pursuant to the Concurrent Financing (see "*General Development of Business – Equity Financing*").
- (5) This value gives effect to the 5,208,500 January 2017 Financing Warrants but excludes the 329,200 January 2017 Finder's Warrants, the 12,805,664 Concurrent Financing Warrants and the 56,000 Concurrent Financing Finder's Warrants. See "*General Development of the Business*").
- (6) This value gives effect to the 5,208,500 January 2017 Financing Warrants and the 329,200 January 2017 Finder's Warrants, but excludes the 12,805,664 Concurrent Financing Warrants and the 56,000 Concurrent Financing Finder's Warrants. See "*General Development of the Business*").

OPTIONS TO PURCHASE SECURITIES

As of the date of this Listing Statement, Vinergy has zero stock options outstanding.

DESCRIPTION OF SECURITIES

Vinergy Shares

The Issuer will be authorized to issue an unlimited number of common shares without par value, of which 50,750,330 Vinergy Shares will be issued and outstanding. See “*Consolidated Capitalization*” above. All issued and outstanding Vinergy Shares will be fully paid and not subject to any future call or assessment. In addition, all Vinergy Shares will rank equally as to voting rights, participation in a distribution of the assets of the Issuer on a liquidation, dissolution or winding-up of the Issuer and the entitlement to dividends as and when declared by the directors of the Issuer. The holders of Vinergy Shares will be entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Issuer Share will carry with it the right to one vote. The Vinergy Shares will have no pre-emptive, conversion, exchange, redemption, retraction, purchase for cancellation or surrender provisions and there are no sinking fund provisions in relation to the Vinergy Shares.

In the event of the liquidation, dissolution or winding-up of the Issuer or other distribution of its assets, the holders of the Vinergy Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Issuer has paid out its liabilities. Distribution in the form of dividends, if any, will be set by the directors of the Issuer. See “*Dividend Policy*” below for particulars of the Issuer’s anticipated dividend policy.

Provisions as to the modification, amendment or variation of the rights attached to the capital of the Issuer are contained in the Issuer’s articles and the BCBCA. Generally speaking, substantive changes to the share capital require the approval of the shareholders by either an ordinary (50% +1 of the votes cast) or special resolution (at least 66 2/3% of the votes cast). However, in certain cases, the directors of the Issuer may, subject to the BCBCA, be able to alter the Issuer’s authorized and issued share capital to, inter alia, create one or more classes of shares or, if none of the shares of a class are allotted or issued, eliminate that class of shares; increase, reduce or eliminate the maximum number of shares that the Issuer is authorized to issue out of any class of shares; subdivide or consolidate all or any of its unissued, or fully paid issued, shares; or alter the identifying name of any of its shares.

As at the date of this Listing Statement, there are a total of 12,805,664 Concurrent Financing Warrants and 56,000 Concurrent Financing Finder’s Warrants issued and outstanding. See “*Consolidated Capitalization*” and “*Options to Purchase Securities*” above.

Dividend Policy

The Issuer will retain any future earnings for use in its business and does not expect to pay dividends on the Vinergy Shares in the foreseeable future. Any decision to pay dividends on Vinergy Shares will be made by the Board of Directors on the basis of the earnings, financial requirements and other conditions existing at such time.

Prior Sales of Vinergy

The following table summarizes all securities issued by Vinergy within the 24 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Securities	Price per Security	Total Issue Price
January 10, 2017	January 2017 Financing	10,417,000 January 2017 Units ⁽¹⁾	\$0.20	\$2,083,400
January 10, 2017	January 2017 Financing	329,200 January 2017 Finder's Warrants ⁽²⁾	\$0.40	\$131,680
March 22, 2019	Concurrent Financing	12,805,664 Concurrent Financing Units ⁽³⁾	\$0.12	\$1,614,679.68

Notes:

- (1) Each January 2017 Unit consisted of one Vinergy Share and one-half (1/2) of one January 2017 Financing Warrant, each whole January 2017 Financing Warrant entitling the holder to acquire an additional Vinergy Share at a price of \$0.40 until July 9, 2018, subject to acceleration in certain events. See “*General Development of the Business – January 2017 Financing*”.
- (2) The January 2017 Finder's Warrants are expired as at January 9, 2018. See “*General Development of the Business – January 2017 Financing*”.
- (3) Each Concurrent Financing Unit consists of one Vinergy Share and one Concurrent Financing Warrant entitling the holder to acquire an additional Vinergy Share at a price of \$0.15 for a period of 24 months following the date of issuance. In connection with the Concurrent Financing, the Issuer paid eligible finders aggregate cash finder's fees of \$6,720 and issued an aggregate of 56,000 Concurrent Financing Finder's Warrants exercisable at \$0.15 cents per common share until March 21, 2021. See “*General Development of the Business – Equity Financing*”.

Stock Exchange Price

As at the date of this Listing Statement, the Vinergy Shares are listed on the CSE under the symbol “VIN”. The following table sets out the high and low trading price and volume of trading of Vinergy Shares on the CSE during the periods indicated.

Period	High (\$)	Low (\$)	Volume
June, 2019	Trading Halted pending completion of Change of Business		
May, 2019	Trading Halted pending completion of Change of Business		
April, 2019	Trading Halted pending completion of Change of Business		
March, 2019	Trading Halted pending completion of Change of Business		
February, 2019	Trading Halted pending completion of Change of Business		
January, 2019	Trading Halted pending completion of Change of Business		
December, 2018	Trading Halted pending completion of Change of Business		
November, 2018	Trading Halted pending completion of Change of Business		
October, 2018	Trading Halted pending completion of Change of Business		
September, 2018	Trading Halted pending completion of Change of Business		
August, 2018	Trading Halted pending completion of Change of Business		
July, 2018	Trading Halted pending completion of Change of Business		
June, 2018	Trading Halted pending completion of Change of Business		
May, 2018	Trading Halted pending completion of Change of Business		
April, 2018	Trading Halted pending completion of Change of Business		
March, 2018	Trading Halted pending completion of Change of Business		
Quarter ended February 28, 2018	Trading Halted pending completion of Change of Business		
Quarter ended November 30, 2017	Trading Halted pending completion of Change of Business		
Quarter ended August 31, 2017	Trading Halted pending completion of Change of Business		
Quarter ended May 31, 2017 (Vinergy Shares halted April 4, 2017)	0.73	0.45	4,703,133
Quarter ended February 28, 2017	1.15	0.07	26,465,776
Quarter ended November 30, 2016	0.04	0.04	Nil
Quarter ended August 31, 2016	0.05	0.04	7,500
Quarter ended May 31, 2016	0.05	0.05	11,500

ESCROWED SECURITIES

Escrowed Securities – Vinergy

As at the date of this Listing Statement, there are no Vinergy Shares held in escrow.

Designation of class	Number of Vinergy Shares held in escrow	Percentage of class
Vinergy Shares	Nil ⁽¹⁾	Nil ⁽²⁾

- (1) This value does not give effect to the 5,208,500 Vinergy Shares issuable upon exercise of the January 2017 Financing Warrants, the 12,805,664 Vinergy Shares issuable upon exercise of the Concurrent Financing Warrants, and the 56,000 Vinergy Shares issuable upon exercise of the Concurrent Financing Finder's Warrants currently outstanding. See "General Development of the Business – January 2017 Financing", "General Development of the Business – Equity Financing" and "Consolidated Capitalization".

(2) Based on 56,555,994 Vinergy Shares issued and outstanding.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Issuer, as at the date of this Listing Statement, no Person owns, both of record and beneficially, of record only, or beneficially only, Vinergy Shares carrying 10% or more of the voting rights attached to all outstanding Vinergy Shares which have the right to vote in all circumstances.

DIRECTORS AND OFFICERS OF THE ISSUER

Directors and Officers

The following table sets out information regarding each of the Issuer's directors and executive officers, including the name, municipality of residence, position or office held with the Issuer and principal occupation of each proposed director and executive officer of the Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding common shares issued on the exercise of convertible securities, are as follows:

Name, place of the residence and proposed position with Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Vinergy Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Change of Business⁽¹⁾
Glen Indra North Vancouver, B.C. Chief Financial Officer and Director	CFO of Vinergy since April 16, 2016;	April 16, 2016	Nil (0.0%)
Eugene Beukman ⁽²⁾ North Vancouver, B.C. Director	Corporate counsel of Pender Street Corporate Consulting Ltd. since 1994	Proposed	Nil (0.0%)
Glen C. Macdonald ⁽²⁾ Vancouver, B.C. Chief Executive Officer, Corporate Secretary and Director	Self-employed consulting geologist; Member of Alberta Professional Engineers, Geologists and Geophysicists Association (1982) and British Columbia Association of Professional Engineers and Geoscientists (1993); Director and/or officer of various junior public resource companies	May 10, 2011 (date of continuance to British Columbia)	Nil (0.0%)
Kenneth R. Ralfs ⁽²⁾ Sidney, B.C. Director	Self-employed business consultant since 1998; Director of several junior public companies	November 12, 2013	Nil (0.0%)

Notes:

- (1) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Issuer and has been furnished by the respective individuals.

- (2) Proposed member of audit committee.
- (3) Mr. Clifford was previously a director of Vinergy from May 10, 2011 (date of continuance to British Columbia) to April 18, 2016. Mr. Clifford also acted as CEO and CFO of Vinergy for fiscal years 2015 and 2016 from March 1, 2016 to April 18, 2016 of fiscal 2017. See “Executive Compensation – Vinergy” below.

Pursuant to the provisions of the BCBCA, the Issuer will be required to have an audit committee whose proposed members are indicated above.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, no proposed director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the Issuer being the subject of a cease trade or similar order or an order that denied the relevant Issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Glen Macdonald was a director of AVC Venture Corp., a capital pool company (“**AVC**”), on November 25, 2002 when AVC was halted by the TSX-V for failure to complete a qualifying transaction within the required time. Trading was reinstated on December 15, 2003. AVC was again halted on June 6, 2006 for failure to complete a qualifying transaction. This halt was lifted in October 2009.

Mr. MacDonald was a director of Dunes Exploration Ltd. (formerly Dynamic Resources Corp.) (“**Dunes**”) on May 1, 2009 when a management cease trade order was issued against the securities of Dunes held by Mr. Macdonald for failure to file financial statements. The financial statements were subsequently filed and the management cease trade order expired as of July 10, 2009.

Mr. Macdonald was a director of Wind River Resources Ltd. (“**Wind**”) on May 1, 2009 when a management cease trade order issued was issued against Mr. MacDonald by the Alberta Securities Commission as a result of the failure of Wind to make required filings. The order expired on July 10, 2009.

Mr. Macdonald was a director of Maxim Resources Inc. (“**Maxim**”) on May 4, 2009 when a cease trade order was issued against Maxim for failure to file financial statements. The financial statements were subsequently filed and the cease trade order expired as of August 4, 2009.

Mr. Indra was a director of Zoloto on May 14, 2008 when a cease trade order was issued against Zoloto for failure to file financial statements. The financial statements were subsequently filed and the cease trade order expired as of July 8, 2008.

Penalties or Sanctions

No proposed director or executive officer of the Issuer, or a shareholder holding a sufficient number of the Issuer's securities to affect materially the control of the Issuer, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No proposed director or executive officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

Certain of the proposed directors and officers of the Issuer are currently, or may in the future become, involved in managerial or director positions with other issuers, both reporting and non-reporting, whose operations may, from time to time, be in direct competition with those of the Issuer or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Issuer.

In such event, the directors and officers of the Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests which they may have in any project or opportunity of the Issuer and abstain from voting thereon. In determining whether or not the Issuer will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at that time.

The proposed directors and officers of the Issuer also have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers will only be able to devote part of their time to the affairs of the Issuer.

Conflicts, if any, will be subject to the procedures and remedies prescribed by the BCBCA, the CSE and applicable securities law, regulations and policies.

See "*Risk Factors*".

Management Details

The following sets out details respecting the management of the Issuer:

Glen Indra, (71) Chief Financial Officer and Director

Mr. Indra has wide experience in the junior mineral exploration business in British Columbia and internationally. Mr. Indra holds a B.Comm (1970) degree from the University of British Columbia. He was granted a Canadian Securities Course certified by the Canadian Investment Dealers (now the Canadian Securities Institute) in 1982. Mr. Indra has acted as a director, officer and audit committee member of junior public companies for a number of years.

Mr. Indra expects to devote approximately 20% of his time to the Issuer or such other amount of time as is necessary to fulfill his duties.

Glen C. Macdonald, (69) Chief Executive Officer, Corporate Secretary and Director

Mr. Macdonald has wide experience in the junior mineral exploration business. He has a BSc. (1973) from the University of British Columbia and has been a member of the Alberta Professional Engineers, Geologists and Geophysicists Association since 1982 and of the British Columbia Association of Professional Engineers and Geoscientists since 1993. Mr. Macdonald has acted as a director of junior public companies for many years and has substantial audit committee experience.

Mr. Macdonald expects to devote approximately 10% of his time to the Issuer.

Kenneth Ralfs, (72) Director

Mr. Ralfs has experience with public companies as a director and through several types of officer positions held with various reporting issuers. Mr. Ralfs often participated on each Issuer's audit committee. Mr. Ralfs has a B.Sc. (Geology) (1975) from the University of British Columbia.

Mr. Ralfs expects to devote approximately 10% of his time to the Issuer.

Eugene Beukman, (60) Director

Mr. Beukman is Corporate Counsel of Pender Street Corporate Consulting Ltd., a private company that provides accounting, legal and administrative services, and has held this position since January 1994. Mr. Beukman was previously employed as a legal advisor to the predecessor of BHP Billiton, a leading global resources company, a producer of major commodities, including iron ore, metallurgical coal, copper and uranium, with substantial interests in conventional and unconventional oil and gas and energy coal, and a company that creates long-term shareholder value through the discovery, acquisition, development and marketing of these natural resources. Mr. Beukman has over 20 years' experience in the acquisition of assets and joint ventures.

Mr. Beukman graduated from Rand University of Johannesburg, South Africa, with a Bachelor of Law degree and a Bachelor of Law Honours Postgraduate degree in 1987. He remains an Admitted Advocate of the High Court of South Africa. Mr. Beukman also serves as an audit committee member for a number of other public companies and is corporate consultant to public companies. He is a director and/or officer of several reporting companies listed on the TSX-V and the CSE.

Mr Beukman will devote approximately 10% of his time to the Issuer.

CAPITALIZATION OF THE RESULTING ISSUER

<u>Issued Capital</u>	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	57,205,994 ⁽¹⁾	69,570,494 ⁽²⁾	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in	Nil	100,000	0%	0.163%

<u>Issued Capital</u>	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
Total Public Float (A-B)	57,205,994 ⁽¹⁾	69,470,494 ⁽²⁾	100%	99.86%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	[14,000,000] ⁽¹⁾	[24,308,500] ⁽²⁾	[27.59]%	[39.81]%
Total Tradeable Float (A-C)	[36,750,330] ⁽¹⁾	[36,750,330] ⁽²⁾	[72.41]%	[60.19]%

Notes:

- (1) This value gives effect to the aggregate 7,000,000 Vinergy Shares issued to Phyto pursuant to the Phyto Agreement (see “*General Development of the Business – Investments – Phyto Pharma Inc.*”) and the 12,805,664 Vinergy Shares issued pursuant to the Concurrent Financing (see “*General Development of the Business – Equity Financing*”).
- (2) This value gives effect to the 5,208,500 Vinergy Shares issuable upon exercise of the January 2017 Financing Warrants, the 12,805,664 Vinergy Shares issuable upon exercise of the Concurrent Financing Warrants, and the 56,000 Vinery Shares issuable upon exercise of the Concurrent Financing Finder’s Warrants currently outstanding. See “*Consolidated Capitalization*” above.

Public Securityholders (Registered)

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	1	2,000
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	1	4,000
5,000 or more securities	39	19,818,912
TOTAL	41	19,824,912

Public Securityholders (Beneficial)

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	275	11,492
100 – 499 securities	721	155,720
500 – 999 securities	353	216,474
1,000 – 1,999 securities	455	531,428
2,000 – 2,999 securities	187	407,586
3,000 – 3,999 securities	93	296,082
4,000 – 4,999 securities	61	259,886
5,000 or more securities	549	47,314,543
TOTAL	2694	49,193,211

Non-Public Securityholders (Registered)

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	-	-
TOTAL	Nil	Nil

Convertible Securities

The following are details for any securities convertible or exchangeable into Vinergy Shares:

Description of Security (include conversion/exercise terms, including conversion/exercise price)			Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion/exercise
Exercise Price	Expiry Date	Type of Security		
\$0.40	July 9, 2018	January 2017 Financing Warrants	5,208,500	5,208,500
\$0.15	March 21, 2021	Concurrent Financing Warrants	12,805,664	12,805,664

		(2)		
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Notes:

- (1) The January 2017 Financing Warrants were issued pursuant to the January 2017 Financing (see “*General Development of the Business – General Development of Issuer’s Business*”).
- (2) The Concurrent Financing closed on March 22, 2019. Each Concurrent Financing Warrant entitles the holder to acquire one Vinergy Share at a price of \$0.15 for a period of 24 months following the date of issuance. See “*General Development of the Business – Equity Financing*”.

See also “*Options to Purchase Securities*” above for details of outstanding stock options to purchase Vinergy Shares.

EXECUTIVE COMPENSATION

Vinergy

Compensation Discussion and Analysis

Vinergy’s policies on compensation for its executive officers are intended to provide appropriate compensation for executives that is internally equitable, externally competitive and reflects individual achievements in the context of Vinergy. The overriding principles in establishing executive compensation provide that compensation should:

- (a) reflect fair and competitive compensation commensurate with an individual’s experience and expertise in order to attract and retain highly qualified executives;
- (b) reflect recognition and encouragement of leadership, entrepreneurial spirit and team work;
- (c) reflect an alignment of the financial interests of the executives with the financial interest of Vinergy’s shareholders;
- (d) include stock options and, in certain circumstances, bonuses to reward individual performance and contribution to the achievement of corporate performance and objectives;
- (e) reflect a contribution to enhancement of shareholder value; and
- (f) provide incentive to the executives to continuously improve operations and execute on corporate strategy.

Goals and Objectives

Vinergy’s compensation philosophy is aimed at attracting and retaining quality and experienced people which is critical to the success of Vinergy. Executive compensation is comprised of three elements: base fee or salary, short-term incentive compensation (discretionary cash bonuses) and long-term incentive compensation (stock options). The Board of Directors reviews all three components in assessing the compensation of individual executive officers and of Vinergy as a whole.

Base fees or salaries and bonuses (discretionary) are intended to provide current compensation and a short-term incentive for executive officers to meet Vinergy’s goals, as well as to remain competitive with the industry. Base fees or salaries are compensation for job responsibilities and reflect the level of skills, expertise and capabilities demonstrated by the executive officers. Executive officers will also be eligible to receive discretionary bonuses as determined by the Board of Directors from time to time based on each officer’s responsibilities, his or her achievement of individual and corporate objectives and Vinergy’s financial performance. Cash bonuses are intended to reward the executive officers for meeting or exceeding the individual and corporate performance objectives set by Vinergy’s board.

Stock options are an important part of Vinergy’s long-term incentive strategy for its officers, permitting them to

participate in any appreciation of the market value of Vinergy Shares over a stated period of time, and are intended to reinforce commitment to long-term growth and shareholder value. Stock options reward overall corporate performance, as measured through the price of the Vinergy Shares and enable executives to acquire and maintain a significant ownership position in Vinergy. Stock options also represent an additional form of compensation to Vinergy’s executive officers without directly impacting Vinergy’s cash resources.

Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 – *Statement of Executive Compensation*) sets forth all annual and long term compensation for services paid by Vinergy to each individual who was a Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) or one of the three most highly compensated executive officers (in addition to the CEO and CFO) of Vinergy whose total compensation exceeded \$150,000 (collectively the “Named Executive Officers” or “NEOs”) during the most recently completed financial year ended February 28, 2018 for each of Vinergy’s three most recently completed financial years ended February 28, 2018, February 29, 2017 and February 28, 2016, as applicable:

Name and Principal Position of Named Executive Officer	SUMMARY COMPENSATION TABLE								
	Year Ended February 28 or 29 (as applicable)	Salary (\$)	Share-Based Awards	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
Glen C. MacDonald CEO ⁽¹⁾	2018	\$50,000	Nil	Nil	N/A	N/A	N/A	Nil	\$50,000
	2017	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2016	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
Glen Indra CFO ⁽²⁾	2018	\$40,000	Nil	Nil	N/A	N/A	N/A	Nil	\$40,000
	2017	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
Paul Chow (former CEO) ⁽³⁾	2017	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
J. Randy Clifford (former CEO/CFO) ⁽⁴⁾	2017	28,800	Nil	Nil	N/A	N/A	N/A	Nil	28,800
	2016	28,800	Nil	Nil	N/A	N/A	N/A	Nil	28,800
	2015	48,000	Nil	Nil	N/A	N/A	N/A	Nil	48,000

Notes:

- (1) Glen MacDonald was appointed Chief Executive Officer of Vinergy effective December 9, 2016.
- (2) Glen Indra was appointed Chief Financial Officer of Vinergy effective April 18, 2016.
- (3) Paul Chow acted as Chief Executive Officer of Vinergy from April 18, 2016 to December 9, 2016.
- (4) J. Randy Clifford acted as both Chief Executive Officer and Chief Financial Officer of Vinergy during fiscal 2015 and 2016 and for the period March 1, 2016 to April 18, 2016 in fiscal 2017. Mr. Clifford resigned as CEO and CFO of Vinergy effective April 18, 2016.

Incentive Plan awards

Outstanding Share-Based Awards and Option-Based Awards

As of February 28, 2018, there were no option-based or share-based awards outstanding to the Named Executive Officers.

Incentive Plan Awards – Value Vested or Earned During the Year

No option-based awards or share-based awards were vested in, and no non-equity incentive plan compensation was earned by, the Named Executive Officers during the year ended February 28, 2018.

Pension Plan Benefits

Vinergy does not have any pension, retirement or deferred compensation plans, including defined contribution plans.

Termination and Change of Control Benefits

Vinergy has not entered into any compensatory plans, contracts or arrangements with any of its Named Executive Officers whereby such officers are entitled to receive compensation as a result of the resignation, retirement or any other termination of employment of the Named Executive Officer with Vinergy or from a change in control of Vinergy or a change in the Named Executive Officer’s responsibilities following a change in control.

Management / Employment Contracts

Vinergy does not currently have any management/employment agreements in place with its Named Executive Officers.

Director Compensation Table

The following table sets forth information regarding the compensation paid to Vinergy’s directors, other than directors who are also Named Executive Officers listed in the “Summary Compensation Table” above, during the fiscal year ended February 28, 2018.

Name	Fees Earned	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total
Kenneth Ralfs	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Eugene Sekora ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Eugene Sekora resigned as a director of Vinergy on April 18, 2016.

Share-based awards, option-based awards and non-equity incentive plan compensation

Outstanding Share-Based Awards and Option-Based Awards

As of February 28, 2018, there were no option-based or share-based awards outstanding to the non-executive directors of Vinergy.

Incentive Plan Awards – Value Vested or Earned During the Year

No option-based awards or share-based awards were vested in, and no non-equity incentive plan compensation was earned by, the non-executive directors of Vinergy during the year ended February 28, 2018.

Issuer

Compensation Discussion and Analysis

It is anticipated that the objectives, criteria and analysis of the compensation of the executive officers of the Issuer will be, in all material respects, the same as Vinergy’s current philosophy and policies on executive compensation. See “*Executive Compensation – Vinergy*” above. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, the board of directors determines that another compensation strategy is in the best interests of the Issuer.

Summary Compensation Table

The following table summarises the proposed compensation to be paid by the Issuer to its CEO and CFO, and each other executive officer whose total compensation is anticipated to exceed \$150,000 (collectively, the “**Proposed Named Executive Officers**”) during the twelve-month period following completion of the Change of Business.

SUMMARY COMPENSATION TABLE								
Name and Principal Position	Salary (\$)	Share based Awards	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation (\$)	Total Compensation(\$) ⁽¹⁾
				Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
Glen Macdonald CEO	50,000	Nil	Nil	Nil	Nil	Nil	Nil	50,000
Glen Indra CFO	40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000

Notes:

1. The Issuer does not currently intend to issue the executive officers of the Issuer or the directors of the Issuer any share-based awards during the 12 months following completion of the acquisition. In addition, no benefits are proposed to be paid to any of the executive officers of the Issuer or director of the Issuer under any pension or retirement plan or under any deferred compensation plan during the 12 months following completion of the Change of Business.

Incentive Plan awards

As of the date of this Listing Statement, the Issuer does not currently intend to grant any stock options to its Proposed Named Executive Officers upon completion of the Change of Business. Any future grants of incentive stock options will be as determined by the Issuer’s board from time to time.

As of the date of this Listing Statement, the Issuer does not propose to grant any share-based awards to its Proposed Named Executive Officers during the first year following completion of the Change of Business.

See also “*Options to Purchase Securities*” above.

Pension Plan Benefits

As of the date of this Listing Statement, the Issuer does not expect to establish any pension, retirement or deferred compensation plans, including defined contribution plans, for its proposed Named Executive Officers in the first year following completion of the Change of Business.

Termination and Change of Control Benefits

Vinergy does not currently have any compensatory plan, contract or agreement with any Named Executive Officer.

Compensation of Directors

Following completion of the Change of Business, it is anticipated that the non-executive directors of the Issuer will not receive cash compensation in their capacities as directors of the Issuer. The directors of the Issuer will be entitled to reimbursement for transportation and other out-of-pocket expenses incurred for attendance at Board of Directors meetings and in connection with discharging their director functions.

Non-executive directors of the Issuer will also be entitled to receive incentive stock options as determined by the Issuer's board from time to time. As of the date of this Listing Statement, the Issuer does not currently intend to grant any stock options to non-executive directors of the Issuer upon completion of the Change of Business

See also "*Options to Purchase Securities*" above.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of Vinergy or person who acted in such capacity in the last financial year of Vinergy, or proposed director or officer of the Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of Vinergy, indebted to Vinergy nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Vinergy.

RISK FACTORS

The following are certain risk factors relating to the business to be carried on by the Issuer, including the business of the Investments, which prospective investors should carefully consider before deciding whether to purchase Vinergy Shares. For the purposes of this section, any reference to the Issuer's business and operations includes the business and operations of the Investments. Any explicit use of the term "Investments" or discussion of specific Investment is for narrative purposes only and should be understood to include the Issuer.

The risks presented below may not be all of the risks that the Issuer may face. The Issuer will face a number of challenges in the development of its business due to the nature of the present stage of the business and operations of its Investments and its Investment Policy. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers should not rely upon forward-looking statements as a prediction of future results. Readers should carefully consider all such risks, including those set out in the discussion below and elsewhere in this Listing Statement.

Risks Relating to Investments

Market Reaction to Investments

The market reaction to the Issuer's Investments and the future trading prices of the Vinergy Shares cannot be predicted. If any disclosed Investments are not consummated, the market price of Vinergy Shares may decline to the extent that the current market price of Vinergy Shares reflects a market assumption that the Investments will be completed.

Costs of the Investments

Certain costs related to the Investments, such as legal and accounting fees incurred by the Issuer, must be paid by the Issuer even if the Investments are not completed.

Failure to Secure a More Attractive Offer

If the Investments are not completed and the Board decides to seek other merger or business combinations, there can be no assurance that it will be able to find an equivalent or more attractive price than the consideration pursuant to the Investments.

Termination of Investments in Certain Circumstances

The Issuer has entered agreements, pursuant to certain Investments, that will close subject to CSE Conditional Approval. There is no certainty, that the Issuer will receive CSE Conditional Approval. The Issuer may also elect to withdraw any of its investments (where possible) for a number of reasons including, without limitation, changing market conditions, a recommendation from the Issuer's Board of Directors or the availability of a more suitable investment opportunity. If for any reason the Investments are delayed or not completed, the market price of Vinergy Shares may be adversely affected (see "*Risk Factors – Market Reaction*" above).

Investment Issuer Status

As an Investment Issuer, essentially all of the Issuer's operating assets are the capital stock of its Investments. As a result, investors in the Issuer are subject to the risks attributable to its Investments. As an Investment Issuer, the Issuer conducts substantially all of its business through its Investments, which generate substantially all of its revenues. Consequently, the Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its Investments and the distribution of those earnings to the Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Issuer's Investments, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those Investments before any assets are made available for distribution to the Issuer.

Competition for Investments

There is potential that the Issuer will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and technical, manufacturing and marketing experience than the Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the Issuer's ability to acquire Investments.

Because of early stage of the industry in which the Issuer has focused its Investment Policy, the Issuer expects to face additional competition from new entrants. If the number of users of medical or recreational marijuana in Canada, the United States or elsewhere increases, the demand for products will increase and the Issuer expects that competition will become even more intense, as current and future competitors begin to offer an increasing number of diversified products (see "*Risk Factors – Risks Relating to the Cannabis Industry – The Cannabis Industry is Subject to Competition*"). To remain competitive, the Issuer will require a continued high level of investment in research, marketing and networking, and research and development, marketing, sales and client support for its Investments. The Issuer may not have sufficient resources to maintain its operations on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Issuer.

Tax Consequences

The Investments described herein, including the acquisition, ownership and disposition of the Vinergy Shares may have tax consequences in Canada, or elsewhere, depending on each particular existing or prospective shareholder's

specific circumstances. Such tax consequences are not described herein and disclosure is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

Risks Specifically Related to Investments in the U.S. Cannabis and the Industrial Hemp Industries

The businesses in which the Issuer invests may violate U.S. federal laws and regulations.

The Issuer intends to invest in businesses in the cannabis industry (inclusive of the industrial hemp industry) in the United States. While the Issuer will only invest in businesses that comply with applicable U.S. state law and local law, certain activities of such businesses may be illegal under U.S. federal law.

Although cannabis is now legalized in some form in a number of United States, the concepts of “medical cannabis” and “retail cannabis” (recreational cannabis) do not exist under U.S. federal law. The CSA classifies “marijuana” as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. The inconsistency between federal and state laws and regulations is a major risk factor. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. Strict compliance with state and local laws with respect to cannabis may neither absolve a business entity of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against a business entity in which the Issuer holds an investment. Any such proceedings brought against such Investment may adversely affect the Issuer’s operations and financial performance.

As a result of the Sessions Memorandum, federal prosecutors have prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities and, as a result, it is uncertain how active federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

U.S. federal law pre-empts state law in these circumstances, so that the U.S. federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown; nevertheless, the most recent stated position of the current administration is relatively hostile to legal cannabis, and furthermore can potentially be changed at any time by the DOJ to become more hostile. If the DOJ opted to pursue a policy of aggressively pursuing financiers or equity owners of cannabis-related businesses, and United States attorneys followed such DOJ policies through the pursuit of prosecutions of such financiers or equity owners, then certain U.S. Investees could face (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers and/or investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Particularly now that the Cole Memo has been rescinded, the DOJ under the current administration or an aggressive federal prosecutor could allege that the Issuer and the Issuer’s Board and, potentially its shareholders, “aided and abetted” violations of federal law by providing finances and services to certain Investees. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of certain U.S. Investees, and to recover the “illicit profits” previously distributed to the Issuer or, if the Issuer has paid dividends, the shareholders who received such dividends, resulting from any of the foregoing financing or services. In these circumstances, the Issuer’s shareholders may lose their entire investment and directors, officers and/or the Issuer’s shareholders may be required to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business

activities or divestiture. This could have a material adverse effect on U.S. Investees, and as a result the Issuer, including their reputation and ability to conduct business, their holdings (directly or indirectly) of medical or retail/recreational cannabis licenses in the United States, and the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of their publicly traded shares. In addition, it is difficult for the Issuer to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Farm Bill Risks

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs sold in interstate commerce.

If cannabis or THC or CBD derived from cannabis are re-categorized as Schedule II or lower controlled substances, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the Drug Enforcement Administration ("DEA"); however, the FDA has enforced the FDCA with regard to industrial hemp derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis or THC or CBD derived from cannabis were to be rescheduled as federally controlled, yet legal, substances, the FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA and others to enforce the CSA and FDCA against businesses that comply with state but not federal law.

On December 20, 2018 the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the 2018 Farm Bill, industrial hemp is defined as "the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a [THC] concentration of not more than 0.3 percent on a dry weight basis." The U.S. Department of Agriculture has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the Department of Agriculture to review and approve any state-promulgated regulations relating to industrial hemp. Until such time as the Department of Agriculture approves a state's industrial hemp regulations, commercial sale of industrial hemp may not be permissible. The timing of such Department of Agriculture regulations cannot be assured. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA. There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. It is not yet known what role the FDA will have in regulating industrial hemp and CBD derived from industrial hemp.

The potential for multi-agency enforcement post-rescheduling of cannabis and post-removal of industrial hemp from the CSA could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including certain of Issuer's State Operators.

Regulation of Hemp-Derived CBD Products

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other

animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FDCA, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a “monograph” for a particular drug category, as established by the FDA’s OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA’s current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state’s compliance with the federally-approved plan. If the Secretary does not approve the state’s plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. It is anticipated that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Issuer’s operations, as well as adverse publicity and potential harm to the Issuer’s reputation.

Reliance on State Operator Facilities

The facilities used by certain State Operators could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material and adverse effect on the Issuer’s business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by regulatory authorities, could also have an impact on such State Operator’s ability to continue operating under their licences or the prospect of renewing their licences, which may have an adverse effect on the Issuer.

Operating Risks

Cannabis operations generally involve a high degree of risk. The State Operators are subject to the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect one of the State Operators, it may (i) cause the cost of development or production to increase to a point where it would no longer be economic to produce cannabis, (ii) cause delays or stoppage of operations, (iii) cause personal injury or death and related legal liability, or (iv) result in the loss of insurance coverage. The occurrence of any of these risks or hazards could have a material adverse effect on the Issuer and the price of its securities. The production of cannabis involves significant risks. Major expenditures may be required in pursuit of a licence and it is impossible to ensure that the expenditures will result in receipt of a licence and a profitable operation. There can be no assurances that any of the State Operators will obtain and maintain a licence to produce and sell cannabis and be brought into a state of commercial production.

Reliance on Third-Party Suppliers, Manufacturers and Contractors

Due to the uncertain regulatory landscape for regulating cannabis in the United States, third party suppliers, manufacturers and contractors of the State Operators may elect, at any time, to decline or withdraw services necessary for the State Operators' operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Issuer's and its State Operators' businesses and operational results.

Increased Operational, Regulatory and Other Risks

A State Operator may in the future expand into other geographic areas, product categories or market segments, which could increase the State Operator's operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the State Operator's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the State Operators to incur a number of upfront expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The State Operators may not be able to successfully identify suitable acquisition, investment and/or expansion opportunities or integrate such operations successfully with the State Operators' existing operations.

U.S. federal trademark and patent protection may not be available for the Issuer's intellectual property of the Issuer's U.S. Investees due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available. As a result, intellectual property of the Issuer's Investments may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Issuer can provide no assurance that the businesses in which it invests will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

U.S. Investments' contracts may not be legally enforceable in the United States.

Because the Issuer's U.S. Investments contracts may involve cannabis and other activities that are not legal under U.S. federal law, they may face difficulties in enforcing their contracts in U.S. federal and certain state courts.

The Issuer's investments in the United States will be subject to applicable anti-money laundering laws and regulations.

The Issuer and its U.S. Investments are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network of the U.S. Department of the Treasury issued the FinCEN Memorandum. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that the previous Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

If any of the Issuer's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering

legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Issuer has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Issuer may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Laws and regulations affecting the cannabis industry are constantly changing.

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Issuer's State Operators, and subsequently the Issuer's, operations. U.S. local, state and federal cannabis laws and regulations, along with Canadian securities laws, are broad in scope and subject to changing interpretations. These changes may require the State Operators to incur substantial costs associated with legal and compliance fees and ultimately require the Issuer to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on its operations. In addition, the Issuer cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its State Operators.

The Issuer's directors, officers, employees and investors may be subject to entry bans into the United States.

Cannabis remains illegal under U.S. federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of Customs and Border Protection ("CBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. Business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Issuer), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

While a majority of the Issuer's directors, officers and employees are resident and located in Canada, the Issuer's business and investments are located in the United States. If any of the Issuer's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Issuer's ability to operate in the United States. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the United States could make it more difficult for the Issuer to continue to retain and engage qualified directors, officers and employees in the future.

Risks Specifically Related to Investments in the Canadian Cannabis Industry.

Changes in Laws, Regulations and Guidelines

The operations of the Issuer's Canadian Investments may be subject to various laws, regulations, guidelines and licensing requirements both in Canada and potentially abroad. The Issuer will make commercially reasonable efforts to ensure its Canadian Investments operate in compliance with all such laws. Any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Issuer could have a material adverse effect on the Investment's business, results of operations and financial condition (and by extension the Issuer's business and

financial condition). In particular, any amendment to or replacement of the Cannabis Act, may cause adverse effects to an Investment's operations, thereby impacting the Issuer's financial position.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age of 18 years for purchase and consumption of cannabis. On June 21, 2018, the Cannabis Act received Royal Assent and came into force on October 17, 2018. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Issuer should be comparable to other companies in the same business as the Issuer.

To date, only fresh cannabis, dried cannabis and cannabis oil products are permitted. Health Canada has given guidance that other transformed products (primarily edibles and beverages infused with cannabis) will be permitted for legal sale one year (on October 19, 2019) subsequent to the Cannabis Act coming into effect. However, there remains uncertainty regarding how and when certain regulatory changes will be implemented. Further, the general legislation framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories. Unfavourable regulatory changes, delays or both may therefore materially and adversely affect the future business, financial condition and results of operations of the Issuer's Canadian Investments (and by extension the business and financial position of the Issuer).

In addition, the industries subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Issuer's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Issuer's earnings and could make future capital investments of the Issuer or the Issuer's Canadian Investments' operations uneconomic.

The Canadian Medical and Recreational Cannabis Markets are Relatively New and these Markets may not Continue or Grow as Anticipated

Certain Canadian Investments may hold licenses under the Cannabis Act. As such, these Investments will be operating their business in a relatively new industry and market. In addition to being subject to general business risks, the Issuer's Investments must continue to build brand awareness in this industry and market through significant investments in strategy, production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Issuer's Canadian Investments' business, financial conditions and results of operations (and by extension, the business and financial condition of the Issuer).

General Risks

Volatile Market Price for Vinergy Shares

The market price for the Vinergy Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Issuer's control, including the following:

- actual or anticipated fluctuations in the Issuer's quarterly results of operations;
- recommendations by securities research analysts;

- changes in the economic performance or market valuations of companies in the industry in which the Issuer operates;
- addition or departure of the Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Vinergy Shares;
- sales or perceived sales of additional Vinergy Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Issuer's industry generally and its business and operations;
- announcements of developments and other material events by the Issuer or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Issuer or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Issuer or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Issuer's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Vinergy Shares may decline even if the Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Issuer's operations could be adversely impacted and the trading price of Vinergy Shares may be materially adversely affected.

Lack of Operating History

Many of the Issuer's Investments have only recently started to carry their businesses. The Issuer will therefore be subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Issuer to meet any of these conditions could have a materially adverse effect on the Issuer and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Issuer will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Issuer may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Issuer fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Issuer accomplishes these objectives, the Issuer may not generate the anticipated positive cash flows or profits. No assurance can be given that the Issuer can or will ever be successful in its operations and operate profitably.

Reliance on Management and Key Personnel

The success of the Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Issuer attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Issuer's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Issuer's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Issuer's business, operating results or financial condition.

Additional Financing

The Issuer's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Issuer's business model requires spending money (primarily on, licensing, advertising and marketing) in order to generate revenue. Based on the Issuer's current financial situation, the Issuer may have difficulty continuing its operations at the current level, or at all, if it does not raise additional financing in the near future.

In order to execute the Issuer's business plan, the Issuer will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Issuer when needed or on terms which are acceptable. The Issuer's inability to raise financing to support on-going operations or to fund capital expenditures could limit the Issuer's operations and may have a material adverse effect upon future profitability. The Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Vinergy Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Issuer to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Issuer may be required to reduce, curtail, or discontinue operations. There is no assurance that the Issuer's future cash flow, if any, will be adequate to satisfy its ongoing operating expenses and capital requirements.

Growth and Consolidation in the Industry

The cannabis industry is undergoing rapid growth and substantial change, which has resulting in increasing consolidation and formation of strategic relationships. The Issuer expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Issuer. The Issuer could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Issuer to lose access to distribution, content and other resources. The relationships between the Issuer and its strategic partners may deteriorate and cause an adverse effect on the business. The Issuer could lose customers if competitors or users of competing technology consolidate with the Issuer's customers. Furthermore, the Issuer's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Issuer at a competitive disadvantage, which could cause the Issuer to lose customers, revenue, and market share. Consolidation in the industry could also force the Issuer to divert greater resources to meet new or additional competitive threats, which could harm the Issuer's operating results.

Intellectual Property Risks

The Issuer's ability to compete largely depends on the superiority, uniqueness, and value of the intellectual property and technology of its Investments, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Issuer will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its

employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Issuer's intellectual property. The Issuer's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Issuer with any competitive advantages. The Issuer's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Issuer develops. There is a risk that another party may obtain a blocking patent and the Issuer would need to either obtain a licence or design around the patent in order to continue to offer the contested feature or service in its products.

Unfavourable Publicity or Consumer Perception

The Issuer believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the product. Consumer perception of the Issuer's Investments' products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical and/or recreational marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Issuer's products and the business, results of operations, financial condition and cash flows of the Issuer. The Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Issuer, the demand for the Issuer's products, and the business, results of operations, financial condition and cash flows of the Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or the Issuer's products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

In Certain Circumstances, the Issuer's Reputation Could be Damaged

Damage to the Issuer's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Issuer and its activities, whether true or not. Although the Issuer believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Issuer does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Issuer's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Cyber Security and Expanding Social Media Vehicles

The use of social media could cause the Issuer and/or its Investments to suffer brand damage or information leakage. Negative posts or comments about the Issuer or its properties on any social networking website could damage the Issuer's reputation. In addition, employees or others might disclose non-public sensitive information relating to the Issuer's business through external media channels. The continuing evolution of social media will present the Issuer with new challenges and risks.

Management of the Issuer have reviewed Canadian Securities Administrators Staff Notice 33-321 – *Cyber Security and Social Media* and Canadian Securities Administrators Staff Notice 51-348 – *Staff's Review of Social media Used by Reporting Issuers* and have developed internal policies and procedures governing the use of social media that aligns with the same.

Product Liability

Some of the Issuer's Investments may be licensors, manufacturers and/or distributors of products designed to be ingested by humans. In this case, the Issuer will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Issuer's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Issuer's products alone or in combination with other medications or substances could occur. The Issuer may be subject to various product liability claims, including, among others, that the Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Issuer could result in increased costs, could adversely affect the Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Issuer. There can be no assurances that the Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Issuer's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Issuer's Investments' products are recalled due to an alleged product defect or for any other reason, the Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Issuer will ensure that its Investments have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Issuer's significant brands were subject to recall, the image of that brand and the Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Issuer. Additionally, product recalls may lead to increased scrutiny of the Issuer's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

The Issuer's business will be dependent on a number of key inputs and their related costs including marijuana, hemp and other raw materials and supplies related to its operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Issuer. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Issuer might be unable to find a replacement for such source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Issuer in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Issuer.

Customer Acquisitions

The Issuer's success depends, in part, on its Investments' ability to attract and retain customers. There are many factors which could impact its Investments' ability to attract and retain customers, including but not limited to the ability of certain Investments to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. The failure to acquire

and retain customers would have a material adverse effect on the Investments' business, operating results and financial condition, which could have a materially adverse effect on the Issuer.

Constraints on Marketing Products

The development of the Investments' businesses and operating results may be hindered by applicable restrictions on sales and marketing. The regulatory environment in the U.S. and Canada limits the Investments' ability to compete for market share in a manner similar to other industries. If the Investments are unable to effectively market their products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Investments' sales and operating results could be adversely affected, which could have a materially adverse effect on the Investments' business, financial condition and operating results.

There are Risks Inherent in an Agricultural Business.

The businesses of the Investments may involve the growing of medical, recreational marijuana, and/or industrial hemp, an agricultural product. As such, the Issuer is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Issuer expects that its Investments' products will be grown indoors under climate-controlled conditions, carefully monitored by trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of those products.

Environmental and Employee Health and Safety Regulations

The Investments' operations may be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Accordingly, the Investments will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in costs for corrective measures, penalties or restrictions on certain Investments' production operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Investments' operations or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and/or results of operations of the Investments and the Issuer.

The Issuer's Investments are Exposed to Currency Fluctuations.

Certain of the Issuer's Investments are expected to be denominated in U.S. dollars, therefore, these Investments may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on the Issuer's business, financial condition and operating results. The Issuer may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Issuer develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Dependence on Suppliers and Skilled Labour

The ability of the Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Difficult to Forecast

The Issuer will have to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the marijuana industry in Canada and the United States. A failure in the demand for its products to materialize as a result of competition, technological change or other

factors could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

Operations in Emerging Markets

The Issuer's Investments may have operations in various emerging markets in the future. Such operations expose the Issuer to the socio-economic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licences, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favour or require the Investments to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in cannabis industry or investment policies or shifts in political attitude in the countries in which the Issuer invests may adversely affect the Issuer's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licences, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licences, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Issuer continues to monitor developments and policies in the emerging markets in which it invests and the Investments operate and assess the impact thereof to its operations; however such developments cannot be accurately predicted and could have an adverse effect on the Issuer's operations or profitability.

Operating Risk and Insurance Coverage

The Issuer will obtain and maintain insurance to protect its assets, operations and employees. However, insurance that is otherwise readily available, such as workers compensation, general liability, and directors and officers insurance, may be more difficult for the Issuer to obtain and more costly because the Issuer will be engaged in the cannabis industry. There are no guarantees that the Issuer will be able to find adequate insurance coverage in the future or that the cost will be affordable to the Issuer. While the Issuer believes it will be able to obtain sufficient insurance coverage to address all material risks to which it will be exposed, such insurance will be subject to coverage limits and exclusions and may not be available for all risks and hazards to which the Issuer is exposed. In addition, no assurance can be given that such insurance will be adequate to cover all of the Issuer's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Issuer were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Issuer were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

Should the Issuer experience rapid growth and development in its business in a relatively short period of time the Issuer may encounter growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Issuer to deal with this growth may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the directors and officers of the Issuer are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Issuer and as officers and directors of such other companies. See “*Directors and Officers of the Issuer – Conflicts of Interest*” above.

Litigation

The Issuer may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties’ proprietary rights. Such litigation would be a drain on the financial and management resources of the Issuer which may affect the operations and business of the Issuer. Furthermore, because the content of most of the Issuer’s intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or federally in the United States, the Issuer may face additional difficulties in defending its intellectual property rights.

The Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Issuer becomes involved be determined against the Issuer such a decision could adversely affect the Issuer’s ability to continue operating and the market price for Vinergy Shares and could use significant resources. Even if the Issuer is involved in litigation and wins, litigation can redirect significant company resources.

The market price of Vinergy Shares may be subject to wide price fluctuations

The market price of Vinergy Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Issuer, divergence in financial results from analysts’ expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Issuer, general economic conditions, legislative changes, and other events and factors outside of the Issuer’s control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Vinergy Shares.

Limited Market for Securities

Upon completion of the Change of Business, the Vinergy Shares will be listed on the CSE, however, there can be no assurance that an active and liquid market for the Vinergy Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Issuer.

Employee Health and Safety Regulations

The Issuer’s operations will be subject to safety laws and regulations concerning, among other things, employee health and safety. The Issuer will incur ongoing costs and obligations related to compliance with employee health and safety matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Issuer’s operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Issuer’s operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Issuer.

PROMOTERS

This is not applicable to the Issuer.

LEGAL PROCEEDINGS

Vinergy

As of the date of this Listing Statement, there are no legal proceedings to which Vinergy is a party or of which any of its property is the subject matter. Additionally, to the reasonable knowledge of the management of Vinergy, there are no such proceedings contemplated.

Investments

As of the date of this Listing Statement, there are no legal proceedings to which any of the Investments is a party or of which any of its property is the subject matter. Additionally, to the reasonable knowledge of the management of each of the Investments, there are no such proceedings contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Issuer, principal shareholders, or any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any material transaction within the three years before the date of this Listing Statement or in any proposed transaction that has materially affected or may affect the Issuer.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The current auditors of Vinergy, Saturna Group Chartered Professional Accountants LLP, located at 1250 – 1066 Hastings Street West, Vancouver, BC, V6E 3X1, will be the auditors of the Issuer.

Vinergy's registrar and transfer agent, Computershare Trust Issuer of Canada, located at 510 Burrard Street, 3rd Floor, Vancouver, BC, V6C 3B9, will be the registrar and transfer agent of the Issuer.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Vinergy in the previous two years are the following:

1. the Phyto Agreement (see "*General Development of the Business – Investments – Phyto Pharma Inc.*"); and
2. the Eagle Energy Agreement (see "*General Development of the Business – Investments – Eagle Energy*").

INTEREST OF EXPERTS

The auditor of Vinergy, Saturna Group Chartered Professional Accountants LLP ("**Saturna**"), audited the financial statements of Vinergy for the year ended February 28, 2018 and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia. Based on information provided by Saturna, Saturna has not received nor will receive any direct or indirect interests in the property of Vinergy or the Issuer. Neither Saturna nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of Vinergy or the Issuer or its associates and affiliates.

OTHER MATERIAL FACTS

Vinergy is not aware of any other material facts relating to Vinergy, the Issuer or the Issuer's Investments that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to Vinergy and the Issuer.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Vinergy Resources Ltd. hereby applies for the listing of the above-mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Vinergy Resources Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 28th day of June, 2019.

"Glen Macdonald"

GLEN A. MACDONALD
Chief Executive Officer

"Glen Indra"

GLEN INDRA
Chief Financial Officer

"Glen Macdonald"

GLEN A. MACDONALD
Director

"Kenneth Ralfs"

KENNETH R. RALFS
Director

SCHEDULE "A" – VINERGY FINANCIAL STATEMENTS

[Please see attached]

VINERGY RESOURCES LTD.

Consolidated Financial Statements
Years Ended February 28, 2018 and 2017
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Vinergy Resources Ltd.

We have audited the accompanying consolidated financial statements of Vinergy Resources Ltd., which comprise the consolidated statements of financial position as at February 28, 2018 and 2017 and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and 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 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.

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 audits to obtain reasonable assurance about whether the consolidated 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Vinergy Resources Ltd. as at February 28, 2018 and 2017 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the consolidated 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 Chartered Professional Accountants LLP

Vancouver, Canada

June 28, 2018

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

	February 28, 2018 \$	February 28, 2017 \$
Assets		
Current assets		
Cash and cash equivalents	826,899	1,582,237
Amounts receivable	–	4,277
Prepaid expenses and deposits	18,000	30,679
Loans receivable (Note 3)	912,174	304,400
Total assets	1,757,073	1,921,593
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	336,400	252,931
Loan payable (Note 5)	20,000	45,000
Convertible debenture (Note 6)	215,000	215,000
Due to related parties (Note 7)	512,528	504,762
Total liabilities	1,083,928	1,017,693
Shareholders' equity		
Share capital	2,531,290	2,531,290
Share-based payment reserve	171,016	130,128
Equity component of convertible debt	176,251	176,251
Deficit	(2,205,412)	(1,933,769)
Total shareholders' equity	673,145	903,900
Total liabilities and shareholders' equity	1,757,073	1,921,593

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

Approved and authorized for issuance by the Board of Directors on June 28, 2018:

/s/ "Glen Macdonald"

Glen Macdonald, Director

/s/ "Glen Indra"

Glen Indra, Director

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

VINERGY RESOURCES LTD.

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

	Year ended February 28, 2018 \$	Year ended February 28, 2017 \$
Expenses		
General and administrative	5,949	1,830
Investor relations	79,478	70,476
Management fees (Note 8)	—	28,800
Professional fees (Note 8)	69,574	74,220
Share-based compensation	40,888	—
Transfer agent and filing fees	44,529	60,879
Loss before other expense	(240,418)	(236,205)
Other expense		
Finance costs	(31,225)	(29,409)
Net loss	(271,643)	(265,614)
Loss per share, basic and diluted	(0.01)	(0.01)
Weighted average common shares outstanding	36,750,330	27,760,316

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

VINERGY RESOURCES LTD.

Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Equity component of convertible debt \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$				
Balance, February 29, 2016	26,333,330	700,821	—	176,251	(1,668,155)	(791,083)
Shares issued pursuant to private placement	10,417,000	2,083,400	—	—	—	2,083,400
Share issuance costs	—	(252,931)	130,128	—	—	(122,803)
Net loss for the year	—	—	—	—	(265,614)	(265,614)
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

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

VINERGY RESOURCES LTD.Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended February 28, 2018 \$	Year ended February 28, 2017 \$
Operating activities:		
Net loss	(271,643)	(265,614)
Items not involving cash:		
Share-based compensation	40,888	–
Changes in non-cash operating working capital:		
Amounts receivable	4,277	(4,064)
Prepaid expenses and deposits	12,679	(16,833)
Accounts payable and accrued liabilities	83,469	89,830
Due to related parties	7,766	67,593
Net cash used in operating activities	(122,564)	(129,088)
Investing activities		
Advances for loans receivable	(607,774)	(275,000)
Net cash used in investing activities	(607,774)	(275,000)
Financing activities		
Proceeds from loans payable	–	25,000
Repayment of loans payable	(25,000)	–
Proceeds from issuance of common shares	–	2,083,400
Share issuance costs	–	(122,803)
Net cash provided by (used in) financing activities	(25,000)	1,985,597
Increase (decrease) in cash and cash equivalents	(755,338)	1,581,509
Cash and cash equivalents, beginning of year	1,582,237	728
Cash and cash equivalents, end of year	826,899	1,582,237
Cash and cash equivalents consist of:		
Cash in bank	807,850	563,188
Cash in legal trust account	19,049	1,019,049
Total cash and cash equivalents	826,899	1,582,237
Non-cash financing activities:		
Fair value of finders' warrants issued as share issuance costs	–	130,128

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

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(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”.

On November 30, 2009, the Company entered into a Share Purchase Agreement (the “Agreement”) with Zeus Energy Inc. (“Zeus”) and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Zeus was incorporated on November 7, 2007 under the Alberta Business Corporations Act. Since the closing of the Agreement on November 30, 2009, the Company has been in the business of oil and gas acquisition, exploration and development. On May 2, 2017 Zeus Energy Inc. was discontinued.

On May 8, 2017 (as amended), the Company entered into a share exchange agreement (the “Agreement”) with 1099955 B.C. Ltd. (“MJ BioPharma”) a private British Columbia company. Pursuant to the terms of the Agreement, the Company will acquire 100% of the issued and outstanding securities of MJ BioPharma by issuing 4,000,000 common shares of the Company to the shareholders of MJ BioPharma. The Company will issue 400,000 common shares as a finder’s fee on the closing of the transaction. The Agreement is subject to regulatory approval. The Agreement was cancelled on April 19, 2018.

These consolidated 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, 2018, the Company has no revenue generated from operations and has an accumulated deficit of \$2,205,412. 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 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations of the IFRS Interpretations Committee.

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

(b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Zeus Energy Inc. All inter-company transactions and balances have been eliminated. On May 2, 2017, Zeus Energy Inc. was discontinued.

(c) Use of Estimates and Judgments

The preparation of these consolidated 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.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments

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.

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) Exploration and Evaluation Assets

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in the consolidated statement of operations as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, geological and geophysical, drilling, sampling, decommissioning and often directly attributable internal costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment or expensed to exploration and evaluation impairments.

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU") for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the consolidated statement of operations.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Exploration and Evaluation Assets (continued)

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statement of operations as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of operations as incurred.

(iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives for all production assets are assumed to be equal to the reserve life of the oil and natural gas assets, and therefore are also depreciated using the unit of production method. For other assets, depreciation is recognized in the consolidated statement of operations on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

(f) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Decommissioning, Restoration, and Similar Liabilities

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The future obligations for well closure activities are estimated by the Company using well closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the wells operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the well closure activities are to be carried out.

The present value of decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the oil and gas property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the consolidated statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date and the cost is charged to the consolidated statement of operations.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash and cash equivalents are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable and loans receivable.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated 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. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, loans payable, convertible debenture, and amounts due to related parties.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(i) Foreign Currency Translation

The financial statements for the Company's subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates. The functional and reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

(j) 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 consolidated 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.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(k) 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, 2018, the Company had 9,608,500 (2017 – 9,837,700) potentially dilutive shares outstanding.

(l) 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 consolidated statement of operations.

(m) 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 consolidated 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) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

(n) 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, 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9, *Financial Instruments* (New)

IFRS 2, *Share-based Payment* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's consolidated 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 consolidated financial statements.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

(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 (2017 - \$29,400). These loans are non-interest bearing, unsecured, and due on demand.
- (b) As at February 28, 2018, the Company has a loan receivable of \$345,680 (2017 - \$115,000) to 1099955 B.C. Ltd. These advances are non-interest bearing, unsecured, and due on demand.
- (c) As at February 28, 2018, the Company has a loan receivable of \$160,000 (2017 - \$160,000) from a non-related party which is non-interest bearing, unsecured, and due on demand.
- (d) As at February 28, 2018 the Company has a loan receivable of \$60,000 (2017 - \$nil) to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (e) As at February 28, 2018 the Company has a loan receivable of \$125,000 (2017 - \$nil) to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (f) As at February 28, 2018 the Company has a loan receivable of \$25,000 (2017 - \$nil) to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (g) As at February 28, 2018, the Company has a loan receivable of \$167,076 (2017 - \$nil) to a non-related company which is non-interest bearing, unsecured, and due on demand.

4. Accounts Payable and Accrued Liabilities

	2018	2017
	\$	\$
Trade accounts payable	59,291	49,782
Accrued liabilities	89,088	46,353
Accrued interest payable	188,021	156,796
	336,400	252,931

5. Loans Payable

- (a) As at February 28, 2018, the Company owed \$20,000 (2017 - \$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, 2018, the Company had incurred interest on this loan of \$34,045 (2017 - \$24,320), which is included in accounts payable and accrued liabilities.
- (b) As at February 28, 2018, the Company owed \$nil (2017 - \$25,000) to a non-related party which is non-interest bearing, unsecured, and due on demand.

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 (2017 - \$176,251) which was recorded as equity and an equivalent discount on the convertible debenture. The fair value was estimated using the Black-Scholes option pricing model assuming no expected dividends, a risk free interest rate of 2.99%, expected life of 5 years, and expected volatility of 100%. The accretion of the discount was recognized over the term of the debenture. As at February 28, 2018, the carrying value of the convertible debenture is \$215,000 (2017 - \$215,000).

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements
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7. Related Party Transactions

- (a) As at February 28, 2018, the amount of \$385,128 (2017 - \$377,362) is owed to the former President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (b) As at February 28, 2018, the amount of \$127,400 (2017 - \$127,400) is owed to the spouse of the former President of the Company, which is non-interest bearing, unsecured, and due on demand.
- (c) For the year ended February 28, 2018, the amount of \$nil (2017 - \$28,800) was incurred to the former President of the Company for management fees.
- (d) For the year ended February 28, 2018, the amount of \$nil (2017 - \$19,200) was incurred to the spouse of the former President of the Company for professional fees.

8. Share Capital

Authorized: Unlimited number of common shares without par value

On January 9, 2017, the Company issued 10,417,000 units at \$0.20 per unit for proceeds of \$2,083,400. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant is exercisable at \$0.40 per common share expiring on January 9, 2018. In connection with this private placement, the Company paid \$122,803 in finders' fees and issued 329,200 finders' warrants with a fair value of \$130,128. The finder's warrants are exercisable at \$0.40 per common share expiring on January 9, 2018. The Company is entitled to accelerate the expiry date of the finders' warrants to the date that is 30 days following a notification issued by the Company announcing that the volume weighted average price of the shares on the Canadian Securities Exchange exceeds \$0.55 for any 10 consecutive trading days after the hold period on the shares has expired. The fair value of the finders' warrants was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 194%, risk-free rate of 0.65%, expected life of one year, no expected dividends, and no expected forfeitures.

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, February 29, 2016	–	–
Issued	5,537,700	0.40
Balance, February 28, 2017	5,537,700	0.40
Expired	(329,200)	0.40
Balance, February 28, 2018	5,208,500	0.40

As at February 28, 2017, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
5,208,500	0.40	July 9, 2018

On January 2, 2018, the Company extended the expiry date of its 5,208,500 outstanding share purchase warrants from January 9, 2018 to July 9, 2018.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

Years ended February 28, 2018 and 2017

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10. Stock Options

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

	Number of options	Weighted average exercise price \$
Outstanding, February 29, 2016 and February 28, 2017	–	–
Granted	100,000	0.60
Outstanding, February 28, 2018	100,000	0.60

Additional information regarding stock options outstanding as at February 28, 2018 is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average contractual life (years)	Weighted average exercise price \$
0.60	100,000	1.0	0.60

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:

	2018	2017
Risk-free interest rate	0.82%	–
Expected life (in years)	2	–
Forfeiture rate	0%	–
Expected volatility	144%	–

For the year ended February 28, 2018, the total fair value of the stock options granted was \$40,888 (2017 - \$nil) 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, 2018 was \$0.41 (2017 - \$nil) per share.

11. Financial Instruments

(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, 2018 is as follows:

	Fair value measurements using			Balance, February 28, 2018 \$
	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	826,899	–	–	826,899

The fair values of other financial instruments, which include amounts receivable, loans receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of the convertible debenture is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

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11. Financial Instruments (continued)

(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.

(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.

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, share-based payments reserve, and equity component of convertible debt.

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, 2017.

VINERGY RESOURCES LTD.

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13. 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:

	2018 \$	2017 \$
Canadian statutory income tax rate	26.17%	26%
Income tax recovery at statutory rate	(71,080)	(69,060)
Tax effect of:		
Permanent differences and other	10,685	(31,929)
Change in enacted tax rates	(19,582)	14,529
Expiry of non-capital losses and resources expenditure pools	23,702	—
Change in unrecognized deferred income tax assets	56,275	86,460
Income tax provision	—	—

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

	2018 \$	2017 \$
Deferred income tax assets		
Non-capital losses carried forward	515,111	366,473
Resource properties	—	86,714
Share issuance costs	19,894	25,543
Total gross deferred income tax assets	535,005	478,730
Unrecognized deferred income tax assets	(535,005)	(478,730)
Net deferred income tax asset	—	—

As at February 28, 2018, the Company has non-capital losses carried forward of \$1,907,817, 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	126,799
2036	99,814
2037	290,175
2038	575,513
	1,907,817

VINERGY RESOURCES LTD.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

14. Subsequent Events

- (a) On March 8, 2018, the Company entered into a share exchange agreement with a non-related party whereby it agreed to exchange 2,025,000 common shares of this company for 9,000,000 common shares of the Company. As part of this agreement, the Company has an option to purchase an additional 2,475,000 common shares of this company in exchange for 1,000,000 common shares of the Company expiring two years from the closing date.
- (b) On March 20, 2018, the Company advanced \$50,000 to a non-related party. The loan receivable is non-interest bearing, unsecured and due on demand.
- (c) On May 18, 2018, the Company advanced \$50,000 to a non-related party. The loan receivable is non-interest bearing, unsecured and due on demand.
- (d) Subsequent to February 28, 2018, the Company advanced \$30,000 towards the purchase of 1,245,300 common shares of a non-related company at a price of \$0.4015 per share pursuant to a private placement agreement.

VINERGY RESOURCES LTD.

Condensed Interim Financial Statements

For the Quarter Ended
November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

VINERGY RESOURCES LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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

	November 30, 2018 \$ (unaudited)	February 28, 2018 \$ (audited)
Assets		
Current assets		
Cash	119,350	826,899
Amounts receivable	20,972	–
Investments (Note 5)	450,000	–
Prepaid expenses and deposits	36,395	18,000
Loans receivable (Note 3)	1,044,654	912,174
Total assets	1,671,371	1,757,073
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	388,662	336,400
Loans payable (Note 6)	20,000	20,000
Convertible debenture (Note 7)	215,000	215,000
Due to related parties (Note 8)	445,388	512,528
Total liabilities	1,069,050	1,083,928
Shareholders' deficit		
Share capital	2,635,821	2,531,290
Share-based payment reserve	171,016	171,016
Equity component of convertible debt	140,351	176,251
Deficit	(2,344,867)	(2,205,412)
Total equity	602,321	673,145
Total liabilities and equity	1,671,371	1,757,073

Nature of operations and continuance of business (Note 1)

Approved and authorized for issue by the Board on January 29, 2019:

Signed "Glen Macdonald"

Glen Macdonald, Director

Signed "Ken Ralfs"

Ken Ralfs, Director

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

VINERGY RESOURCES LTD.

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

	Three Months Ended November 30, 2018 \$	Three Months Ended November 30, 2017 \$	Nine Months Ended November 30, 2018 \$	Nine Months Ended November 30, 2017 \$
Expenses				
General and administrative	38	3,000	151	70,708
Professional fees	1,500	42	50,267	1,072
Transfer agent and filing fees	4,409	14,347	16,805	25,025
Total operating expenses	5,947	17,389	67,223	96,805
Loss before other income (expense)	(5,947)	(17,389)	(67,223)	(96,805)
Other income (expense)				
Interest income	4,381	12	21,420	13
Foreign exchange gain (loss)	—	—	—	(14,733)
Finance costs	(8,463)	(7,844)	(25,021)	(23,343)
Total other income (expense)	(4,082)	(7,832)	(3,601)	(38,063)
Net loss for the period	(10,029)	(25,221)	(70,824)	(134,868)
Loss per share, basic and diluted	—	—	—	—
Weighted average common shares outstanding	36,750,330	36,750,330	36,750,330	36,750,330

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

VINERGY RESOURCES LTD.

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

	Share capital		Share-based payment reserve	Equity component of convertible debt	Deficit	Total
	Number of shares	Amount \$				
Balance February 28, 2017	36,750,330	2,531,290	130,128	176,251	(1,933,769)	903,900
Net loss and comprehensive loss	-	-	-	-	(134,868)	(134,868)
Balance November 30, 2017	36,750,330	2,531,290	130,128	176,251	(2,068,637)	769,032
Balance February 28, 2018	36,750,330	2,531,290	171,016	176,251	(2,205,412)	673,145
Adjustment for non-consolidation	-	104,531	-	(35,900)	(68,631)	(70,824)
Net loss and comprehensive loss	-	-	-	-	(70,824)	(70,824)
Balance November 30, 2018	36,750,330	2,635,821	171,016	140,351	(2,344,867)	602,321

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

VINERGY RESOURCES LTD.

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

	Nine Months Ended November 30, 2018 \$	Nine Months Ended November 30, 2017 \$
Operating activities:		
Net loss for the period	(70,824)	(134,868)
Items not involving cash:	-	23,342
Finance costs		
Changes in non-cash operating activities:		
Amounts receivable	(20,973)	4,277
Prepaid expenses		(2,625)
Accounts payable and accrued liabilities	52,263	21,394
Funds placed in trust	(18,395)	(19,048)
Due to related parties	(67,140)	(21,207)
Net cash used in operating activities	(125,069)	(128,735)
Investing activities:		
Advances for loans receivable	(582,480)	(628,398)
Net cash provided by investing activities	(582,480)	(628,398)
Increase (decrease) in cash	(707,549)	(757,133)
Cash, beginning of period	826,899	1,582,237
Cash, end of period	119,350	825,104
Supplemental disclosures:		
Interest paid	-	-
Income taxes paid	-	-

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

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

Vinergy Resources Ltd. (the “Company”) was incorporated as Vanguard Investments Corp. on March 20, 2001 under the provisions of the Alberta Business Corporations Act. On May 10, 2011, the Company changed its name to Vinergy Resources Ltd. and continued the Company’s registered jurisdiction from Alberta to British Columbia. The Company’s head office is located at Suite 1008, 409 Granville Street, Vancouver, BC, V6C 1T2 and its shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “VIN”.

On November 30, 2009, the Company entered into a Share Purchase Agreement (the “Agreement”) with Zeus Energy Inc. (“Zeus”) and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Zeus was incorporated on November 7, 2007 under the Alberta Business Corporations Act. Since the closing of the Agreement on November 30, 2009, the Company has been in the business of oil and gas acquisition, exploration and development. On May 2, 2017 Zeus Energy Inc. was discontinued.

On May 8, 2017 (as amended), the Company entered into a share exchange agreement (the “Agreement”) with 1099955 B.C. Ltd. (“MJ BioPharma”) a private British Columbia company. Pursuant to the terms of the Agreement, the Company will acquire 100% of the issued and outstanding securities of MJ BioPharma by issuing 4,000,000 common shares of the Company to the shareholders of MJ BioPharma. The Company will issue 400,000 common shares as a finder’s fee on the closing of the transaction. The Agreement is subject to regulatory approval. The Agreement was cancelled on April 19, 2018.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at November 30, 2018, the Company has no revenue generated from operations and has an accumulated deficit of \$2,344,867. 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 condensed financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance

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

(b) Basis of Presentation

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations of the IFRS Interpretations Committee.

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

(c) Basis of Consolidation

These condensed interim financial statements include the accounts of the Company and its wholly owned subsidiary, Zeus Energy Inc. All inter-company transactions and balances have been eliminated. On May 2, 2017, Zeus Energy Inc. was discontinued.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(d) Use of Estimates and Judgments

The preparation of these condensed interim 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.

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

(e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(f) Exploration and Evaluation Assets

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in the condensed statement of operations as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, geological and geophysical, drilling, sampling, decommissioning and often directly attributable internal costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment or expensed to exploration and evaluation impairments.

Development and production costs:

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU") for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Assets (continued)

(i) Recognition and measurement: (continued)

Development and production costs: (continued)

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the condensed statement of operations.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the condensed statement of operations as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the condensed statement of operations as incurred.

(iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives for all production assets are assumed to be equal to the reserve life of the oil and natural gas assets, and therefore are also depreciated using the unit of production method. For other assets, depreciation is recognized in the condensed statement of operations on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(g) Impairment of Non-Current Assets (continued)

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the condensed statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the condensed statement of operations.

(h) Decommissioning, Restoration, and Similar Liabilities

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The future obligations for well closure activities are estimated by the Company using well closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the wells operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the well closure activities are to be carried out.

The present value of decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the oil and gas property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the condensed statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date and the cost is charged to the condensed statement of operations.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

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

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the condensed statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the condensed statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash and cash equivalents are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the condensed statement of operations. The Company does not have any assets classified as available-for-sale.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable and loans receivable.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the condensed statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the condensed statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the condensed 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. In respect of available-for-sale equity securities, impairment losses previously recognized through the condensed statement of operations are not reversed through the condensed statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the condensed statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, loans payable, convertible debenture, and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(j) Foreign Currency Translation

The financial statements for the Company's subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates. The functional and reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the condensed statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the condensed statement of operations.

(k) 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 condensed 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.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(k) Income Taxes (continued)

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.

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted losses per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at November 30, 2018, the Company had 5,308,500 (February 28, 2018 – 5,637,700) potentially dilutive shares outstanding.

(m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the condensed statement of operations.

(n) Share-based Payments

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management’s best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the condensed 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.

(o) Reclassifications

Certain of the prior period figures have been reclassified to conform to the current period’s presentation.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(p) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended November 30, 2018, and have not been applied in preparing these condensed interim financial statements.

IFRS 9, *Financial Instruments* (New)

IFRS 2, *Share-based Payment* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's condensed interim 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 condensed interim financial statements.

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 (2017 - \$29,400). These loans are non-interest bearing, unsecured, and due on demand.
- (b) As at November 30, 2018, the Company has a loan receivable of \$345,698 (2017 - \$251,825) to 1099955 B.C. Ltd. These advances are non-interest bearing, unsecured, and due on demand.
- (c) As at November 30, 2018 the Company has a loan receivable of \$160,000 (2017 - \$160,000) from a non-related party which is non-interest bearing, unsecured, and due on demand.
- (d) As at November 30, 2018 the Company has a loan receivable of \$60,000 (2017 - \$60,000) to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (e) As at November 30, 2018 the Company has a loan receivable of \$125,000 (2017 - \$125,000) to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (f) As at November 30, 2018 the Company has a loan receivable of \$25,000 (2017 - \$25,000) to a non-related company which is non-interest bearing, unsecured, and due on demand.
- (g) As at November 30, 2018, the Company has a loan receivable of \$167,076 (2017 - \$nil) to a non-related company which is non-interest bearing, unsecured, and due on demand.

4. Accounts Payable and Accrued Liabilities

	November 30, 2018	February 28, 2018
	\$	\$
Trade accounts payable	86,569	59,291
Accrued liabilities	91,945	89,088
Accrued interest payable	210,149	188,021
	<u>388,663</u>	<u>336,400</u>

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

5. Investments

March 8, 2018, the Company entered into a share exchange agreement with a non-related party whereby it agreed to exchange 2,025,000 common shares of this company for 9,000,000 common shares of the Company. As part of this agreement, the Company has an option to purchase an additional 2,475,000 common shares of this company in exchange for 1,000,000 common shares of the Company expiring two years from the closing date. During the nine month period ended November 30, 2018 the Company had advanced \$450,000 to two non-related companies.

6. Loans Payable

As at November 30, 2018, the Company owed \$20,000 (2017 – \$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 November 30, 2018, the Company had incurred interest on this loan of \$41,741 (2017 - \$28,981), which is included in accounts payable and accrued liabilities.

7. 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 (2017 - \$176,251) which was recorded as equity and an equivalent discount on the convertible debenture. The fair value was estimated using the Black-Scholes option pricing model assuming no expected dividends, a risk free interest rate of 2.99%, expected life of 5 years, and expected volatility of 100%. The accretion of the discount was recognized over the term of the debenture. As at November 30, 2018, the carrying value of the convertible debenture is \$215,000 (2017 - \$215,000).

8. Related Party Transactions

- (a) As at November 30, 2018, the amount of \$317,988 (2017 - \$379,228) is owed to the former President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (b) As at November 30, 2018, the amount of \$127,400 (2017 - \$127,400) is owed to the spouse of the former President of the Company, which is non-interest bearing, unsecured, and due on demand.

9. Share Capital

Authorized: Unlimited number of common shares without par value

On January 9, 2017, the Company issued 10,417,000 units at \$0.20 per unit for proceeds of \$2,083,400. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant is exercisable at \$0.40 per common share expiring on January 9, 2018. In connection with this private placement, the Company paid \$122,803 in finders' fees and issued 329,200 finders' warrants with a fair value of \$130,128. The finder's warrants are exercisable at \$0.40 per common share expiring on January 9, 2018. The Company is entitled to accelerate the expiry date of the finders' warrants to the date that is 30 days following a notification issued by the Company announcing that the volume weighted average price of the shares on the Canadian Securities Exchange exceeds \$0.55 for any 10 consecutive trading days after the hold period on the shares has expired. The fair value of the finders' warrants was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 194%, risk-free rate of 0.65%, expected life of one year, no expected dividends, and no expected forfeitures.

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, February 28, 2017	5,537,700	0.40
Expired	(329,200)	0.40
Balance, February 28, 2018	5,208,500	0.40
Balance, November 30, 2018	5,208,500	0.40

As at November 30, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
5,208,500	0.40	January 6, 2019

On January 2, 2018, the Company extended the expiry date of its 5,208,500 outstanding share purchase warrants from January 9, 2018 to July 9, 2018.

On July 6, 2018 the Company announced that the expiry date had been extended to January 6, 2019.

11. Stock Options

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

	Number of Options	Weighted Average Exercise Price \$
Balance, February 28, 2017	–	–
Issued	100,000	0.60
Balance, February 28, 2018	100,000	0.60
Balance, November 30, 2018	100,000	0.60

Additional information regarding stock options outstanding as at November 30, 2018 is as follows:

Range of exercise prices \$	Outstanding and Exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.60	100,000	0.52	0.60

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

12. Financial Instruments

(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 November 30, 2018 is as follows:

	Fair Value Measurements Using			Balance, November 31, 2018
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	119,350	–	–	119,350

The fair values of other financial instruments, which include amounts receivable, loans receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of the convertible debenture is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

(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.

(c) Foreign Exchange Rate Risk

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

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. As the Company does not have any producing assets or any current programs for exploration, management considers the Company's commodity price risk to be minimal.

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital, share-based payments reserve, and equity component of convertible debt.

13. Capital Management (continued)

VINERGY RESOURCES LTD.

Notes to the condensed interim financial statements

November 30, 2018

(Expressed in Canadian dollars)

(unaudited)

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.

SCHEDULE “B” – VINERGY’S MANAGEMENT’S DISCUSSION & ANALYSIS

[Please see attached]

VINERGY RESOURCES LTD.
(the "Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2018

The following Management's Discussion and Analysis, prepared as of June 28, 2018, should be read together with the financial statements for the year ended February 28, 2018 and the related notes attached thereto. These financial statements and MD&A include the results of operations and cash flows for the year ended February 28, 2018 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, 2017. 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.

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. (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".

On November 30, 2009, the Company entered into a Share Purchase Agreement (the "Agreement") with Zeus Energy Inc. ("Zeus") and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Zeus was incorporated on November 7, 2007 under the Alberta Business Corporations Act. Since the closing of the Agreement on November 30, 2009, the Company has been in the business of oil and gas acquisition, exploration and development. On May 2, 2017 Zeus Energy Inc. was discontinued.

On May 8, 2017 (as amended), the Company entered into a share exchange agreement (the "Agreement") with 1099955 B.C. Ltd. ("MJ BioPharma") a private British Columbia company. Pursuant to the terms of the Agreement, the Company will acquire 100% of the issued and outstanding securities of MJ BioPharma by issuing 4,000,000 common shares of the Company to the shareholders of MJ BioPharma. The Company will issue 400,000 common shares as a finder's fee on the closing of the transaction. The Agreement is subject to regulatory approval. The Agreement was cancelled on April 19, 2018.

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, 2018, the Company has no revenue generated from operations and has an accumulated deficit of \$2,205,412. 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.

VINERGY RESOURCES LTD.
Management's Discussion & Analysis
For the year ended February 28, 2018

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.

	2018 \$	2017 \$	2016 \$
Total revenue	–	–	–
Net loss for the year	(271,643)	(265,614)	(99,814)
Basic and diluted loss per share	(0.01)	(0.01)	–
Total assets	1,757,073	1,921,593	44,187

The increase in net loss from the year ended February 28, 2016 to the year ended February 28, 2017 was due to increased expenditures incurred for investor relations, professional fees, and transfer agent and filing fees as the Company relating to its equity financing in fiscal 2017 and search for a new business opportunity.

Summary of Quarterly Results

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

	February 28, 2018 \$	November 30, 2017 \$	August 31, 2017 \$	May 31, 2017 \$
Revenue	–	–	–	–
Net loss for the period	(136,775)	(25,221)	(86,477)	(23,170)
Basic and diluted loss per share	–	–	–	–

	February 28, 2017 \$	November 30, 2016 \$	August 31, 2016 \$	May 31, 2016 \$
Revenue	–	–	–	–
Net loss for the period	(195,739)	(22,598)	(24,817)	(22,460)
Basic and diluted loss per share	(0.01)	–	–	–

Results of Operations

During the year ended February 28, 2018, the Company incurred a net loss of \$271,643 compared to a net loss of \$265,614 for the year ended February 28, 2017.

Liquidity and Capital Resources

As at February 28, 2018, the Company had cash of \$826,899 and working capital of \$673,145.

The Company is actively seeking 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 any funds that may be required to meet the Company's needs for the next year, there can be no assurance that these funds will be available on terms acceptable to the Company in the future.

Operating activities

During the year ended February 28, 2018, the Company's operating activities used cash of \$122,564 while during the year ended February 28, 2017 operating activities used cash of \$129,088.

VINERGY RESOURCES LTD.
Management's Discussion & Analysis
For the year ended February 28, 2018

Investing activities

During the year ended February 28, 2018, the Company used cash of \$607,774 (2017 - \$275,000) for advances for loans receivable.

Financing activities

During the year ended February 28, 2018, the Company used cash of \$25,000 to repay loans payable compared to net proceeds of \$1,985,597 from equity and debt financing for the year ended February 28, 2017.

Related Party Transactions

- (a) As at February 28, 2018, the amount of \$385,128 (2017 - \$377,362) is owed to the former President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (b) As at February 28, 2018, the amount of \$127,400 (2017 - \$127,400) is owed to the spouse of the former President of the Company, which is non-interest bearing, unsecured, and due on demand.
- (c) For the year ended February 28, 2018, the amount of \$nil (2017 - \$28,800) was incurred to the former President of the Company for management fees.
- (d) For the year ended February 28, 2018, the amount of \$nil (2017 - \$19,200) was incurred to the spouse of the former President of the Company for professional fees.

Financial Instruments and Risks

(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, 2018 is as follows:

	Fair Value Measurements Using			Balance, February 28, 2018 \$
	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	826,899	–	–	826,899

The fair values of other financial instruments, which include amounts receivable, loans receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of the convertible debenture is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

(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.

(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.

VINERGY RESOURCES LTD.
Management's Discussion & Analysis
For the year ended February 28, 2018

(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.

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 payment reserve, and equity component of convertible debt.

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, 2017.

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, 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9, *Financial Instruments* (New)
IFRS 2, *Share-based Payment* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's consolidated 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 consolidated financial statements.

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 financial statements for the year ended February 28, 2018 to which this MD&A relates.

Disclosure of Outstanding Share Data

Share Capital

Authorized: Unlimited common shares without par value

As at June 28, 2018, the Company had 36,750,330 shares issued and outstanding.

Stock Options

As at February 28, 2018, the Company has 100,000 stock options exercisable at \$0.60 per common share expiring on March 8, 2019.

VINERGY RESOURCES LTD.
Management's Discussion & Analysis
For the year ended February 28, 2018

Share Purchase Warrants

As at February 28, 2018, the Company has 5,208,500 share purchase warrants exercisable at \$0.40 per common share expiring on July 9, 2018.

Subsequent Events

On March 8, 2018, the Company entered into a share exchange agreement with a non-related party whereby it agreed to exchange 2,025,000 common shares of this company for 9,000,000 common shares of the Company. As part of this agreement, the Company has an option to purchase an additional 2,475,000 common shares of this company in exchange for 1,000,000 common shares of the Company expiring two years from the closing date.

On March 20, 2018, the Company advanced \$50,000 to a non-related party. The loan receivable is non-interest bearing, unsecured and due on demand.

On May 18, 2018, the Company advanced \$50,000 to a non-related party. The loan receivable is non-interest bearing, unsecured and due on demand.

Subsequent to February 28, 2018, the Company advanced \$30,000 towards the purchase of 1,245,300 common shares of a non-related company at a price of \$0.4015 per share pursuant to a private placement agreement.

VINERGY RESOURCES LTD.
(the "Company")

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE-MONTH PERIOD ENDED NOVEMBER 30, 2018

The following Management's Discussion and Analysis, prepared as of January 29, 2019, should be read together with the condensed interim financial statements for the nine-month period ended November 30, 2018 and the related notes attached thereto. These condensed interim financial statements and MD&A include the results of operations and cash flows for the nine-month period ended November 30, 2018 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, 2018. 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.

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. (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".

On November 30, 2009, the Company entered into a Share Purchase Agreement (the "Agreement") with Zeus Energy Inc. ("Zeus") and its shareholders to acquire 100% of the issued and outstanding shares of Zeus. Zeus was incorporated on November 7, 2007 under the Alberta Business Corporations Act. Since the closing of the Agreement on November 30, 2009, the Company has been in the business of oil and gas acquisition, exploration and development. On May 2, 2017 Zeus Energy Inc. was discontinued.

On May 8, 2017 (as amended), the Company entered into a share exchange agreement (the "Agreement") with 1099955 B.C. Ltd. ("MJ BioPharma") a private British Columbia company. Pursuant to the terms of the Agreement, the Company will acquire 100% of the issued and outstanding securities of MJ BioPharma by issuing 4,000,000 common shares of the Company to the shareholders of MJ BioPharma. The Company will issue 400,000 common shares as a finder's fee on the closing of the transaction. The Agreement is subject to regulatory approval. The Agreement was cancelled on April 19, 2018.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at November 30, 2018, the Company has no revenue generated from operations and has an accumulated deficit of \$2,344,867. 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 consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

VINERGY RESOURCES LTD.
Management's Discussion & Analysis
For the nine-month period November 30, 2018

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.

	2018 \$	2017 \$	2016 \$
Total revenue	–	–	–
Net loss for the year	(271,643)	(265,614)	(99,814)
Basic and diluted loss per share	(0.01)	(0.01)	–
Total assets	1,757,073	1,921,593	44,187

The increase in net loss from the year ended February 28, 2018 compared to the net loss for the year ended February 28, 2017 was negligible.

Summary of Quarterly Results

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

	November 30, 2018 \$	August 31, 2018 \$	May 31, 2018 \$	February 28, 2018 \$
Revenue	–	–	–	–
Net loss for the period	(70,824)	(63,626)	(14,209)	(136,775)
Basic and diluted loss per share	–	–	–	–

	November 30, 2017 \$	August 31, 2017 \$	May 31, 2017 \$	February 28, 2017 \$
Revenue	–	–	–	–
Net loss for the period	(25,221)	(86,477)	(23,170)	(195,739)
Basic and diluted loss per share	–	–	–	(0.01)

Results of Operations

During the nine-month period ended November 30, 2018, the Company incurred a net loss of \$70,824 compared to a net loss of \$134,868 for the nine-month period ended November 30, 2017.

Liquidity and Capital Resources

As at November 30, 2018, the Company had cash of \$119,350 and working capital of \$602,321.

The Company is actively seeking 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 any funds that may be required to meet the Company's needs for the next year, there can be no assurance that these funds will be available on terms acceptable to the Company in the future.

Operating activities

During the nine-month period ended November 30, 2018, the Company's operating activities used cash of \$125,069 while during the nine-month period ended November 30, 2017 operating activities used cash of \$128,735.

Investing activities

During the nine-month period ended November 30, 2018, the Company used cash of \$582,480 (2017 - \$628,398) for investing activities.

VINERGY RESOURCES LTD.
Management's Discussion & Analysis
For the nine-month period November 30, 2018

Financing activities

During the nine-month periods ended November 30, 2018 and 2017, the Company did not use any cash for financing activities.

Related Party Transactions

- (a) As at November 30, 2018, the amount of \$317,988 (2017 - \$379,228) is owed to the former President of the Company and companies controlled by the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (b) As at November 30, 2018, the amount of \$127,400 (2017 - \$127,400) is owed to the spouse of the former 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 statement of financial position as at November 30, 2018 is as follows:

	Fair Value Measurements Using			Balance, November 30, 2018 \$
	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	119,350	–	–	119,350

The fair values of other financial instruments, which include amounts receivable, loans receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. The fair value of the convertible debenture is estimated to approximate its carrying value based on borrowing rates currently available to the Company for a loan with similar terms.

(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.

(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.

Financial Instruments and Risks (continued)

(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.

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 payment reserve, and equity component of convertible debt.

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.

Accounting Standards Issued but Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine-month period ended November 30, 2018 and have not been applied in preparing these condensed interim financial statements.

IFRS 9, *Financial Instruments* (New)
IFRS 2, *Share-based Payment* (Amended)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's condensed interim 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 condensed interim financial statements.

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 condensed interim financial statements for the nine-month period ended November 30, 2018 to which this MD&A relates.

Disclosure of Outstanding Share Data

Share Capital

Authorized: Unlimited common shares without par value

As at January 29, 2019, the Company had 36,750,330 shares issued and outstanding.

Share Purchase Warrants

As at August 31, 2018, the Company has 5,208,500 share purchase warrants exercisable at \$0.40 per common share, these expired on January 6, 2019.

Stock Options

VINERGY RESOURCES LTD.

Management's Discussion & Analysis

For the nine-month period November 30, 2018

As at January 29, 2019 and November 30, 2018, the Company has 100,000 stock options exercisable at \$0.60 per common share expiring on March 8, 2019.

SCHEDULE "C" – PRO-FORMA FINANCIAL STATEMENTS

[Please see attached]

Vinergy Resources LTD.
Pro Forma Consolidated Financial Statements
(Unaudited)

November 30, 2018
(Expressed in Canadian Dollars)

Vinergy Resources Ltd.
Pro Forma Consolidated Statement of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)

	Vinergy Resources LTD. Nov 30, 2018	Pro Forma Adjustments	Note	Pro Forma Consolidated Nov 30, 2018
Assets				
Current				
Cash	\$ 119,350	\$ 1,536,680	2(b)	\$ 1,506,030
		(150,000)	2(b)	
Accounts receivable	20,972	-		20,972
Prepaid expenses and deposits	36,395	-		36,395
Funds held in trust	-	-		-
Loans receivable	1,044,654	(132,480)	2(b)	1,012,174
		100,000	2(b)	
	1,221,371	1,354,200		2,575,571
Investment in target	450,000	132,480	2(b)	1,472,480
		(100,000)	2(b)	
		840,000	2(b)	
		150,000	2(b)	
	\$ 1,671,371	\$ 2,376,680		\$ 4,048,051
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	\$ 388,662	\$ -		388,662
Loan payable	20,000	-		20,000
Convertible debenture	215,000	-		215,000
Due to related parties	445,388	-		445,388
	1,069,050	-		1,069,050
Shareholders' Equity				
Share Capital	2,635,821	1,536,680	2(b)	5,012,501
		840,000	2(b)	-
Share - based payment reserve	171,016			171,016
Equity component of convertibl debt	140,351			140,351
Deficit	(2,344,867)			(2,344,867)
	602,321	2,376,680		2,979,001
	\$ 1,671,371	\$ 2,376,680		\$ 4,048,051

See accompanying notes to the pro forma consolidated financial statements.

Vinergy Resources Ltd.

Pro Forma Consolidated Statement of Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

	Vinergy Resources LTD. Nine Months Ended Nov 30, 2018	Pro Forma Adjustments	Notes	Pro Forma Consolidated Nov 30, 2018
Expenses				
General and administrative	\$ 151	\$ -		\$ 151
Professional fees	50,267	-		50,267
Transfer agent and filing fees	16,805	-		16,805
				-
Total operating expenses	67,223	-		67,223
Loss before other income (expense)	(67,223)			(67,223)
				-
Other Income (expense)				-
Interest Income	21,420	-		21,420
Foreign exchange gain (loss)	-	-		-
Finance costs	(25,021)	-		(25,021)
Total other income (expense)	(3,601)	-		(3,601)
				-
Net loss and comprehensive loss for the period	\$ (70,824)	\$ -		\$ (70,824)

See accompanying notes to the pro forma consolidated financial statements

Vinergy Resources Ltd.

Notes to the Pro Forma Consolidated Financial Statements

As at November 30, 2018

(Unaudited)

(Expressed in Canadian Dollars)

1. BASIS OF PRESENTATION

The accompanying pro forma consolidated financial statements have been prepared by management of Vinergy Resources Ltd. for illustrative purposes only, to show the effect of the proposed fundamental change of business to an Investment Issuer on the basis of the assumptions described in Note 2 below. All financial amounts are shown in Canadian dollars.

The pro forma consolidated financial statements have been derived from the reviewed condensed interim financial statements of Vinergy as of November 30, 2018, and the signed definitive agreements the Company has entered into to complete its investment portfolio.

The pro forma consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The unaudited pro forma consolidated statement of financial position is not necessarily indicative of the financial position of Vinergy on the date of completion of the proposed Transaction.

2. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

- (a) On April 19, 2018 the Company announced that it would conduct a fundamental change of business into an Investment Issuer.
- (b) The adjustments required are as follows:
 - 1. Vinergy Resources Ltd. will issue to investee company Phyto Pharma Inc. Inc. 7,000,000 of its common shares at \$0.12 for a total value of \$840,000 for 100 percent of investee company. To date, Vinergy Resources has advanced \$132,480 to Phyto Pharma Inc.
 - 2. Vinergy Resources Ltd. will invest \$500,000 into Next Level Energy Inc. (dba “Eagle Energy”) for 1,245,330 common shares of investee company.
 - 3. Vinergy Resources Ltd. is due \$100,000 from a former investee company as a return of investment.
 - 4. In conjunction with approval of the fundamental change of business the Company will complete a non-brokered private placement offering of 12,805,664 units at a price of \$0.12 per unit for gross proceeds of \$1,536,680. Each unit will consist of one common share in the capital of the Company and one common share purchase warrant exercisable to acquire one additional share at a price of \$0.15 for a period of two years from the date of closing.
 - 5. Based on its assessment of IFRS 10 Consolidated Financial Statements the Company qualifies for the exemption that allows the Company to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. Management has determined that the Company meets the definition of an Investment Entity as it satisfies the following criteria: it has more than one investment, it has more than one investor, it has investors that are not related parties of the entity and it has ownership interests in the form of equity or similar interests.

Vinergy Resources Ltd.

Notes to the Pro Forma Consolidated Financial Statements

As at November 30, 2018

(Unaudited)

(Expressed in Canadian Dollars)

3. SHARE CAPITAL

Share capital as at November 30, 2018 in the unaudited pro forma consolidated statement of financial position is comprised of the followings:

	Number of Shares		Amount
Authorized			
Unlimited common shares without par value			
Issued			
Common share outstanding as at November 30, 2018	36,750,330	\$	2,531,290
Payment shares issued to Investee upon closing of transaction	7,000,000		840,000
Private placement	12,805,664		1,536,680
Common shares outstanding after change of business	56,555,994	\$	4,907,970