

**VINERGY CANNABIS CAPITAL INC.**

(formerly Vinergy Resources Ltd.)

Condensed Interim Financial Statements

For the nine months ended November 30, 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE  
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of the Company for the nine months ended November 30, 2020 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

**VINERGY CANNABIS CAPITAL INC.**

(formerly Vinergy Resources Ltd.)

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	November 30, 2020 \$	February 29, 2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	295,948	81,911
Amounts receivable	19,828	18,043
<b>Total assets</b>	<b>315,776</b>	<b>99,954</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 6 and 13)	1,036,096	1,151,124
Loans payable (Note 7)	131,551	20,000
Convertible debenture (Note 8)	215,000	215,000
<b>Total liabilities</b>	<b>1,382,647</b>	<b>1,386,124</b>
<b>Shareholders' deficit</b>		
Share capital (Note 9)	4,101,088	3,805,928
Warrant reserve	732,662	732,162
Share-based payment reserve	171,016	171,016
Equity component of convertible debt	176,251	176,251
Deficit	(6,247,888)	(6,171,527)
<b>Total shareholders' deficit</b>	<b>(1,066,871)</b>	<b>(1,286,170)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>315,776</b>	<b>99,954</b>

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance by the Board of Directors on January 28, 2021:

/s/ "Arif Merali"

Arif Merali, Director

/s/ "Ken Ralfs"

Ken Ralfs, Director

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

**VINERGY CANNABIS CAPITAL INC.**

(formerly Vinergy Resources Ltd.)

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the three months ended November 30,		For the nine months ended November 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Operating expenses				
Consulting fees (Note 13)	2,500	-	12,500	-
General and administrative	405	3,337	604	6,121
Professional fees	22,725	5,000	24,148	21,000
Transfer agent and filing fees	2,250	4,558	11,529	16,442
Total operating expenses	27,880	12,895	48,781	43,563
Loss before other expense	(27,880)	(12,895)	(48,781)	(43,563)
Other expense				
Interest expense	(12,196)	(6,375)	(27,580)	(19,125)
Total other expense	(12,196)	(6,375)	(27,580)	(19,125)
Net loss and comprehensive loss for the period	(40,076)	(19,270)	(76,361)	(62,688)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average common shares outstanding	58,654,456	57,115,994	57,625,085	57,115,994

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

## VINERGY CANNABIS CAPITAL INC.

(formerly Vinergy Resources Ltd.)

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	Share capital		Warrant reserve \$	Share-based payment reserve \$	Equity component of convertible debt \$	Share subscriptions received \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$						
Balance, February 28, 2019	36,750,330	2,531,290	–	171,016	176,251	300,000	(3,445,057)	(266,500)
Private placement	12,805,664	807,706	728,974	–	–	(300,000)	–	1,236,680
Share issuance costs	–	(6,720)	–	–	–	–	–	(6,720)
Fair value of agent's warrants issued	–	(3,188)	3,188	–	–	–	–	–
Investment	7,560,000	476,840	–	–	–	–	–	476,840
Net loss for the period	–	–	–	–	–	–	(62,688)	(62,688)
Balance, November 30, 2019	57,115,994	3,805,928	732,162	171,016	176,251	–	(3,506,614)	1,377,612
Balance, February 29, 2020	57,115,994	3,805,928	732,162	171,016	176,251	–	(6,171,527)	(1,286,170)
Private placement	20,000,000	300,000	–	–	–	–	–	300,000
Share issue costs	–	(4,340)	–	–	–	–	–	(4,340)
Fair value of agent's warrants issued	–	(500)	500	–	–	–	–	–
Net loss for the period	–	–	–	–	–	–	(76,361)	(76,361)
Balance, November 30, 2020	77,115,994	4,101,088	732,662	171,016	176,251	–	(6,247,888)	(1,066,871)

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

**VINERGY CANNABIS CAPITAL INC.**  
(formerly Vinergy Resources Ltd.)  
Condensed Interim Statements of Cash Flows  
(Expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	For the nine months ended November 30,	
	2020	2019
	\$	\$
Operating activities:		
Net loss for the period	(76,361)	(62,688)
Items not involving cash:		
Accrued interest charges	27,580	12,750
Changes in non-cash operating working capital:		
Amounts receivable	(1,785)	(1,599)
Accounts payable and accrued liabilities	(136,770)	15,219
<b>Net cash used in operating activities</b>	<b>(187,336)</b>	<b>(47,937)</b>
Investing activities		
Loans receivable advances	–	(1,132,497)
<b>Net cash used in investing activities</b>	<b>–</b>	<b>(1,132,497)</b>
Financing activities		
Loan payable	105,713	–
Proceeds from shares issued and share subscriptions received	300,000	1,236,678
Share issuance costs	(4,340)	(6,718)
<b>Net cash provided by financing activities</b>	<b>401,373</b>	<b>1,229,960</b>
Change in cash and cash equivalents	214,037	49,526
Cash and cash equivalents, beginning of period	81,911	35,971
<b>Cash and cash equivalents, end of period</b>	<b>295,948</b>	<b>85,497</b>
Cash and cash equivalents consist of:		
Cash in bank	288	19,820
Cash in legal trust account	–	69,822
Cash in transit	295,660	–
<b>Total cash and cash equivalents</b>	<b>295,948</b>	<b>89,642</b>
<b>Cash paid for interest during the period</b>	<b>2,529</b>	<b>–</b>
<b>Cash paid for income taxes during the period</b>	<b>–</b>	<b>–</b>
Non-cash investing and financing activities:		
Fair value of agent's warrants issued	500	3,188

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

# VINERGY CANNABIS CAPITAL INC.

(formerly Vinergy Resources Ltd.)

Notes to the Condensed Interim Financial Statements

Period ended November 30, 2020

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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## 1. Nature of Operations and Continuance of Business

Vinergy Cannabis Capital Inc. (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. On July 9, 2019, the Company changed its name to Vinergy Cannabis Capital Inc. The Company’s head office is located at Suite 1000, 409 Granville Street, Vancouver, BC, V6C 1T2 and its shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “VIN”. During the year ended February 29, 2020, the Company became an investment issuer.

There was a global pandemic outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company’s control; however, it is possible that COVID-19 may have a material adverse effect on the Company’s business, results of operations and financial condition.

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. During the period ended November 30, 2020, the Company did not generate any revenues and incurred negative cash flow from operations. As at November 30, 2020, the Company has a working capital deficit of \$1,362,531 and an accumulated deficit of \$6,247,888 since inception and expects to incur further losses in the development of its business. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that with its current cash and other funds that may be obtained from external financing that it has sufficient working capital to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Basis of Preparation

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The assessment of the Company’s ability to continue as a going concern (note 1) requires significant judgment. The 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 if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

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Notes to the Condensed Interim Financial Statements

Period ended November 30, 2020

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### 3. Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited financial statements as at February 29, 2020. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended February 29, 2020.

### 4. Loans Receivable

- (a) On May 8, 2018, the Company entered into a share subscription agreement with Next Level Energy Inc. ("Next Level") whereby it agreed to purchase 1,245,330 common shares of Next Level at a price of \$0.4015 per share. As at February 28, 2019, the Company had advanced \$350,000 pursuant to the agreement. During the year ended February 29, 2020, the Company recognized an impairment of \$350,000 as Next Level did not accept and countersign the share subscription agreement and has not returned the advance.
- (b) On February 7, 2019, the Company entered into a binding term sheet with Phyto Pharma, Inc. ("Phyto"), whereby it agreed to purchase all of the issued and outstanding shares of Phyto for the issuance of 7,000,000 common shares of the Company and provide an aggregate of US\$1,200,000 in working capital advances. A definitive share purchase agreement was to be entered into between the two parties. During the year ended February 29, 2020, the Company advanced \$1,132,500 (US\$850,000) (February 28, 2019 - \$466,538 (US\$350,000) pursuant to the agreement. During the year ended February 29, 2020, the Company recognized an impairment of \$1,599,035 as the operators (former owners) of Phyto resigned and have cut off communications with the Company. Refer to Note 5.

### 5. Investment

On March 28, 2019, the Company entered into a share purchase agreement with Phyto, whereby it agreed to purchase all of the issued and outstanding shares of Phyto for the issuance of 7,000,000 common shares of the Company. The Company also agreed to issue 560,000 common shares as a finder's fee. On July 17, 2019, the Company issued 7,560,000 common shares with a fair value of \$476,840. As the Company meets the definition of an investment entity under IFRS 10, Consolidated Financial Statements, its investment in Phyto is exempt from consolidation. During the year ended February 29, 2020, the Company recognized an impairment of \$476,840 as the operators (former owners) of Phyto resigned and have cut off communications with the Company.

### 6. Accounts Payable and Accrued Liabilities

	November 30, 2020	February 20, 2020
	\$	\$
Trade accounts payable	737,028	882,888
Accrued liabilities	25,500	13,881
Accrued interest payable (Notes 6 and 7)	273,568	254,355
	1,036,096	1,151,124



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### **7. Loans Payable**

Loans payable consist of the following:

As at November 30, 2020, the Company owed \$20,000 (February 29, 2020 – \$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, 2020, the Company has incurred interest on this loan of \$60,394 (February 29, 2020 - \$57,380), which is included in accounts payable and accrued liabilities.

On August 12, 2020, the Company entered into a promissory note of \$96,000 to a non-related party. The amount owing is unsecured, bears interest at 20% per annum and is due on December 31, 2021. As at November 30, 2020, the Company has incurred interest on this loan of \$5,838, which is included in loans payable. As at November 30, 2020, the same party advanced another \$9,713 to the Company which was unsecured, non-interest bearing and payable on demand.

### **8. Convertible Debenture**

On January 15, 2010, the Company issued a \$215,000 convertible debenture which bears interest at 10% per annum, is unsecured, and was due on January 16, 2015. The debenture was convertible into shares of the Company at a conversion price of \$0.05 per share at any time at the option of the holder prior to the due date. The Company's convertible debenture matured on January 16, 2015 and the Company continues to accrue interest at the rate of 10% per annum. The convertible debenture is currently in default.

The fair value of the equity component was determined to be \$176,251 which was recorded as equity and an equivalent discount on the convertible debenture. The accretion of the discount was recognized over the term of the debenture. As at August 31, 2020 and February 29, 2020, the carrying value of the convertible debenture is \$215,000 and accounts payable and accrued liabilities includes \$207,814 (February 29, 2020 - \$196,975) in interest with respect to these convertible debentures.

### **9. Share Capital**

Authorized: Unlimited number of common shares without par value

During November 30, 2020:

- (a) On November 23, 2020, the Company issued 20,000,000 units at \$0.015 per unit for gross proceeds of \$300,000. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.05 per share expiring May 23, 2022. In connection with this private placement, the Company paid a cash finder's fee of \$4,340 and issued 1,446,666 agent's warrants with a fair value of \$500. Each agent's warrant is exercisable at \$0.05 per share expiring on May 23, 2021. The fair value of the warrants issued were estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.26%, dividend yield of 0%, volatility of 100%, and expected life of 0.5 years.

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### 9. Share Capital – (cont'd)

During the year ended February 29, 2020:

- (a) On March 21, 2019, the Company issued 12,805,664 units at \$0.12 per unit for gross proceeds of \$1,536,680, of which \$300,000 was received as at February 28, 2019. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.15 per share expiring on March 21, 2021. The fair value of warrants issued was determined to have a fair value of \$728,974 and was recorded in warrant reserve. In connection with this private placement, the Company paid a finder's fee of \$6,720 and issued 56,000 agent's warrants with a fair value of \$3,188. Each agent's warrant is exercisable at \$0.15 per share expiring on March 21, 2021. The fair value of the warrants issued were estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.60%, dividend yield of 0%, volatility of 100%, and expected life of two years.
- (b) On July 17, 2019, the Company issued 7,560,000 common shares with a fair value of \$476,840 pursuant to its investment in Phyto.

### 10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted average exercise price \$
Balance, February 28, 2019	–	–
Issued	12,861,664	0.15
Balance, February 29, 2020	12,861,664	0.15
Issued	21,446,666	0.05
Balance, November 30, 2020	34,308,330	0.09

As at November 30, 2020, the Company has 34,308,330 share purchase warrants outstanding as follows:

Outstanding	Exercise Price	Expiry Date
12,861,664	\$0.15	March 31, 2021
1,446,666	\$0.05	May 23, 2021
20,000,000	\$0.05	May 23, 2022
34,308,330		

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### 11. Financial Instruments and Risk Management

#### (a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

#### (b) Credit Risk

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

### 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, warrant reserve, share-based payments reserve, equity component of convertible debt, and share subscriptions received.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged from the year ended February 29, 2020.

## **VINERGY CANNABIS CAPITAL INC.**

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Notes to the Condensed Interim Financial Statements

Period ended November 30, 2020

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### **13. Related Party**

The following expense was incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers.

During the nine months ended November 30, 2020, the Company accrued \$12,500 in consulting fees to a company controlled by the CFO which is included in accounts payable and accrued liabilities as at November 30, 2020.

### **14. Subsequent Events**

On December 21, 2020, the Company entered into a debt settlement agreement with a creditor to settle \$100,000 in outstanding debt at a price of \$0.05 per unit and on January 18, 2021 the Company issued the 2,000,000 common shares.

On December 22, 2020, the Company granted 6,500,000 stock options exercisable at \$0.06 per share to directors, officers and consultants of the Company expiring on December 22, 2022.

On December 21, 2020, the Company announced that it has acquired 1,250,000 units of CWE European Holdings inc. ("CWE") at a price of \$0.12 per unit for an aggregate of \$150,000. Each unit is composed of one common share purchase warrant entitling the holder to purchase one common share of CWE at a price of \$0.25 per share for a period of two years. In addition, the Company has committed to making a further investment of \$150,000 in CWE on January 29, 2021 under the same terms and condition as the initial investment.