

VINERGY CAPITAL INC.

Condensed Interim Financial Statements

For the three months ended May 31, 2022 and 2021

(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 three months ended May 31, 2022 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

VINERGY CAPITAL INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	May 31, 2022 \$	February 28, 2022 \$
Assets		
Current assets		
Cash and cash equivalents	1,146,098	1,296,097
Prepaid expenses	14,630	20,137
Total current assets	1,160,728	1,316,234
Non-current assets		
Investments (Note 4)	767,253	779,553
Total assets	1,927,981	2,095,787
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 5 and 7)	1,139,589	1,119,708
Loans payable (Note 6)	235,000	235,000
Total liabilities	1,374,589	1,354,708
Shareholders' equity		
Share capital (Note 8)	7,041,028	7,041,028
Share subscriptions receivable (Note 14)	(50,000)	(50,000)
Warrant reserve	867,262	867,262
Share-based payment reserve	1,068,798	1,068,798
Equity component of convertible debt	176,251	176,251
Deficit	(8,549,947)	(8,362,260)
Total shareholders' equity	553,392	741,079
Total liabilities and shareholders' equity	1,927,981	2,095,787

Nature of operations and continuance of business (Note 1)
Commitment (Note 13)
Subsequent event (Note 14)

Approved and authorized for issuance by the Board of Directors on July 21, 2022:

/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 CAPITAL INC.

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the three months ended May 31,	
	2022	2021
	\$	\$
Investment income		
Realized gain on investments	-	50,000
Unrealized loss on investments (Note 4)	(85,375)	-
Total investment income (loss)	(85,375)	50,000
Operating expenses		
Consulting fees (Note 7)	78,357	5,500
General and administrative	1,985	3,472
Professional fees	3,789	26,349
Share-based payments	-	240,000
Transfer agent and filing fees	2,520	5,642
Total operating expenses	86,651	280,963
Loss before expenses	(172,026)	(230,963)
Other expense		
Interest expense	(15,661)	(15,130)
Total other expenses	(15,661)	(15,130)
Net loss for the period	(187,687)	(246,093)
Loss per share, basic and diluted	(0.00)	(0.00)
Weighted average common shares outstanding	105,256,659	91,987,783

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

VINERGY CAPITAL INC.

Condensed Interim Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

(unaudited – Prepared by Management)

	Share capital		Share subscriptions receivable \$	Warrant reserve \$	Share-based payment reserve \$	Equity component of convertible debt \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$						
Balance, February 28, 2021	79,115,994	4,134,052	(15,000)	993,420	546,832	176,251	(7,157,009)	(1,321,454)
Private placement	10,305,667	824,453	-	721,397	-	-	-	1,545,850
Share issuance costs	-	(31,848)	-	-	-	-	-	(31,848)
Fair value of agent's warrants	-	(27,500)	-	27,500	-	-	-	-
Exercise of share purchase warrants	12,854,998	1,607,736	-	(632,336)	-	-	-	975,400
Share subscriptions received	-	-	94,970	-	-	-	-	94,970
Fair value of stock options granted	-	-	-	-	240,000	-	-	240,000
Net loss for the period	-	-	-	-	-	-	(246,093)	(246,093)
Balance, May 31, 2021	102,276,659	6,506,893	79,970	1,109,981	786,832	176,251	(7,403,102)	1,256,825
Balance, February 28, 2022	105,256,659	7,041,028	(50,000)	867,262	1,068,798	176,251	(8,362,260)	741,079
Net loss for the period	-	-	-	-	-	-	(187,687)	(187,687)
Balance, May 31, 2022	105,256,659	7,041,028	(50,000)	867,262	1,068,798	176,251	(8,549,947)	553,392

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

VINERGY CAPITAL INC.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

	For the three months ended May 31,	
	2022	2021
	\$	\$
Operating activities:		
Net loss for the period	(187,687)	(246,093)
Items not involving cash:		
Accrued interest charges	15,935	15,130
Share-based payments	-	240,000
Loss (gain) on fair value of marketable securities	85,375	(50,000)
Changes in non-cash operating working capital:		
Amounts receivable	-	(4,782)
Prepaid expenses	5,507	(312,610)
Accounts payable and accrued liabilities	3,946	45,836
Net cash used in operating activities	(76,924)	(312,519)
Investing activity		
Purchase of investments	(73,075)	-
Net cash used in investing activity	(73,075)	-
Financing activities		
Loan repayment	-	(150,000)
Proceeds from shares issued and share subscriptions received	-	2,616,219
Share issuance costs	-	(31,848)
Net cash provided by financing activities	-	2,434,371
Change in cash and cash equivalents	(149,999)	2,121,852
Cash and cash equivalents, beginning of period	1,296,097	128,421
Cash and cash equivalents, end of period	1,146,098	2,250,773
Cash and cash equivalents consist of:		
Cash in bank	94,592	1,750,273
Cash in brokerage account	1,047,326	500,000
Cash in legal trust account	4,180	-
Total cash and cash equivalents	1,146,098	2,250,773
Non-cash investing and financing activities:		
Fair value of warrants transferred on exercise	-	632,336
Fair value of warrants issued as part of a private placement	-	308,358
Fair value of agent's warrants issued	-	11,300
Supplemental Disclosure of Cash Flow Information:		
Interest paid	-	36,450

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

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

1. Nature of Operations and Continuance of Business

Vinergy 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. On March 9, 2021, the Company changed its name to Vinergy 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.

In March 2020, 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 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. During the period ended May 31, 2022, the Company did not generate any revenues and incurred negative cash flow from operations. As at May 31, 2022, the Company has a working capital deficit of \$213,861 and an accumulated deficit of \$8,549,947 since inception and expects to incur further losses in the development of its business. The Company is also in default for certain loans payable. 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 interim 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.

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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 28, 2022. The accompanying unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended February 28, 2022.

4. Investments

Details of the Company's investments are as follows:

	Number of Shares held	Cost \$	Fair value as at May 31, 2022 \$
Public companies:			
Bitcoin Well Inc.	2,000,000	500,000	210,000
Nurosene Health Inc.	58,500	35,365	18,135
Prospera Energy Inc.	1,000,000	70,555	65,000
Private companies:			
CWE European Holdings Inc.	1,250,000	150,000	150,000
First Person Ltd.	500,000	175,000	316,925
Share purchase warrants	–	–	7,193
Total	4,808,500	933,440	767,253

	Number of Shares held	Cost \$	Fair value as at February 28, 2022 \$
Public companies:			
Bitcoin Well Inc.	2,000,000	500,000	260,000
Nurosene Health Inc.	53,500	35,365	36,380
Private companies:			
CWE European Holdings Inc.	1,250,000	150,000	150,000
First Person Ltd.	500,000	175,000	316,925
Share purchase warrants	–	–	16,248
Total	3,803,500	860,365	779,553

5. Accounts Payable and Accrued Liabilities

	May 31, 2022 \$	February 28, 2022 \$
Trade accounts payable	743,508	743,350
Accrued liabilities	19,110	15,322
Accrued interest payable (Note 6)	376,971	361,036
	1,139,589	1,119,708

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

6. Loans Payable

- (a) 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 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 May 31, 2022 and February 28, 2022, the carrying value of the convertible debenture is \$215,000 and accounts payable and accrued liabilities includes \$245,395 (February 28, 2022 - \$239,975) in interest with respect to these convertible debentures.

- (b) As at May 31, 2022, the Company owed \$20,000 (February 28, 2022 – \$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 May 31, 2022, the Company has incurred interest on this loan of \$105,663 (February 28, 2022 - \$95,147), which is included in accounts payable and accrued liabilities.
- (c) On August 12, 2020, the Company issued a promissory note agreement for proceeds of \$96,000 to a non-related party. The promissory note is unsecured, bears interest at 20% per annum, and was due on December 31, 2021. On September 17, 2021, the Company repaid the loan principal balance of \$96,000. As at May 31, 2022, the Company has incurred interest on this promissory note of \$21,146 (February 28, 2022 - \$21,146) to the non-related party which is included in accounts payable and accrued liabilities.
- (d) On July 2, 2019, the Company entered into a loan agreement with ESG Global Impact Capital Inc. ("ESG") for \$250,000. The loan was unsecured, bears interest at 10% per annum and due on July 31, 2020. As at December 21, 2020, the Company entered into a debt settlement agreement with ESG to settle \$100,000 of the principal. The Company agreed to issue 2,000,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.06 per share expiring on December 21, 2021. As at February 28, 2021, the Company had incurred interest on this promissory note of \$39,206 to the non-related party which is included in accounts payable and accrued liabilities. On April 14, 2021, the Company repaid the debt of \$150,000 plus interest of \$36,450. There is a remaining interest payable of \$4,767 as at May 31, 2022 and February 28, 2022.

7. Related Party Transactions

- (a) As at May 31, 2022, the Company owed \$21,000 (February 28, 2022 - \$21,000) to a company controlled by the Chief Financial Officer of the Company which is included in accounts payable and accrued liabilities. During the three months ended May 31, 2022, the Company incurred \$15,750 (2021 - \$2,500) in consulting fees to a company controlled by the Chief Financial Officer of the Company.
- (b) During the three months ended May 31, 2022, the Company incurred \$25,000 (2021 - \$nil) in consulting fees to the Chief Executive Officer ("CEO") of the Company.
- (c) During the three months ended May 31, 2022, the Company incurred \$33,000 (2021 - \$3,000) in consulting fees to a director of the Company.

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

8. Share Capital

Authorized: Unlimited number of common shares without par value

There were no shares issued during the three months ended May 31, 2022.

Shares transactions during the year ended February 28, 2022:

- (a) On April 14, 2021, the Company completed a private placement and issued 10,305,667 units at \$0.15 per unit for gross proceeds of \$1,545,850 of which \$50,000 is included share subscriptions receivable as at February 28, 2022 (refer to Note 15(b)). Each unit consisted of one common share and one-half of a share purchase warrant exercisable at a price of \$0.25 per common share expiring April 14, 2023. The fair value of warrants issued was determined to have a fair value of \$497,002 and was recorded in warrant reserve. 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 274%, and expected life of two years. The Company paid a finder's fee of \$31,849 and issued 262,320 agent's warrants. Each agent's warrant is exercisable at a price of \$0.15 per common share on or before October 14, 2021 and at a price of \$0.20 per common share thereafter until April 14, 2022. The Company fair valued the agent's warrants at \$44,571 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.17%, dividend yield of 0%, volatility of 234% and expected life of one year.
- (b) During the year ended February 28, 2022, the Company issued 13,734,998 common shares for proceeds of \$1,019,400 pursuant to the exercise of share purchase warrants. The fair value of \$667,731 was transferred from warrant reserves to share capital upon exercise of the share purchase warrants.
- (c) During the year ended February 28, 2022, the Company issued 2,100,000 common shares for proceeds of \$126,000 pursuant to the exercise of stock options. The fair value of \$121,417 was transferred from share-based payment reserve to share capital upon exercise of the stock options.

9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted average exercise price \$
Balance, February 28, 2021	36,308,330	0.06
Issued	5,415,154	0.25
Exercised	(13,734,998)	0.07
Expired	(3,773,332)	0.07
Balance, February 28, 2022	24,215,154	0.10
Expired	(262,320)	0.25
Balance, May 31, 2022	23,952,834	0.09

During the period ended May 31, 2022, the Company extended the expiry date of 18,800,000 share purchase warrants from May 23, 2022 to May 23, 2023.

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

9. Share Purchase Warrants (continued)

As at May 31, 2022, the Company had the following share purchase warrants outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
18,800,000	0.05	May 23, 2023
5,152,834	0.25	April 14, 2023
<u>23,952,834</u>		

10. Stock Options

The Company has established a stock option plan for directors, employees and consultants which is administered by the board of directors with full and final authority with respect to the granting of all options. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. The number of common shares issuable under the plan may not exceed 10% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis. Options may be exercisable for a maximum of ten years from the date of grant.

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

	Number of options	Weighted average exercise price \$
Outstanding, February 28, 2021	6,500,000	0.06
Granted	4,800,000	0.18
Exercised	(2,100,000)	0.06
Expired	(2,000,000)	0.06
Outstanding, February 28, 2022	7,200,000	0.14
Forfeited	(2,800,000)	0.26
Outstanding, May 31, 2022	4,400,000	0.06

Additional information regarding stock options outstanding as at May 31, 2022 is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.06	4,150,000	1.37	0.06
0.09	250,000	2.30	0.09
	<u>4,400,000</u>	<u>1.50</u>	<u>0.06</u>

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

11. Financial Instruments and Risk Management

(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 May 31, 2022 and February 28, 2022 as follows:

	Fair value measurements using			Balance, May 31, 2022 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Investments	293,135	7,193	466,925	767,253

	Fair value measurements using			Balance, February 28, 2022 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Investments	296,380	16,248	466,925	779,553

The fair values of other financial instruments, which include cash and cash equivalents, advance receivable, accounts payable and accrued liabilities, and loans payable, 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 and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

VINERGY CAPITAL INC.

Notes to the Condensed Interim Financial Statements

Period ended May 31, 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

11. Financial Instruments and Risk Management (continued)

(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, share subscriptions receivable, warrant reserve, 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, 2022.

13. Commitment

On April 1, 2021, the Company entered into a consulting agreement with a director of the Company who later became the CEO, which is effective until December 31, 2024. Pursuant to the agreement, the Company agreed to pay \$120,000 per annum and two types of bonuses. There is an annual bonus of up to 8% of the base salary payable quarterly based on performance reviews by the Board of Directors and another bonus based on portfolio performance which does not exceed 10%.

14. Subsequent Event

Subsequent to May 31, 2022, the Company returned and cancelled 333,334 common shares to treasury due to the non-receipt of the \$50,000 in share subscriptions receivable. The Company also cancelled 166,669 share purchase warrants.