

# **VINERGY CAPITAL INC.**

(the "Company")

**FORM 51-102F1**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE MONTHS ENDED MAY 31, 2022**

The following Management's Discussion and Analysis, prepared as of July 21, 2022, should be read together with the unaudited condensed interim financial statements for the three months ended May 31, 2022, and the related notes and the audited financial statements for the year ended February 28, 2022 and the related notes. These financial statements and MD&A include the results of operations and cash flows for the three months-ended May 31, 2022, and the reader must be aware that historical results are not necessarily indicative of the future performance. All amounts are reported in Canadian dollars.

The aforementioned documents and additional disclosures pertaining to the Company's press releases and other information are also available on the SEDAR website [www.sedar.com](http://www.sedar.com).

Certain statements contained in this interim management discussion and analysis may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts but are forward-looking statements. Such forward-looking statements are subject to both known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the receipt of required regulatory approvals, the availability of sufficient capital, the estimated cost and availability of funding for the continued exploration and development of The Company's prospects, political and economic conditions, commodity prices and other factors.

#### **Description of Business**

Vinergy Capital Inc. (the "Company" or "Vinergy") 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". The Company is an investment issuer.

On February 22, 2021, the Company announced that it is updating and amending its current investment policy to broaden the spectrum of the types of investments it is focused on to include high-impact and high-growth opportunities in Bitcoin mining, Bitcoin derivatives, digital currencies, digital currency marketplaces and exchanges, and blockchain, amongst other.

Vinergy's portfolio management strategy was modified to take advantage of market opportunities to participate in emerging companies going to IPO or planning to IPO within twelve months. The Board of Directors with the Management has begun to use its network to seek and find opportunities for Vinergy. As a result, Vinergy has invested in the following investments as at May 31, 2022 and February 28, 2022:

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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
<b>Total</b>	<b>4,808,500</b>	<b>933,440</b>	<b>767,253</b>

	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
<b>Total</b>	<b>3,803,500</b>	<b>860,365</b>	<b>779,553</b>

CWE European Holdings Ltd.

During the year ended February 28, 2021, the Company advanced \$150,000 and subscribed to 1,250,000 units of CWE European Holdings Ltd. Each unit is to consist of one common share and one share purchase warrant exercisable at \$0.25 per common share expiring two years from the date of issuance. On March 3, 2021 the units were issued and the warrants have not been fair valued as there is no active market.

Leiiio Wellness Ltd.

On May 31, 2021, the Company subscribed for 500,000 units of Leiiio Wellness Ltd. Each unit is to consist of one common shares and one half of one share purchase warrant exercisable at \$0.50 per share expiring two years from the date of issuance. On July 14, 2021, the units were issued and the warrants have not been fair valued as there is no active market.

**Selected Annual Information**

The following table sets forth selected audited financial information of the Company from the last three completed financial years.

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	2022	2021	2020
	\$	\$	\$
Total investment income	316,794	—	—
Net loss for the year	(1,205,251)	(718,838)	(2,993,114)
Basic and diluted loss per share	(0.01)	(0.01)	(0.06)
Total assets	2,095,787	299,179	99,954

The net loss for the year ended February 29, 2020, included the impairment of the investment in Phyto of \$476,840 and advances to Phyto and Next Level totaling \$2,199,035. The net loss for the year ended February 28, 2021, includes share-based payment of \$375,816. The net loss for the year ended February 28, 2022 included \$643,383 in share-based payment and realized gain on disposition of marketable securities of \$397,606.

### Summary of Quarterly Results

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

	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
	\$	\$	\$	\$
Total investment income (loss)	(85,375)	229,695	377,124	(873,613)
Net (loss) income for the period	(187,687)	(463,427)	(940,668)	444,937
Basic and diluted (loss) income per share	(0.00)	(0.01)	(0.01)	0.04

  

	May 31, 2021	February 28, 2021	November 31, 2020	August 31, 2020
	\$	\$	\$	\$
Total investment income (loss)	50,000	—	—	—
Net loss for the period	(246,093)	(623,642)	(24,393)	(24,393)
Basic and diluted (loss) income per share	(0.01)	(0.01)	—	—

The net loss for the quarter ended February 28, 2021, includes \$375,816 in share-based payments. The net loss in May 31, 2021 includes \$240,000 in share-based payments. The net income on August 31, 2021, included a gain on fair value of marketable securities of \$873,220. The net loss on November 30, 2021, included a loss on fair value of marketable securities of \$768,827 and the recognition of share-based payments of \$358,500. The net loss on February 28, 2022 included a loss on fair value of marketable securities of \$80,812. The net loss on May 31, 2022, included a loss on fair value of marketable securities of \$85,375.

### Results of Operations

There were no changes in operations for the period ended May 31, 2022. The Company recorded a net loss \$187,687 as compared to the net loss of \$246,093 for the comparable period ended May 31, 2021. Total expenses for the current period amounted to \$86,651 as compared to \$280,963 for the comparable period a decrease of approximately \$194,000. The main decrease in expenses can be attributed to no share-based payments recorded in the current period as compared to \$240,000 recorded in the comparable period ended May 31, 2021. The decrease was offset by an increase in consulting fees to \$78,357 from

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\$5,500 from the comparable period. The increase in consulting fees can be attributed to an increase in fees paid to directors and officers of the Company of \$73,750.

During the current period, the Company recognized a total investment loss of \$85,375 as a result of the revaluation of its investment as compared to an income of \$50,000 from the comparable period which was the result of a realized gain on the sale of its investment.

#### **Fourth Quarter**

N/A

#### **Liquidity and Capital Resources**

As at May 31, 2022, the Company had cash of \$1,146,098 and a working capital deficit of \$213,861 (February 28, 2022 working capital deficit of \$38,474).

The Company believes that the current capital resources are not sufficient to pay overhead expenses for the next twelve months and will need to seek additional funding to fund its overhead expenses and its future investments. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options and warrants and loans payable to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

#### **Operating activities**

During the period ended May 31, 2022, the Company's operating activities used cash of \$76,924 as compared \$312,519 used in May 31, 2021.

#### **Investing activities**

During the period ended May 31, 2022, the Company used \$73,075 in investing activities as compared to \$Nil in May 31, 2021. The Company invested \$73,075 in marketable securities.

#### **Financing activities**

During the period ended May 31, 2022, there were no financing activities as compared to \$2,434,371 in May 31, 2021 which consisted of share issuances of \$2,616,219 less share issue cost of \$31,848 and a loan repayment of \$150,000.

#### **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.

#### **Financial Instruments and Risk Management**

- (a) Fair Values

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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).

Marketable securities are classified as fair value through profit or loss and measured at fair value using level 1 and 3 inputs. The Company's investment in warrants are measured at fair value using Level 2 inputs. The fair values of financial instruments, which include cash and cash equivalents, amounts receivable, loans receivable, accounts payable and accrued liabilities, and loan 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 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.

(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.

## **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, 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 28, 2022.

## **Subsequent Events**

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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.

**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 unaudited condensed interim financial statements for the three months ended May 31, 2022 to which this MD&A relates.

**Disclosure of Outstanding Share Data****Share Capital**

As at the date of the MD&A, the Company has 104,923,325 shares issued and outstanding.

**Stock Options**

As at the date of the MD&A, the Company has 4,400,000 stock options outstanding.

**Share Purchase Warrants**

As at the date of the MD&A the Company has 23,786,165 share purchase warrants outstanding.