

XYNERGY HOLDING, INC
BALANCE SHEET
DECEMBER 31, 2011

ASSETS:

CURRENT ASSETS:

CASH IN BANK AND ON HAND \$ 186

FIXED ASSETS:

LEASEHOLD IMPORVEMENTS \$ 5,150
LESS: ACCUMULATED DEPRECIATION 2,689

TOTAL FIXED ASSETS 2,461

TOTAL ASSETS \$ 2,647

LIABILITIES AND STOCKHOLDER EQUITY

OTHER LIABILITIES:

ACCRUED EXPENSES \$ 62,710
ACCRUED EXPENSES 329,019
DUE TO AMN TRUST 1 82,547
DUE TO JUAN CARLOS LEY 11,507
DUE TO MED EX DIRECT 101,014
DUE TO M.K. RICE 20,465
DUE TO WEST COAST 99,256

TOTAL OTHER LIABILITIES 706,518

XYNERGY HOLDING, INC
STATEMENT OF INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

INCOME:		\$ -
EXPENSES:		
PAYROLL EXPENSES	\$ 151,155	
PROFESSIONAL FEES	75,983	
RENT	44,993	
DEPRECIATION	2,002	
FEDERAL LIQUOR LICENSE	117,224	
INTEREST EXPENSES	40,824	
GENERAL AND ADMINISTRATION EXPENSES	<u>24,642</u>	
TOTAL EXPENSES		456,823
NET PROFIT OR (LOSS) FOR THE PERIOD		<u><u>\$ (456,823)</u></u>

XYNERGY HOLDING, INC
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING ACTIVITIES:

NET INCOME (LOSS) FOR THE YEAR		\$ (456,823)
NON CASH EXPENSES:		
DEPRECIATION		2,002
FEDERAL LIQUOR LICENSES		117,224
SECURITY DEPOSITS		<u>12,924</u>
NET CASH FLOW PROVIDED BY INVESTING ACTIVITIES		(324,673)
NET CASH PROVIDED BY OPERATIONS		
ACCRUED EXPENSES	\$ 53,211	
ACCURED PAYROLL	179,010	
DUE TO AMN TRUST 1	7,079	
DUE TO JUAN CARLOS LEY	11,507	
DUE TO MED EX PIRED	<u>75,383</u>	<u>326,190</u>
NET CASH PROVIDED BY OPERATION ACTIVIES		1,517
NET CASH PORVIDED BY FINANCING ACTIVITIES		
DUE TO M.K. RICE CONVERTABLE DEBT	(27,400)	
DUE TO AMN FAMILY TRUST CONVERTIBLE DEBT	(6,609)	
CAPITAL STOCK	63,004	
ADDITIONAL PAID IN CAPITAL	<u>(31,044)</u>	<u>(2,049)</u>
NET CASH INCREASE(DECREASE) FOR THE YEAR		(532)
CASH AST BEGINNING OF THE YEAR		718
CASH AT THE END OF THE YEAR		<u><u>\$ 186</u></u>

XYNERGY HOLDING, INC
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

COMMON STOCK

BALANCE AT JANUARY 1, 2011	\$ 16,596
SHARES ISSUED TO INVESTORS	63,004
BALANCE AT DECEMBER 31, 2011	<u>\$ 79,600</u>

ADDITIONAL PAID IN CAPITAL

BALANCE AT JANUARY 1, 2011	\$ 1,610,793
SHARES ISSUED TO INVESTORS	(31,044)
BALANCE AT DECEMBER 31, 2011	<u>\$ 1,579,749</u>

RETAINED EARNINGS

BALANCE AT JANUARY 1, 2011	\$ (2,093,547)
NET LOSS FOR THE YEAR	(456,823)
BALANCE AT DECEMBER 31, 2011	<u>\$ (2,550,370)</u>

XYNERGY HOLDING, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - COMPANY OVERVIEW

Organization - Xynergy Holding, Inc., (the company) was organized under the laws of the state of Nevada on August 6, 1993. Xynergy Holding, Inc. started as "Colecciones de Raquel, Inc." with its IPO in 1994. In 1998, Colecciones de Raquel became "Raquel Inc.". In February 2002, after its acquisition of Think Blots greeting cards, Raquel, Inc became Xynergy Corporation. In 2008 Synergy Corporation became Xynergy Holding Inc.

The Company is currently structured as a holding company operating the following business through its wholly owned subsidiary - Hydro Fuel, Inc. Hydro Fuels is in the development stages of an on-demand hydrogen fuel-cell that can be used in diesel engines. The goal of the cell is to save fuel costs. All prototypes are still in development and are undergoing testing and modification to create a viable consumer product.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Company has not produced any revenue from its principle business and is a development stage company as defined by the Statement of Financial Accounting Standards (SFAS) No. 7

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as certain financial statement disclosures. While the management believes that the estimates and assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

Intangible Assets - The Company accounts for intangible assets in accordance with SFAS 142 "Goodwill and Other Intangible Assets". Intangible assets with definite lives, and goodwill, are no longer amortized; they are carried at lower of cost or market and subject to annual impairment evaluation, or interim impairment evaluation if an interim triggering event occurs, using a new fair market value method. This impairment evaluation entails writing down such assets to fair market value whenever events or changes in circumstances indicate that the carrying value may not be recoverable through future undiscounted cash flow. The amount of the impairment loss would be the excess of the carrying amount of the impaired assets over the fair value of the assets based upon discounted future cash flows.

Intangible assets with finite lives are amortized over those lives, with no stipulated maximum, and an impairment test is performed only when a triggering event occurs. Such assets are amortized on a straight line basis over the estimated useful life of the asset.

There was no impairment loss recorded since inception.

XYENERGY HOLDING, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Impairment of Long Lived Assets and on Assets to be Disposed of - The Company account for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for impairment of Disposal of Long-Lived Assets". Impairment is the condition that exists when the carrying amount of long lived assets (asset group) is not recoverable and exceeds its fair value. The carrying amount of long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). The assessment is based on the carrying amount of assets (asset group) at the date it tested for recoverability, whether in use or development. An impairment loss shall be measured as the amount by which the carrying amount of long-lived assets (asset group) exceeds its fair value.

Impairment losses will be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. No impairment losses have been recorded since inception.

Cash and Cash Equivalents - Highly liquid investments with original maturities with original maturities of three months or less are considered cash equivalent.

Income Taxes - The Company uses the assets and liabilities method of accounting for income taxes as required by SFAS No. 109. Accounting for Income Taxes SFAS No. 109 requires the recognition of differed tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of certain assets and liabilities. Deferred income taxes are measured by the current enacted tax rates. A deferred tax expense (benefit) is the result of changes in the deferred tax assets and liability. Valuation allowances are used to reduce the deferred tax assets to the amount considered likely to be realized.

Earnings per Share

The Company computed basic and diluted loss per share amounts pursuant to the SFAS No. 128. "Earnings per Share". There are no potentially dilutive shares outstanding and, accordingly, dilutive per share amounts have not been presented in the accompanying statement of profit and loss.

Fair Value of Financial Instruments

SFAS No 107 "Disclosure about Fair Value of Financial Instruments". Requires disclosure of information regarding the fair value of certain financial instruments for which it is practicable to estimate the value. For purposed of this disclosure the fair value of a financial instrument is the amount at which the instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than at a forced sale liquidation.