

# **SPIRIT BLOCKCHAIN CAPITAL INC.**

## **Management's Discussion and Analysis**

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

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

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This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the consolidated financial statements of Spirit Blockchain Capital Inc. (the "Company") and the notes thereto for the years ended December 31, 2023 and 2022 (collectively referred to hereafter as the "financial statements"). The following discussion and analysis, prepared by management, reviews the Company's financial condition and results of operations for the years ended December 31, 2023 and 2022. The MD&A should be read in conjunction with the financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee. This MD&A provides management's analysis of the Company's historical financial and operating results and provides estimates of the Company's future financial and operating performance based on information that is currently available.

In this MD&A, the "Company", or the words "we", "us", or "our", collectively refer to Spirit Blockchain Capital Inc. and its subsidiaries. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended December 31, 2023 and 2022 are referred to as "Fiscal 2023" and "Fiscal 2022", respectively.

All amounts are expressed in Canadian dollars unless otherwise stated. Amounts denominated in United States dollars are denoted as "USD" or "US\$" and the amounts denominated in Swiss francs are denoted as "CHF".

This MD&A has been approved by the Company's Board of Directors ("Board") as at May 1, 2024.

## **FORWARD-LOOKING STATEMENTS**

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Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "intend", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- our business plan and investment strategy; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document which includes, but is not limited to:

- taxes and capital, operating, general & administrative and other costs;
- general business, economic and market conditions;
- the ability of the Company to obtain the required capital to finance its investment strategy and meet its commitments and financial obligations;
- the ability of the Company to obtain services and personnel in a timely manner and at an acceptable cost to carry out activities; and
- the timely receipt of required regulatory approvals.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as there can be no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially than anticipated and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- meeting current and future commitments and obligations;
- general business, economic and market conditions;
- the uncertainty of estimates and projections relating to future costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits, and assessments; and
- other risks and uncertainties described elsewhere in this document.

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The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risks and Uncertainties" herein. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

## **OVERVIEW**

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This MD&A has been prepared by management and reviewed by the Board. For the purposes of preparing this MD&A, management, in conjunction with the Board, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

## **DESCRIPTION OF BUSINESS**

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Spirit Blockchain Capital Inc. was incorporated under the Business Corporations Act on January 19, 2021 in British Columbia, Canada. The purpose of the Company is to offer products and services to the digital assets and blockchain ecosphere. The Company holds a portfolio of crypto-currencies, some of which it has staked, and invests in other listed companies operating in this ecosphere. The Company provides blockchain and advisory services to third parties. The Company can mine crypto-currencies, lend both fiat money and crypto coins (royalties and streaming), provide consulting services and undertake merger and acquisition activity.

The Company aims to generate recurring cash flow streams through its different business units. The diversification of its activities will allow the Company to be less volatile than the digital asset markets. The Company wants to become a value stock in a growing environment.

The Company aims to become a leading blockchain & digital asset company focused on streaming, royalties, and digital asset investments. The firm provides investors with a direct exposure to the sector, without the technical complexity or constraints of purchasing the underlying digital assets. The Company's strategy is based upon management's conviction that the blockchain and digital asset ecosystem will register significant growth and outperform traditional asset classes over the medium to long-term. As a result, digital assets will become an integral part of diversified portfolios.

The Company's strategy focuses on four complimentary economic units:

- Royalties & Streams by providing capital to blockchain ecosystem participants, where repayment of the investment takes place in the form of digital assets.
- Advisory & Research Services for institutional and private investors with investment products.
- Treasury Management through balance sheet enhancement with major digital asset investments.
- Licensing Blockchain and Digital Assets Technology products to market participants as well as providing consulting services to support these products.

**HIGHLIGHTS**

During the year ended December 31, 2023, the Company had the following transactions:

- On January 19, 2023, the Company settled past due consulting fees of \$126,100 through the issuance of 2,441,074 common shares at \$0.02 per share to certain consultants, for a total fair value of \$48,821. As a result, the Company recorded gain on settlement of debts of \$77,279.
- On February 6, 2023, the Company entered into a subscription agreement with InvestDEFY Technologies Inc. (“InvestDEFY”), whereby the Company agreed to purchase 645,162 Class B voting shares of InvestDEFY. As consideration, the Company was required to provide InvestDEFY with US\$200,000 in cash and issue 5,400,000 common shares of the Company. The subscription was subsequently revised and the Company ultimately subscribed for 606,902 Class B voting shares of InvestDEFY and as consideration, the Company provided InvestDEFY with US\$17,496 (\$24,999), delivered 5,400,000 common shares to InvestDEFY on February 6, 2023 at \$0.025 for a fair value of \$135,000, and delivered 4,275,000 common shares to InvestDEFY on October 20, 2023 at \$0.04 for a fair value of \$171,000.
- On February 7, 2023, the Company announced it had entered into a share purchase agreement with Pixel (Cayman) Limited (“Pixel”). The agreement provided that the Company would purchase 40,000 common shares of Pixel for an aggregate purchase price of US\$50,000, with the first instalment of US\$25,000 payable on February 7, 2023 (paid US\$18,145 (\$25,000)), a second instalment of US\$25,000 on the earlier of April 30, 2023 or when Pixel completed an equity investment (“Pixel Equity Investment”) that enabled it to build and launch the Pixel stablecoin platform; and a top-up instalment subject to certain conditions payable on the closing date of Pixel Equity Investment.
- On July 5, 2023, the Company completed a non-brokered unit private placement of 2,200,000 units at \$0.025 per unit for gross proceeds of \$55,000. Each unit consists of one common share and one-half warrant, each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 for a period of 24 months. Proceeds were allocated using the proportionate value method, as a result, \$38,220 was allocated to share capital and \$16,780 was allocated to contributed surplus.
- On November 17, 2023, the Company settled consulting fees of \$36,500 by cash payment in the amount of \$18,250 and issuing 405,556 common shares at \$0.05 per common share for total fair value of \$20,278 to a former consultant of the Company. As a result, the Company recorded a loss on settlement of debt of \$2,028.
- On November 17, 2023, the Company issued an aggregate of 1,025,000 common shares at a price of \$0.05 per common share for total value of \$51,250 to certain directors of the Company (the “Shares for Services”). The Shares for Services have been issued in lieu of cash payments for past services rendered pursuant to consulting agreements whereby these individuals provided various management services to the Company.
- On December 5, 2023, the Company completed a non-brokered unit private placement of 272,300 units at \$0.05 per unit for gross proceeds of \$13,615. Each unit consists of one common share and one-half warrant, each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 for a period of 24 months. Proceeds were allocated using the proportionate value method. As a result, \$9,656 was allocated to share capital and \$3,959 was allocated to contributed surplus.
- As at December 31, 2023, InvestDEFY and Pixel had not provided any updates on its business activities nor any information with respect to future financing rounds. Due to the absence of a market to sell the shares and the inability to reliably measure the fair value of the investment, the Company assessed the fair value at \$nil. For the year ended December 31, 2023, the Company recorded a loss on change in fair value of \$355,999 (2022 - \$nil).

**INVESTMENTS HELD FOR TRADING**

A summary of the Company’s investments held for trading is as follows:

	December 31, 2023			December 31, 2022		
	Shares held	Fair value	Cost	Shares held	Fair value	Cost
	#	\$	\$	#	\$	\$
Coinbase Global Inc.	-	-	-	203	9,730	50,897
Hut 8 Mining Corp.	-	-	-	1,984	2,301	12,317
Signature Bank	-	-	-	52	8,115	16,481
Silvergate Capital Corp.	-	-	-	260	6,128	26,619
	-	-	-	2,499	26,274	106,314

During the year ended December 31, 2023, the Company recognized a loss on change in fair value on investments held for trading of \$nil (2022 - \$260,637).

During the year ended December 31, 2023, the Company recognized a gain on sales of investments held for trading of \$8,869 (2022 - loss of \$217,531); and received dividend income of \$49 (2022 - \$215).

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**DIGITAL ASSETS**

The Company has a brokerage account with Crypto Finance AG in Zurich, Switzerland, Bitcoin Suisse AG in Grafenauweg, Switzerland and a multi-signature wallet. Digital assets are recorded at their fair value on the date they are received and are revalued to their fair value at each reporting date.

A summary of the Company's digital assets is as follows:

	December 31, 2023			December 31, 2022		
	Units held	Fair value	Cost	Units held	Fair value	Cost
	#	\$	\$	#	\$	\$
<b>Current</b>						
Chainlink	-	-	-	391.736	2,955	6,722
Ethereum	0.707	2,135	2,036	66.888	108,419	232,557
Sushiswap	1,692.130	2,803	26,764	1,692.130	2,118	27,408
USD Coin	25,727.884	34,086	34,029	107,991.310	146,263	147,739
		<b>39,024</b>	<b>62,829</b>		259,755	414,426
<b>Non-current</b>						
Avalanche	-	-	-	2,077.295	30,667	65,314
Cardano	20,222.004	15,895	26,452	19,654.867	6,562	27,088
Cosmos	-	-	-	1,280.087	16,211	50,790
Ethereum	-	-	-	8.140	13,194	27,088
Polkadot	3,029.243	32,830	62,824	2,537.104	14,810	64,334
		<b>48,725</b>	<b>89,276</b>		81,444	234,614
<b>Total</b>		<b>87,749</b>	<b>152,105</b>		341,199	649,040

During the year ended December 31, 2023, the Company recorded a gain on change in fair value of digital assets of \$54,788 (2022 - loss of \$407,958) through profit or loss; loss of \$nil (2022 - \$697,196) through other comprehensive income; and a realized gain on sale of digital assets of \$112,296 (2022 - loss of \$482,783).

The non-current portion consists of the digital assets are used for staking rewards. During the year ended December 31, 2023, the Company was granted staking rewards by the blockchain networks in which it participates. The staking rewards were recognized as other income in profit or loss.

A summary of the Company's staking rewards for the years ended December 31, 2023 and 2022 is as follows:

	Fiscal 2023	Fiscal 2022
	\$	\$
Avalanche	296	1,528
Cardano	274	1,127
Cosmos	1,306	3,144
Polkadot	3,718	3,966
	<b>5,594</b>	9,765

**INVESTMENTS**

**a) Investment in InvestDEFY**

On February 6, 2023, the Company entered into a subscription agreement with InvestDEFY, whereby the Company purchased 645,162 Class B voting shares of InvestDEFY ("InvestDEFY Shares").

In consideration for the purchase of the InvestDEFY Shares, the Company agreed to the following terms:

- to pay cash consideration of US\$200,000 (paid \$24,999 (US\$17,946) on February 17, 2023); and
- to issue a total of 5,400,000 common shares of the Company (delivered on February 6, 2023 at \$0.025 for a fair value of \$135,000).

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The InvestDEFY Shares convert into Class A common shares after a two-year period subject to InvestDEFY's right to repurchase 40% of the Class B shares at the end of such two-year period.

As at December 31, 2023, InvestDEFY had not provided any updates on its business activities nor any information with respect to future financing rounds. Due to the absence of a market to sell the shares and the inability to reliably measure the fair value of the investment, the Company assessed the fair value at \$nil. For the year ended December 31, 2023, the Company recorded a loss on change in fair value of \$330,999 (2022 - \$nil).

As at December 31, 2023, the carrying value of the investment in InvestDEFY is \$nil (December 31, 2022 - \$nil).

**b) Investment in Pixel**

On February 7, 2023, the Company entered into a share purchase agreement with Pixel, whereby the Company agreed to purchase 40,000 common shares of Pixel for a purchase price of US\$50,000.

In consideration for the purchase of the Pixel common shares the Company has agreed to the following terms:

- First instalment of US\$25,000 payable on February 7, 2023 (paid \$25,000 (US\$18,145));
- Second instalment of US\$25,000 on the earlier of April 30, 2023 or when Pixel completes an equity investment ("Pixel Equity Investment") that enables it to build and launch the Pixel stablecoin platform; and
- A top-up instalment subject to certain conditions payable on the closing date of Pixel Equity Investment.

As at December 31, 2023, Pixel had not provided any updates on its business activities nor any information with respect to future financing rounds. Due to the absence of a market to sell the shares and the inability to reliably measure the fair value of the investment, the Company ceased pursuing the investment in Pixel and assessed the fair value at \$nil. For the year ended December 31, 2023, the Company recorded a loss on change in fair value of \$25,000 (2022 - \$nil).

As at December 31, 2023, the carrying value of the investment in Pixel is \$nil (December 31, 2022 - \$nil) and the Company does not serve in an advisory role or appoint a representative to the board of directors of Pixel.

**SELECT ANNUAL INFORMATION**

The following financial data has been derived from the Company's financial statements for the years ended December 31, 2023 and 2022:

	<b>Fiscal 2023</b>	Fiscal 2022	Fiscal 2021
	\$	\$	\$
Net loss for the year	<b>(1,966,564)</b>	(3,392,465)	(9,619,529)
Loss per common share - Basic and diluted	<b>(0.02)</b>	(0.04)	(0.18)

	<b>December 31, 2023</b>	December 31, 2022	December 31, 2021
	\$	\$	\$
<b>Financial position</b>			
Total assets	<b>1,139,019</b>	738,925	4,043,426
Total liabilities	<b>2,140,737</b>	646,691	278,604
Working capital surplus (deficiency)	<b>(800,439)</b>	10,790	3,764,822

**SUMMARY OF QUARTERLY RESULTS**

The following table summarizes selected quarterly financial information for the last eight quarters:

	<b>Q4 2023</b>	Q3 2023	Q2 2023	Q1 2023
	\$	\$	\$	\$
Net loss	<b>1,003,170</b>	194,925	504,270	264,199
Total comprehensive loss	<b>995,010</b>	194,454	505,689	255,906
Net loss per share - basic and diluted	<b>0.01</b>	0.00	0.01	0.00

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	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$	\$	\$
Net loss	773,649	445,745	1,638,865	534,206
Total comprehensive loss	743,084	418,102	2,238,934	734,618
Net loss per share - basic and diluted	0.01	0.01	0.02	0.01

During the last eight quarters, the Company's net loss has ranged between \$194,925 and \$1,638,865. The Company has not yet achieved profitable operations and the range of net loss and comprehensive loss are correlated to the stability of the crypto market in any given quarter as this has an overall impact on the Company's digital assets and investments in other listed companies operating in the same industry. The global downturn of crypto market and the sales of the Company's digital assets were the major factors that contributed to the Q2 2022 losses.

During Q3 2023, the Company incurred a net loss of \$194,925. This decrease compared to \$445,745 in Q3 2022 is as a result of reduced consulting fees and professional fees as a result of normal course cost reductions, along with reduced share-based payments due to the accelerated vesting of stock options and restricted shares units.

During Q4 2023, the Company incurred a net loss of \$1,003,170, mainly attributed to consulting fees and change in fair value of investments as a result of high credit risk.

**RESULTS OF OPERATIONS**

	Q4 2023	Q4 2022	Fiscal 2023	Fiscal 2022
	\$	\$	\$	\$
<b>Operating expenses</b>				
Consulting fees	409,821	289,564	839,530	1,048,682
Filing fees	(6,750)	2,325	13,500	20,053
General and administrative	62,240	11,599	165,611	89,454
Professional fees	246,401	193,208	384,207	398,372
Share-based compensation	5,354	96,586	325,175	454,150
	717,066	593,282	1,728,023	2,010,711
<b>Other income (expenses)</b>				
Accretion expense	(4,215)	-	(7,373)	-
Loss on change in fair value of conversion feature	(103,972)	-	(103,972)	-
Change in fair value of digital assets	22,692	(86,034)	54,788	(407,958)
Change in fair value of investments	(355,999)	-	(355,999)	-
Change in fair value of investments held for trading	-	(68,601)	-	(260,637)
Dividend income	-	39	49	215
Foreign exchange loss	(1,433)	(3,041)	(17,915)	(23,182)
Gain on debt settlement	75,251	-	75,251	-
Interest expense	(11,573)	-	(15,506)	-
Other income	6,480	(27,278)	11,722	10,460
Realized gain (loss) on sale of digital assets	88,006	(22,703)	112,296	(482,783)
Realized gain (loss) on sales of investment held for trading	-	26,904	8,869	(217,531)
	(284,763)	(180,714)	(237,790)	(1,381,416)
<b>Loss before tax</b>	<b>(1,001,829)</b>	<b>(773,996)</b>	<b>(1,965,813)</b>	<b>(3,392,127)</b>
Income tax recovery (expense)	(1,341)	347	(751)	(338)
<b>Net loss</b>	<b>(1,003,170)</b>	<b>(773,649)</b>	<b>(1,966,564)</b>	<b>(3,392,465)</b>
<b>Other comprehensive income (loss)</b>				
Change in fair value on digital assets	(5,607)	-	-	(697,196)
Change in foreign currency translation	13,767	30,565	15,505	(45,077)
<b>Net loss and comprehensive loss</b>	<b>(995,010)</b>	<b>(743,084)</b>	<b>(1,951,059)</b>	<b>(4,134,738)</b>

#### **Q4 2023 compared to Q4 2022**

The Company reported a net loss of \$1,003,170 compared to \$773,649 in the prior year comparable period. The primary drivers of this decrease in the net loss were as follows:

- Professional fees were \$246,401 compared to \$193,208 in the prior year comparable period due to higher legal expenses incurred for the related amalgamation and the Company going public in the prior year.
- Share-based compensation decreased to \$5,354 compared to \$96,586 in the prior year comparable period mainly due to the accelerated vesting of stock options and restricted shares units following the termination of certain consultants.
- Change in fair value of digital assets was a gain of \$22,692 compared to loss of \$86,034 in the prior year comparable period, mainly due to the global decline of the crypto market in the prior year period.
- Change in the fair value of investment held for trading was \$nil compared to a loss of \$68,601 in the prior year comparable period due to the disposal of all investments held for trading during Q1 2023.
- Gain on debt settlement was \$75,251 compared to \$nil in the prior year comparable period due to the fair value of the common shares issued for debt settlement was less than the outstanding balance of the debts.
- Realized gain on sale of digital assets was \$88,006 compared to loss of \$22,703 in the prior year comparable period, due to the sales of certain digital assets at a higher price than their carrying value during Q4 2023.

Offsetting the decrease in net loss was increases to certain expenses as follows:

- Consulting fees were \$409,821 compared to \$289,564 in the prior year comparable period as a result of the increase in fees paid to certain consultants.
- Accretion expense was \$4,215 compared to \$nil in the prior year comparable period as a result of the issuance of convertible debentures during Fiscal 2023.
- Change in value of investments was a loss of \$355,999 compared to \$nil in the prior year comparable period, due to the existence of a credit risk in investments in InvestDEFY and Pixel.
- Interest expense was \$11,573 compared to \$nil in the prior year comparable period as a result of the issuance of convertible debentures during Fiscal 2023.

#### **Fiscal 2023 compared to Fiscal 2022**

The Company reported net loss of \$1,966,564 compared to \$3,392,465 in the prior year comparable period. The primary drivers of this decrease in the net loss were as follows:

- Consulting fees decreased to \$839,530 compared to \$1,048,682 in the prior year, primarily due to termination of consultants in the current year and additional market advisory and administration costs incurred in the prior year as the Company became public.
- Professional fees decreased to \$384,207 compared to \$398,372 in the prior year due to higher legal expenses incurred for the related amalgamation and the Company going public in the prior comparable period.
- Share-based compensation decreased to \$325,175 compared to \$454,150 in the prior year mainly due to the accelerated vesting of stock options and restricted shares units following the termination of certain consultants.
- Change in fair value of digital assets was a gain of \$54,788 compared to loss of \$407,958 in the prior year, mainly due to the global decline of the crypto market during Fiscal 2022 and partial recovery during Fiscal 2023.
- Change in fair value of investments held for trading was \$nil compared to a loss of \$260,637 in the prior year, due to disposing all investments held for trading during Q1 2023.
- Gain on debt settlement was \$75,251 compared to \$nil in the prior year due to the fair value of the common shares issued for debt settlement was less than the outstanding balance of the debts.
- Realized gain on sale of digital assets was \$112,296 compared to loss of \$482,783 in the prior year, due to the sales of certain digital assets at a higher price than their carrying value during Fiscal 2023.
- Realized gain on sales of investments held for trading was \$8,869 compared to a loss of \$217,531 in the prior year, due to the sales of investments held for trading at a higher price than their carrying value during Fiscal 2023.

Offsetting the decrease in net loss was increases to certain expenses as follows:

- General and administrative expenses increased to \$165,611 compared to \$86,447 in the prior year due to additional travel expenses and marketing costs relating to branding and shareholder communication.
- Accretion expense was \$7,373 compared to \$nil in the prior year as a result of the issuance of convertible debentures during Fiscal 2023.
- Change in value of investments was a loss of \$355,999 compared to \$nil in the prior year, due to the existence of a credit risk in investments in InvestDEFY and Pixel.
- Interest expense was \$15,506 compared to \$nil in the prior year as a result of the issuance of convertible debentures during Fiscal 2023.

**SOURCES AND USES OF CASH**

	Fiscal 2023	Fiscal 2022
	\$	\$
Cash used in operating activities	<b>(1,059,610)</b>	(1,244,894)
Cash provided by investing activities	<b>809,350</b>	816,777
Cash provided by financing activities	<b>343,078</b>	-
Effect of exchange rate on changes in cash	<b>13,467</b>	12,374
Change in cash	<b>106,285</b>	(415,743)
Cash, beginning of the year	<b>269,206</b>	684,949
Cash, end of the year	<b>375,491</b>	269,206

For Fiscal 2023, the Company reported net increase in cash of \$106,285 compared to a decrease of \$415,743 in the prior year comparable period, largely due to proceeds from the sales of digital assets and loan repayments. Cash provided by financing activities increased to \$343,078 compared to \$nil due to the cash proceeds received from the issuances of convertible debentures and units in private placements.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company has insufficient working capital to continue operations in the normal course of business for the foreseeable future. The Company controls liquidity risk by ensuring that it has sufficient cash resources to meet its financial obligations. The Company manages liquidity risk by restricting cash reserves to offset funds due to creditors.

As at December 31, 2023, the Company had a cash balance of \$375,491 (December 31, 2022 - \$269,206) to settle current liabilities of \$1,890,733 (December 31, 2022 - \$646,691). Accordingly, the Company is exposed to liquidity risk.

**CAPITAL DISCLOSURES**

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations and the necessary corporate and administrative functions to facilitate these activities. This is done through both equity and debt financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company holds all capital that is surplus to its immediate operational needs in either Canadian dollars, US dollars or Swiss francs in various bank accounts. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**RELATED PARTY TRANSACTIONS**

Key management includes the personnel having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consist of members of the Company's Board and corporate officers.

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

A summary of the Company's related party transactions in profit or loss is as follows:

	Fiscal 2023	Fiscal 2022
	\$	\$
Consulting fees	687,746	320,000
Share-based compensation	92,003	109,293
	<b>779,749</b>	<b>429,293</b>

A summary of the Company's amounts due to and from key management personnel is as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Due from related parties	138,303	65,781
Accounts payable and accrued liabilities	(166,675)	(75,010)
	<b>(28,372)</b>	<b>(9,229)</b>

Accounts payable and accrued liabilities as at December 31, 2023 totalling \$166,675 (December 31, 2022 - \$75,010) were owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment. The amounts owing are non-interest bearing, unsecured and have no fixed terms of repayment.

**OUTSTANDING SECURITIES DATA**

A summary of the Company's outstanding securities is as follows:

	December 31, 2023	MD&A Date
	#	#
Common shares	102,736,112	104,936,112
Stock options	2,133,711	2,133,711
Share purchase warrants	1,236,150	1,346,150
Non-vested restricted share units	910,222	910,222

**OFF-BALANCE SHEET ARRANGEMENTS**

As at the date of these MD&A, the Company has no off-balance sheet arrangements.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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### **Financial instrument classification**

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's cash and digital assets are measured at level 1. The Company's investments are measured at level 3.

As at December 31, 2023 and 2022, the carrying value of cash, amounts receivable, due from related parties and accounts payable and accrued liabilities approximate their respective fair values because of their short-term nature.

The Company's financial instruments consist of cash, amounts receivable (excluding GST and VAT receivable), loans receivable, investments held for trading, due from related party, accounts payable and accrued liabilities and convertible debentures. The Company classifies its cash at FVTPL, amounts receivable (excluding GST and VAT receivable), loans receivable and due from related party at amortized cost, and investments held for trading as fair value through profit or loss. The Company's accounts payable and accrued liabilities and convertible debentures are classified at amortized cost.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. The Company's cash, amounts receivable, loans receivable, convertible debentures, investments held for trading and due from related parties are exposed to credit risk. The Company limits its credit risk by placing its cash with high credit quality financial institutions.

As at December 31, 2023, the Company held \$375,491 (December 31, 2022 - \$269,206) in cash, \$nil (December 31, 2022 - \$26,274) in investments held for trading with an investment broker, and loans receivable \$488,672 (December 31, 2022 - \$nil).

The Company's credit risk is predominantly related to cash balances held in financial institutions, amounts receivable, loans receivable and due from related party. The maximum exposure to credit risk is equal to the carrying value of such financial assets. As at December 31, 2023, the Company expects to recover the full amount of such assets.

#### **b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. As a result, accounts payable and accrued liabilities as well as convertible debentures exposed the Company to liquidity risk. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common shares or debt as required.

As at December 31, 2023, the Company's cash balance of \$375,491 (December 31, 2022 - \$269,206) will not be sufficient to meet its current obligations related to its accounts payable and accrued liabilities balance of \$776,391 (December 31, 2022 - \$646,691) and convertible debentures of \$961,339 (December 31, 2022 - \$nil). Therefore, the Company is exposed to liquidity risk and will be required to raise additional capital in the future to fund its operations.

#### **c) Market risk**

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

#### 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 has exposure as at December 31, 2023 to interest rate risk through its convertible debentures, which have interest rates between 7.5% to 10% per annum.

#### Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in CHF and USD.

A summary of the Company's carrying amounts of the foreign currency denominated monetary assets (liabilities) is as follows:

	<b>December 31,</b>	December 31,
	<b>2023</b>	2022
	\$	\$
Cash	<b>721</b>	145,365
Investments held for trading	-	23,972
Accounts payable and accrued liabilities	-	(688)
	<b>721</b>	168,649

The Company has not entered any foreign currency contracts to mitigate this risk. A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately \$35.

#### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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The financial statements have been prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are described in the financial statements.

#### **SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The accounting estimates, judgements and assumptions used in the preparation of the financial statements are consistent with those applied and disclosed in the annual audited consolidated financial statements.

## **RISKS AND UNCERTAINTIES**

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These risk factors are not exhaustive. Due to the high growth of, and maturing marketplace around, blockchain technologies and digital asset markets in general, and the nature of the Company's proposed business plan, the following risk factors, among others, will apply:

### **Fluctuation of digital asset prices**

Digital asset market technology is a development stage technology, and digital assets are a class of assets that are not widely held, difficult to purchase and to store securely and not fully regulated. As a result of these variables, the pricing of digital assets is highly volatile which will affect the value of staked digital assets and block reward payouts over time.

### **Blockchain technology**

Most of the blockchain network is in a development stage ecosystem with many stakeholders including miners, investors, nodes and/or staking pools, and other ecosystem participants. Due to the decentralised and development stage nature of blockchain, the Company cannot forecast what changes will occur to the structure of these blockchain over time, and how protocol upgrades will affect the valuation of the Company's hardware infrastructure assets and underlying cryptocurrencies.

### **Collusion and third-party attacks**

By its very nature blockchain technologies are decentralized and subject to possible manipulation. This includes the risk of a 51% attack on a blockchain mining network hashing power, where a malicious third party is able to reverse transactions on the blockchain through centralised control of an entire blockchain mining power. Although considered remote, a 51% attack, and other malicious attempts to control, attack, or manipulate a particular blockchain is outside of the management's control.

### **Security risks**

Given the immutable nature of blockchain technologies, a risk exists that a malicious third party could attempt to hack or steal the Company's tokens or other digital assets deposited by the Company at a third party (custodian) and the Company may be unable to recover them.

### **Uninsured or uninsurable risks**

The Company's blockchain assets are uninsured and are susceptible to total loss in the event of a theft, security breach, employee error or IT malfunction. The Company takes every available precaution to reduce the risk of blockchain asset losses due to theft, security breach, employee error or IT malfunction.

### **Financing risks**

The Company has limited financial resources, has no source of operating cashflow and has no assurance that additional funding will be available to provide capital to blockchain ecosystem participants or to invest in blockchain assets or companies. Failure to raise additional financing could result in a delay or indefinite postponement of further technological investment in the blockchain ecosystem.

### **No assurance of profitability**

The Company has a limited operating history on which an investor might evaluate its performance. It is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel and financing sources and lack of revenues, any of which could have a material adverse effect on the Company and may force it to reduce or curtail its operations. The Company is not currently profitable and has incurred operating losses since its inception.

### **Dilution to the Company's existing shareholders**

The Company may require additional equity financing to be raised in the future. The Company may issue securities at less than favorable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of common shares or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

### **Increased costs**

Management anticipates the costs of mining equipment could increase over time if demand for cryptocurrency increases. This will result in increased capital costs to purchase sufficient blockchain assets or mining equipment.

### **Operational risks**

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems, or external events. The Company's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters.

Because the Company's business lines are reliant on both technology and human expertise and execution, the Company is exposed to material operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of third-party service providers, counterparties or other third parties, failed or inadequate processes, design flaws and technology or system failures and malfunctions.

### **Government regulation**

Blockchain technology assets are a new and emerging asset class of which the regulatory and taxation policies related to the purchase, sale, trading, and ownership of digital tokens may change over time, and as result may have a direct impact on the Company's assets and operating cashflows.

### **Irrevocability of transactions**

Digital asset transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation.

### **Market risk**

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of interest rate risk.

### **Digital asset risk**

Digital assets are measured at fair value less cost to sell. Digital currency or digital asset prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts.

The Company may not be able to liquidate its inventory of cryptocurrencies at its desired price if necessary. Prices of cryptocurrencies are volatile and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends.

Digital assets have a limited history; their fair values have historically been volatile, and the value of cryptocurrencies held by the Company could decline rapidly. A decline in the market prices of digital assets could negatively impact the Company's future operations. Historical performance of digital assets is not indicative of their future performance.

Many digital asset networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks.

In many digital asset transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from digital asset software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the respective digital asset. This process is vulnerable to hacking and malware and could lead to theft of the Company's digital wallets and the loss of the Company's digital assets.

Digital assets are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, that could have an adverse effect on the Company.

The crypto asset exchanges on which the Company uses are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

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Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Company to recover money or digital assets being held on the exchange. Further, the Company may be unable to recover digital assets awaiting transmission into or out of the Company, all of which could adversely affect an investment of the Company.

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**CONTINGENT LIABILITIES**

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The Company has no contingent liabilities as at December 31, 2023 or at the date of this MD&A.

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**PROPOSED TRANSACTION**

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The Company has no undisclosed proposed transactions as at December 31, 2023 or at the date of this MD&A.

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**SUBSEQUENT EVENTS**

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**Investment in Troon Technologies Canada Inc.**

On October 26, 2023, the Company, Troon Technologies Canada Inc. ("Troon") and Troon's shareholders entered into an agreement for the acquisition of Troon. Pursuant to the agreement, the Company will acquire 10% of the outstanding shares of Troon at the aggregate price of US\$370,000 in the form of common shares of the Company. Following the initial acquisition, the Company commits to purchasing the remaining 90% of Troon's outstanding shares over the period of 3 years with 30% each on the first, second and third anniversary of the closing date of the Transaction, subject to the parties achieving certain performance-based targets at the end of each fiscal year. The pricing for each tranche of the additional share acquisition will be determined based on the effective growth rate of the ongoing business developed by Troon, with a minimum target growth rate of 20% per year. The Company may pay all or any part of the consideration in cash. While the closing was to occur upon execution of the agreement, there were certain actions that were to occur on closing, which have not yet happened. The parties are still working towards closing the share purchase transaction.

**Investment in Vesta**

On March 12, 2024, the Company entered into a share swap agreement with Vesta Equity Inc. ("Vesta"), pursuant to which the Company will acquire 270,727 common shares of Vesta ("Vesta Shares"). In consideration for the acquisition of the Vesta Shares, the Company will issue 2,054,722 common shares to Vesta at a deemed price of \$0.085 per share for a deemed value of \$175,000.

**Investment in CryptoSlam**

On March 7, 2024, the Company entered into a simple agreement for future equity ("SAFE") with CryptoSlam, Inc. ("CryptoSlam"). Pursuant to the SAFE, the Company invested US\$50,000 (paid \$67,595) to help support CryptoSlam's innovation program.

**Convertible notes receivable**

On December 5, 2023, the Company acquired unsecured, 10% convertible notes receivable with a principal amount of US\$100,000 (the "Notes"), convertible into common shares of CoinChange Financials Inc. The Company closed the transaction in January 2024. The Notes mature on December 5, 2026 and accrue interest at 10% per annum. The outstanding principal amount of the Notes plus all accrued and unpaid interest will become due and payable in cash on December 5, 2026.

**Repayment of loan receivable**

On January 4, 2024, the Company received \$100,000 USD as partial repayment of the loan receivable from InvestDEFY and on January 5, 2024, the Company received 263,343.132 EOS tokens with a fair value of \$262,700 as the final repayment of the receivable with InvestDEFY. The balance of \$404,825 as of December 31, 2023 was repaid in full subsequent to year end.

**Convertible debentures**

On March 28, 2024, the Company completed a non-brokered private placement of convertible debentures for gross proceeds of \$440,000. The convertible debentures are unsecured, bear interest at 7.5% per annum, payable semi-annually and mature three years after the date of issue on March 28, 2027. Each convertible debenture is convertible into common shares at a price of \$0.18 per common share during the period of 18 months after the date of issue and \$0.24 per common share afterwards until March 28, 2027.

**Unit private placement**

On March 28, 2024, the Company completed a non-brokered unit private placement of 2,200,000 units at \$0.05 per unit for gross proceeds of \$110,000. Each unit consists of one common share and one-half warrant, each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 for a period of 24 months.