

Form 51-102-F1

# **SWEET POISON SPIRITS INC.**

## **MANAGEMENT DISCUSSION & ANALYSIS** For the period ended October 31, 2024

Directors and Officers as at December 17, 2024

Directors:

Robert Eadie  
Gary Arca  
Gina Pala

Officers:

President & CEO – Robert Eadie  
CFO & Corporate Secretary – Gary Arca

Contact Name: Robert Eadie

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# SWEET POISON SPIRITS INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended October 31, 2024

### 1.1 Date of This Report

This Management's Discussion & Analysis ("MD&A") should be read in conjunction with the unaudited condensed financial statements of Sweet Poison Spirits Inc. (the "Company") for the period ended October 31, 2024. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on [www.sedarplus.ca](http://www.sedarplus.ca)

This MD&A is prepared as of December 17, 2024.

*This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*

### 1.2 Overall Performance

#### *Description of Business*

In prior years, the Company was in the business of growing, processing, packaging and selling cannabidiol and related hemp based products in Italy through its wholly owned Italian subsidiary, Hemp For Health H4H S.R.L. ("H4Hsrl"). In June, 2022 the Company completed a "Change of Business ("COB"), whereby the Company moved from growing and processing hemp into CBD products to mining for cryptocurrencies.

The Company continues to monitor the pricing of cryptocurrencies, with a view to start its mining operations should it become profitable. To date, the Company has not commenced operation of the mining rigs as they would not be profitable at the current value of related cryptocurrencies. As at October 31, 2024, the rigs remain unpacked in warehouse storage in the United States.

On November 3, 2022, the Company signed a Product Distribution Agreement (the Distribution Agreement") with Sweet Poison Spirits S de RL de CV, a Mexican company headquartered in Guadalajara, Mexico, and Sweet Poison Spirits LLC, a California limited liability corporation headquartered in San Diego, California (collectively, "Sweet Poison"). The Distribution Agreement granted the Company the worldwide distribution rights to Sweet Poison's premium Tequila and Mezcal products under the "Sweet Poison" brand names for an initial period of ten years.

The Company changed its name from Yellow Stem Tech Inc. to Sweet Poison Spirits Inc. thereafter and, on June 1, 2023, the Company's common shares commenced trading on the CSE under the trading symbol "SPS". On November 14, 2023, the Distribution Agreement with Sweet Poison was terminated.

### **Selected Annual Information**

The highlights of financial data for the Company's three most recently completed year-ends, which are calculated in accordance with International Financial Reporting Standards ("IFRS"), are as follows:

	<b>April 30, 2024</b>	<b>April 30, 2023</b>	<b>April 30, 2022</b>
	\$	\$	\$
(a) Total expenses	(250,192)	(302,908)	(672,525)
(b) Net loss	(301,826)	(954,126)	(588,670)
(c) Income (loss) per share—basic and diluted	(0.04)	(0.16)	(0.20)
(d) Total assets	36,008	245,592	953,966
(e) Total long-term liabilities	Nil	Nil	Nil
(f) Cash dividends declared per share	Nil	Nil	Nil

### **1.3 Discussion of Acquisitions, Operations and Financial Condition**

The following should be read in conjunction with the October 31, 2024, unaudited condensed financial statements of the Company and notes attached thereto.

#### ***Recent Events***

##### **Director Resignation**

Tanya Lutzke has stepped down as a director due to restrictions imposed by her professional career. The Board thanks Ms. Lutzke who has served as a director since 2022 and wishes her further advancements in her chosen field of service.

"The Company continues to pursue business opportunities in the technology market," said Robert Eadie, CEO of the Company. "In addition, we are monitoring the crypto market prices to determine if it will be economical to activate our 150 SC200 mining rigs, which are currently in storage."

## ***Acquisition***

### **Acquisition of Knightswood Holdings Ltd.**

On March 1, 2024 the Company acquired all the issued and outstanding shares of Knightswood Holdings Ltd. ("Knightswood") from an unrelated party for \$10. Knightswood is in the business of providing its subsidiaries a qualified investment, as defined in the Income Tax Act (Canada), for their debentures or debt securities.

The Company has recognized the Investment as a financial asset under *IFRS 9 – Financial Instruments* measured at fair value of \$10, being the market value on the date the Company purchased Knightswood. Subsequently, the Investment in Knightswood will be measured at fair value with any changes recorded through profit or loss ("FVTPL").

On March 1, 2024, the Company entered into an agreement with an unrelated third party (the "Operator"), for the sole management of Knightswood to be undertaken by the Operator (the "Knightswood Agreement"). The Knightswood Agreement has a term of five years expiring February 28, 2029 but may be terminated earlier either by mutual agreement or providing a 60-day written notice to the other party. Upon termination, the Company will transfer all the shares of Knightswood to the Operator for \$10.

Under the Knightswood Agreement, the Operator is solely responsible for managing the business operations and financial affairs, making decisions and setting out policies of Knightswood. In return, the Operator is entitled to all the cash surplus in Knightswood after paying a fixed annual fee of \$50,000 to the Company for holding the shares of Knightswood (the "Fixed Fee"). The Fixed Fee is due in four equal instalments at the end of each calendar quarter and paid by Knightswood directly to the Company.

Furthermore, the Company will not commit its management or resources and is under no obligation to advance funds to or cover the expenses of Knightswood. Conversely, the Company does not have any right to any variable financial returns from the activities of Knightswood other than the Fixed Fee. The Company also has no rights, power, ability or obligation to direct the activities of Knightswood or be involved in any of the daily affairs, decision making, management or activities of Knightswood. As such, the financial results and position of Knightswood are not consolidated with the financial statements of the Company pursuant to the definition of control under IFRS.

### **Environmental Protection**

The operation of our business has no extraordinary environmental protection requirements. As a result, the Company does not anticipate that any environmental regulations or controls will materially affect the business.

## 1.4 Results of Operations

The loss and comprehensive loss for the six month period ended October 31, 2024, is \$19,018 and for the comparative period ended October 31, 2023, there was an income and comprehensive income of \$117,974:

<i>For the six month period ended October 31,</i>	<i>2024</i>	<i>2023</i>	<i>Variance</i>
<b>Expenses</b>			
Amortization and depreciation	\$ 922	\$ 6,558	(5,636)
Audit and accounting fees	726	20,821	(20,095)
Foreign exchange loss (gain)	599	(3,758)	4,357
Legal and corporate services	55	17,048	(16,993)
Management and consulting fees	25,500	83,000	(57,500)
Office, rent and administration	7,725	9,676	(1,951)
Shareholder communications and marketing	2,175	5,576	(3,401)
Transfer agent and filing fees	6,066	14,645	(8,579)
Travel and accommodations	250	(8,531)	8,781
<b>Total Expenses</b>	<b>(44,018)</b>	<b>(145,035)</b>	<b>(101,017)</b>
<b>Other items</b>			
Other income	25,000	-	25,000
Gain on debt settlement	-	316,589	(316,589)
Write-down of other receivable and distribution rights	-	(53,580)	53,580
<b>Total Other items</b>	<b>25,000</b>	<b>263,009</b>	<b>238,009</b>
<b>Total income (loss) and comprehensive income (loss) for the period</b>	<b>\$ (19,018)</b>	<b>\$ 117,974</b>	<b>\$ (136,992)</b>

During the period ended October 31, 2024, the Company incurred legal and corporate service expenses of \$55, transfer agent fees of \$6,066, shareholder communications and marketing expenses of \$2,175, travel and accommodation expenses of \$250 and audit and accounting fees of \$726. These costs are much lower than in the comparative period ended October 31, 2023 mainly due to the change of business in the previous period, and due to a lack of funding and lower activity over fiscal 2025.

See *Section 1.5 – Debt Settlements* for related party share issuances for settlement of advances and fees.

## 1.5 Debt Settlements, Principal Purposes & Milestones

### Consolidation

On May 1, 2023, the Company's outstanding common shares were consolidated on the basis of two existing shares for one new share. On January 8, 2024, the Company's outstanding common shares were consolidated on the basis of four existing shares for one new share. Prior to the consolidations, the Company's authorized share capital was an unlimited number of common shares without par value, of which 52,201,501 shares were issued and outstanding,. Subsequent to the consolidations and the share issuances noted below under "Financing" and "Debt Settlement", there were 9,846,088 common shares outstanding.

During the year ended April 30, 2024, 1,561,875 warrants exercisable at \$0.80 per share until February 2, 2024 expired unexercised.

### Sweet Poison

During the year ended April 30, 2023, the Company issued to the shareholders of Sweet Poison 625,000 common shares (the "Shares") valued at fair value on date of issue of \$60,000, in consideration of the rights and licences granted by Sweet Poison. The Company paid Finder's Fees of 10% in the form of shares valued at fair value on date of issue of \$7,500.

On November 14, 2023, the Product Distribution Agreement entered into with Sweet Poison was terminated and the Company cancelled the 625,000 common shares (the "Shares") issued to the shareholders of Sweet Poison, and 62,500 common shares issued in lieu of finders fees. During the year ended April 30, 2024, the Company recorded a net write down of \$121,080 being the value of the distribution rights of \$112,500 less accumulated amortization of \$6,650 and other receivable of \$15,230.

### Debt Settlements

On May 1, 2023, the Company arranged to settle certain outstanding debt with officers and directors in the aggregate amount of \$452,270 through the issuance of 1,130,675 shares at a deemed price of \$0.40, when the fair value price of the Company's shares were \$0.24 per share. As a result, the Company recorded a gain on debt settlement of \$180,908 in the Company's profit or loss for the year ended April 30, 2024. Included in these amounts was \$373,520 in funds advanced by the CEO which were outstanding since November 2021 and had been recognized as an unsecured non-interest bearing loan. The remaining amounts represent unpaid management fees.

On January 8, 2024, the Company arranged to settle outstanding debt with various creditors, including officers and directors and companies controlled by officers and directors, in the aggregate amount of \$143,885 through the issuance of 2,877,708 shares at a deemed price of \$0.05, when the fair value price of the Company's shares were \$0.06 per share. As a result, the Company recorded a loss on Debt Settlement of \$28,777 in the Company's profit or loss for the year ended April 30, 2024.

## 1.6 Summary of Quarterly Results

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

	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
	<b>31-Oct-24</b>	<b>31-Jul-24</b>	<b>30-Apr-24</b>	<b>31-Jan-24</b>
Loss for period	\$ (5,823)	\$ (13,195)	\$ (355,636)	\$ (64,164)
Per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.04)	\$ (0.01)
	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
	<b>31-Oct-23</b>	<b>31-Jul-23</b>	<b>30-Apr-23</b>	<b>31-Jan-23</b>
Income (loss) for period	\$ (142,717)	\$ 260,691	\$ (278,480)	\$ (475,462)
Per share – basic and diluted	\$ (0.02)	\$ 0.03	\$ (0.05)	\$ (0.08)

***Discussion***

The Company reports a loss of \$5,823 for the quarter ending October 31, 2024 compared to a loss of \$142,717 in the comparative quarter ended October 31, 2023. For more detailed discussion on the quarterly production results and financial results for the quarter ended October 31, 2024, please refer to ***Section 1.4 under "Results of Operations"***.

**1.7 Liquidity and Capital Resources**

As at October 31, 2024, the Company had \$11,920 (April 30, 2024 - \$11,702) in cash, working capital deficit of \$209,985 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

The Company's working capital will not meet corporate, development, administrative and property obligations for the coming period. As a result, the Company will require additional financing and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern (see ***Section 1.5 – Debt Settlements, Principal Purposes & Milestones***).

**1.8 Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

**1.9 Proposed Transactions**

There are no proposed transactions that have not been disclosed herein.

**1.10 Transactions with Related Parties**

The following is a summary of charges incurred by the Company with related parties during the period ended October 31, 2024 and 2023:

Period ended October 31,	2024	2023
Audit and accounting	\$ 1,500	\$ 8,821
Legal and corporate services	-	17,922
Management and director fees	33,000	83,000
Office and administration	6,750	7,875
Regulatory fees	-	8,501
Travel and accommodations	-	(7,000)
Total	\$ 41,250	\$ 119,119

During the period ended October 31, 2024, the Company incurred fees and operational expenses totalling \$41,250 (October 31, 2023 - \$119,119) from companies controlled by an officer and director of the Company and other officers and directors. As of October 31, 2024, the Company had amounts and advances payable to officers and directors, and companies with directors in common of \$119,731 (April 30, 2024 - \$65,804).

See *Section 1.5 – Debt Settlements* for related party share issuances for settlements of advances and fees.

### **1.11 Critical Accounting Estimates**

#### a) Going concern

Management makes an assessment about the Company's ability to continue as a going concern by taking in to account the consideration of the various factors discussed in Note 2 of the April 30, 2024 consolidated financial statements.

#### b) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences applicable to the Company. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recuperated.

#### c) Carrying Value of Data Centre Equipment

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes. When required, the determination of fair value and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired or the impairment charge reduced with the impact recorded in profit or loss.



As at October 31, 2024, none of the Company's Siacoin mining rigs had been placed into operations and, as such, have not been amortized. Once operations have begun, the rigs will be amortized accordingly. Non-financial assets are subject to impairment tests at the end of each reporting period and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit. During the years ended April 30, 2024 and 2023, the Company determined that further impairment on its data centre equipment was required due to the decrease in the fair market value of identical equipment, not yet put into service, as a result of the significant reduction in the applicable cryptocurrencies. The Company recorded an impairment loss of \$81,018 (US\$60,000) for the year ended April 30, 2024 (April 30, 2023 - \$571,178 (US\$450,000)). As at October 31, 2024, the mining rigs were valued at \$20,874 (US\$15,000) (April 30, 2024 - \$20,619 (US\$15,000)).

d) Stock based compensation

The inputs used in calculating the fair value for stock-based compensation expense included in profit and loss and stock-based share issuance costs included in shareholders' equity. The stock-based compensation expense is estimated using Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly sensitive assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimate forfeiture rate.

e) Shares for debt

The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

## 1.12 Changes in Accounting Policies

a) New Accounting Standards and Amendments

The Company adopted the following amendments to accounting standards, which are effective for annual reporting periods beginning on or after May 1, 2023:

*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

*Definition of Accounting Estimates (Amendments to IAS 8)* – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement

uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Certain pronouncements were issued by the IASB but are not yet effective as at October 31, 2024.

IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements* aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 *Statement of Cash Flows*.

IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date.

The Company intends to adopt these standards when they become effective but does not expect these amendments to have a material effect on its financial statements.

### **1.13 Financial and Other Instruments**

As at October 31, 2024, the Company's financial instruments consist of cash, amounts receivable, investment, advances payable, and trade and other payables.

The fair value of the Company's cash, amounts receivable, investment, advances payable, and trade and other payables approximates their carrying value, which is the amount on the statement of financial position, due to their short-term maturities or ability of prompt liquidation.

#### a) Currency Risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At October 31, 2024, US dollar amounts were converted at a rate of \$1.39 Canadian dollars to \$1 US dollar and Euros were converted at a rate of \$1.51 Canadian dollars to 1 Euro. A 10% increase or decrease in the US dollar exchange may increase or decrease loss for the period by approximately \$5. A 10% increase or decrease in the EUR\$ exchange may increase or decrease loss for the period by approximately \$3,024.

#### b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of October 31, 2024. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at October 31, 2024 is \$11,920 (April 30, 2024 - \$11,702). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Additional cash requirements could be met with the issuance of additional share capital; however there is no assurance the Company will be able to raise funds in this manner in the future. As at October 31, 2024, the Company was holding cash of \$11,920 (April 30, 2024 - \$11,702).

**1.14 Disclosure of Outstanding Share Capital as at December 17, 2024:**

	Number	Book Value
Common Shares	9,821,088	\$ 5,454,169

**1.15 Approval**

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.