

Form 51-102-F1

**SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)**

MANAGEMENT DISCUSSION & ANALYSIS
For the period ended October 31, 2023

Directors and Officers as at December 21, 2023

Directors:

Robert Eadie
Gary Arca
Gina Pala
Tanya Lutzke

Officers:

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

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**SWEET POISON SPIRITS INC.
(formerly YELLOW STEM TECH INC.)**

MANAGEMENT'S DISCUSSION & ANALYSIS
For the period ended October 31, 2023

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. (formerly Yellow Stem Tech Inc.) (the "Company") for the period ended October 31, 2023. 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

This MD&A is prepared as of December 21, 2023.

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. ("H4Hsr1"). See *Section 1.5 - Results of Operations for disclosure of a "Hemp for Health Completes COB and Name Change to Yellow Stem Tech Inc."*, whereby the Company changed its business from growing and processing hemp into CBD products to mining for cryptocurrencies.

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, renewable for a further ten years and beyond.

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".

The Company continues to monitor the pricing of cryptocurrencies, with a view to restarting its mining operations should it again become profitable. As noted in prior disclosure, the Company ceased mining cryptocurrency shortly after acquiring its mining rigs due to a material decline in cryptocurrency prices.

See *Section 1.3 – Discussion of Acquisitions, Operations and Financial Condition – Product Distribution Agreement with Sweet Poison Spirits*, for transaction to acquire the Sweet Poison distribution rights and option, and subsequent termination.

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:

	April 30, 2023	April 30, 2022	April 30, 2021
	\$	\$	\$
(a) Total revenues	Nil	Nil	Nil
(b) Total expenses	(302,908)	(672,525)	(1,116,445)
(c) Net loss	(954,126)	(588,670)	(1,508,166)
(d) Loss per share–basic and diluted	(0.04)	(0.05)	(0.25)
(e) Total assets	245,592	953,966	31,373
(f) Total long-term liabilities	Nil	Nil	Nil
(g) 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, 2023, unaudited condensed financial statements of the Company and notes attached thereto.

Recent Events

Termination of Sweet Poison Agreements

Subsequent to October 31, 2023, the Product Distribution Agreement entered into with Sweet Poison Spirits S. De R.L. de C.V. and Sweet Poison Spirits LLC (collectively, "Sweet Poison"), and the Share Purchase Option Agreement with the shareholders of Sweet Poison (collectively, the "Agreements") have been terminated. As a result of the termination of the Agreements, the Company cancelled the 2,500,000 common

shares (the "Shares) issued to the shareholders of Sweet Poison, and 250,000 common shares issued to the shareholders of Sweet Poison in lieu of finders fees, as a result, of the termination of the agreements with Sweet Poison. The Company has recorded a net write down on the distribution rights valued at \$112,500 less accumulated amortization of \$6,650, other receivable of \$15,230, and has cancelled the shares and finders fees issued to Sweet Poison valued at \$60,000 and \$7,500, respectively. Therefore, the net write down is \$53,580 for the period ending October 31, 2023.

Share consolidation

Subsequent to October 31, the Company's shareholders approved the consolidation of the common shares on the basis of four existing shares for one new share (the "Consolidation"). Currently, the Company's authorized share capital is an unlimited number of common shares without par value, of which 27,873,451 shares are issued and outstanding, with a further 6,247,500 shares reserved for issuance upon the exercise of outstanding warrants. Upon completion of the Consolidation, there will be approximately 6,968,363 common shares issued and outstanding, subject to any shares being issued upon exercise of warrants prior to the effective date of the Consolidation and subject to adjustment for fractional shares. The Consolidation is subject to approval by the CSE.

Share for debt settlement

Subsequent to October 31, 2023, the Company has arranged to settle outstanding debt with various creditors, including insiders and a private company controlled by an insider, in the aggregate amount of \$143,885.40 through the issuance of up to 2,877,708 post-consolidated shares at a post-consolidated price of \$0.05 per share (the "Debt Settlement"). The amount of \$131,285.40 is owing to officers and directors and companies controlled by officers and directors.

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 income and comprehensive income for the six month period ended October 31, 2023, is \$117,974 and for the comparative period ended October 31, 2022, there was a loss and comprehensive loss of \$200,184:

<i>For the six month period ended October 31,</i>	<i>2023</i>	<i>2022</i>	<i>Variance</i>
Expenses			
Audit and accounting	\$ 20,821	\$ 29,442	(8,621)
Depreciation and amortization	6,558	-	6,558
Foreign exchange loss (gain)	(3,758)	1,094	(4,852)
Legal and corporate services	17,048	34,116	(17,068)
Management and consulting	83,000	33,000	50,000
Office and administration	9,676	17,479	(7,803)
Shareholder communication and marketing	5,576	21,169	(15,593)
Transfer agent and filing fees	14,645	23,585	(8,940)
Travel and accommodations	(8,531)	40,299	(48,830)
Total Expenses	(145,035)	(200,184)	55,149
Other items			
Gain on debt settlement	316,589	-	316,589
Write-down of other receivable and distribution rights	(53,580)	-	(53,580)
Total Other items	263,009	-	263,009
Total income (loss) and comprehensive income (loss) for the period	\$ 117,974	\$ (200,184)	\$ 318,158

During the period the Company incurred legal expenses of \$17,048, transfer agent fees of \$14,645, shareholder communication and marketing expenses of \$5,576, travel expenses (recoveries) of (\$8,531) and accounting expenses of \$20,821. These costs are much lower than in the comparative period ended October 31, 2022 mainly due to the change of business in the current period, and due to a lack of funding and lower activity over fiscal 2024.

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

1.5 Financings, 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. Prior to the consolidation, 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, with a further 12,495,000 shares reserved for issuance upon the exercise of outstanding warrants. Subsequent to the consolidation and the share issuances noted below under the "Financing" and "Debt Settlement", there are 30,623,451 common shares outstanding and 6,247,500 Warrants expiring from December 2023 to February 2024, exercisable at a price of \$0.20 per share.

Enigma

The Company has engaged Enigma of the mining rigs to set-up, host and operate the cryptocurrency mining activities in exchange for 1,334,000 shares of the Company. The shares were valued at \$0.06, or \$80,040, the fair market value on June 29, 2022, the date of issue.

Sweet Poison

The Company issued to the shareholders of Sweet Poison 2,500,000 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 (see note 5). 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 October 31, 2023, the Company cancelled all shares issued to the shareholders of Sweet Poison, as a result, of the termination of the agreements with Sweet Poison (see **Section 1.3 – Recent Events**)

Debt Settlement

On May 1, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director in the aggregate amount of \$452,270 through the issuance of 4,522,700 shares at a deemed price of \$0.10 when the fair value price of the Company's shares were \$0.03 per share (the "Debt Settlement"). As a result, the Company recorded a gain of \$316,589 in the Company's profit or loss for the period ended October 31, 2023.

The proposed Debt Settlement involves amounts owing to non-arm's length parties, with \$415,520 owing to the Company's CEO and \$36,750 owing to the CFO, as follows:

- i) The amount owing to the CEO represents \$373,520 in funds advanced and \$42,000 in unpaid management fees. The advances of \$373,520 have been outstanding since November 2021 and had been recognized in the Company's audited statements as an unsecured non-interest bearing loan; and
- ii) The amount owing to the CFO represents unpaid management fees..

See **Section 1.3 – Recent Events** for debt settlement announced subsequent to October 31, 2023.

1.6 Summary of Quarterly Results

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

	Q2 31-Oct-23	Q1 31-Jul-23	Q4 30-Apr-23	Q3 31-Jan-23
Income (loss) for period	\$ (142,717)	\$ 260,691	\$ (278,480)	\$ (475,462)
Per share – basic and diluted	\$ (0.00)	\$ 0.01	\$ (0.01)	\$ (0.02)

	Q2 31-Oct-22	Q1 31-Jul-22	Q4 30-Apr-22	Q3 31-Jan-22
Loss for period	\$ (107,693)	\$ (92,491)	\$ (130,721)	\$ (62,590)
Per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

Discussion

The Company reports a loss of \$142,717 for the quarter ending October 31, 2023 compared to a loss of \$107,693 in the comparative quarter ended October 31, 2022. For more detailed discussion on the quarterly production results and financial results for the quarter ended October 31, 2023, please refer to *Section 1.4 under "Results of Operations"* and *Section 1.5 – Debt Settlement*.

1.7 Liquidity and Capital Resources

As at October 31, 2023, the Company had \$1,572 (April 30, 2023 - \$312) in cash, working capital deficit of \$242,003 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 financing - *Section 1.5 - Financings, Principal Purposes & Milestones*).

1.8 Off Balance Sheet Arrangements

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

1.9 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties during the period ended October 31, 2023 and 2022:

Period ended October 31,	2023	2022
Audit and accounting	\$ 8,821	\$ -
Legal and corporate services	17,922	-
Management fees	83,000	33,000
Office and administrative expense	7,875	16,500
Regulatory fees	8,501	-
Travel and accommodations	(7,000)	-
Total	\$ 119,119	\$ 49,500

During the period ended October 31, 2023, the Company incurred fees and operational expenses totalling \$119,119 (October 31, 2022: \$49,500) from companies controlled by an officer and director of the Company and by another officer and director. During the period ending October 31, 2023, the Company received advances of \$26,000 (October 31, 2022 - \$nil) from officers and directors. As of October 31, 2023, the Company had amounts and advances payable to officers and directors, and companies with directors in common of \$147,217 (April 30, 2023: \$88,709).

On May 1, 2023, the Company arranged to settle certain outstanding debt with the CEO and a director of the Company, in the aggregate amount of \$452,270 through the issuance of 4,522,700 shares at a deemed price of \$0.10 when the fair value price of the Company's shares were \$0.03 per share (the "Debt Settlement"). See *Section 1.5 under "Debt Settlement"* for related party share issuances for settlement of advances and fees.

1.10 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, 2023 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, 2023, 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. The Company has determined that an impairment on its data centre equipment was required during the period ending April 30, 2023 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 over 2023. An impairment loss of \$571,178 (US\$450,000) was therefore charged to profit or loss for the year ended April 30, 2023, bringing the value of the mining rigs to \$101,715 (US\$75,000). The rigs were revalued to \$104,033 (US\$75,000) as at October 31, 2023.

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.

1.11 Changes in Accounting Policies

N/A

1.12 Financial and Other Instruments

As at October 31, 2023, the Company's financial instruments consist of cash, amounts and other receivable,

advances payable, and trade and other payables.

The fair value of the Company's amounts and other receivable, 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, 2023, 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 \$1.47 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 \$15. A 10% increase or decrease in the EUR\$ exchange may increase or decrease loss for the period by approximately \$2,938.

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, 2023. 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, 2023 is \$1,572 (April 30, 2023 - \$312). As at that date, cash and short-term investment were 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, 2023, the Company was holding cash of \$1,572 (April 30, 2023 - \$312).

1.13 Disclosure of Outstanding Share Capital as at December 21, 2023:

	Number		Book Value
Common Shares	27,873,451	\$	5,068,326

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Shares	Exercise Price	Expiry Date
2,625,000	\$0.20	February 2, 2024
2,625,000	\$0.20	

On December 9, 2023, 3,622,500 warrants exercisable at \$0.20 per share expired unexercised.

1.14 Approval

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