*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in the provinces of British Columbia and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*



**New Issue Prospectus** **August 23, 2021**

**PROSPECTUS**

# SPIRIT BLOCKCHAIN CAPITAL INC.

## 347,000 Common Shares issuable on deemed exercise of 347,000 Special Warrants at a price of $0.05 per Special Warrant

No securities are being offered or sold pursuant to this non-offering prospectus (this "**Prospectus**"). This Prospectus is being filed with the securities regulatory in British Columbia and Ontario to enable Spirit Blockchain Capital Inc. (the "**Company**") to become a reporting issuer pursuant to the applicable securities legislation in such provinces, and to qualify the distribution of the following securities: 347,000 common shares (the "**Common Shares**") in the capital of the Company issuable upon the deemed exercise of 347,000 issued and outstanding special warrants (the "**Special Warrants**") of the Company. The Special Warrants were issued on May 6, 2021 at a price of $0.05 per Special Warrant to purchasers in the provinces of British Columbia and Ontario and outside of Canada on a private placement basis pursuant to certain prospectus exemptions under applicable securities legislation (the "**Special Warrant Offering**"). The Common Shares are referred to herein as the "**Qualified Securities**". **The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the Qualified Securities.**

Concurrently with the filing of this Prospectus, the Company will apply to list its Common Shares, the Qualified Securities and all other Common Shares issuable as described in this Prospectus on the Canadian Securities Exchange (the "**Exchange**" or the "**CSE**"). As of the date hereof, the Company has applied to list its Common Shares on the CSE (the "**Listing**"), but has not received Conditional Approval from the Exchange. The Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange, which cannot be guaranteed. It is not anticipated that shares of the Company will be "qualified investments", as of the time of the issuance of shares, for trusts governed by Registered Retirement Savings Plans, Tax-Free Savings Accounts or other types of "registered plans".

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by Plus Market Groups plc).

There is no market through which the Special Warrants may be sold and purchasers may not be able to resell the Special Warrants acquired pursuant to the Special Warrant Offering. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "*Risk Factors*".

| | **Price** | **Proceeds to the Company**[(1)] |
|---|---|---|
| Per Special Warrant | $0.05 | $17,350 |
| **Total** | | **$17,350** |

**Notes:**

(1) Before deducting the legal, accounting and administrative expenses of the Company in connection with the Special Warrant Offering, as there were no finder's fees paid in connection with the Special Warrant Offering.

Each Special Warrant is represented by a Special Warrant Certificate and will be deemed exchanged, without payment of any additional consideration and without any further action by the holder, for one Common Share, on the third Business Day after the Prospectus Receipt Date (defined herein). The Special Warrants and the conditions necessary for them to be exercised for Common Shares are described in more detail under the heading "*Plan of Distribution*" in this Prospectus.

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements in the Provinces of British Columbia and Ontario in compliance with laws applicable to each such subscriber, respectively. There is no market through which the Special Warrants may be sold and none is expected to develop.

**No underwriter has been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

**An investment in Common Shares of the Company is highly speculative due to various factors, including the nature and stage of development of the business of the Company. An investment in these securities should only be made by persons who can afford the total loss of their investment. See "*Risk Factors*".**

**There is currently no market through which any of the securities of the Company may be sold, and purchasers may not be able to resell such securities. This, to the extent the Company is able to successfully complete its public listing, may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation. See "*Risk Factors*" and "*Caution Regarding Forward-Looking Statements*".**

**Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding, or disposing of Common Shares, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Common Shares.**

**Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. Erich Perroulaz, the CEO and a director of the Company, resides in Switzerland and Raymond O'Neill a director of Spirit, resides in Ireland. Mr. Perroulaz and Mr. O'Neill have appointed DLA Piper (Canada) LLP as agent for service of process in Canada. See "Agents for Service of Process".**

**Prospective investors should rely only on the information contained in this Prospectus. The Company has not authorized anyone to provide you with different information. Readers should assume that the information appearing in this Prospectus is accurate only as of its date, regardless of its time of delivery. The Company's business, financial condition, results of operations and prospects may have changed since that date.**

The head office of the Company is located at Suite 1570 – 505 Burrard St., One Bentall Centre, Vancouver, B.C. V7X 1M5 and the registered and records office of the Company is located at Suite 2800, Park Place, 666 Burrard St., Vancouver B.C. V6C 2Z7.

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## GLOSSARY

The following is a glossary of certain general terms used in this Prospectus, including the summary hereof. Terms and abbreviations used in the financial statements and management's discussion and analysis included in, or appended to this Prospectus are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**Amalgamation Agreement**" has the meaning set out under the heading "Prospectus Summary".

"**Audit Committee**" means the audit committee of the Company.

"**Audit Committee Charter**" means the Audit Committee's Charter, attached hereto as Schedule "A".

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, together with all regulations promulgated thereto.

"**BCSC**" means the British Columbia Securities Commission.

"**Board**" means the Board of Directors of the Company.

"**Business Day**" means a day other than Saturday, Sunday or a statutory holiday in British Columbia, Canada.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Common Share**" means a common share in the capital of the Company.

"**Conditional Approval**" means the approval issued by the CSE for listing of the Common Shares.

"**CSE**" or the "**Exchange**" means the Canadian Securities Exchange operated by the CNSX Markets Inc.

"**company**" means unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**DRS**" means the Direct Registration System.

"**Escrow Agreement**" means the NP 46-201 escrow agreement to be entered into on or before the Prospectus Receipt Date among the Company, the Escrow Agent and certain shareholders of the Company.

"**Form 51-102F6**" means Form 51-102F6 *Statement of Executive Compensation*.

"**Former Spirit**" has the meaning set out under the heading "Prospectus Summary".

"**Former Spirit Financial Statements**" means the audited financial statements of Former Spirit for the fiscal years ended December 31, 2020 and 2019 and the unaudited financial statements for the six-month period ended June 30, 2021, together with the notes thereto and the auditors' report thereon, as applicable, attached hereto as Schedule "C".

"**Insider**" means:

(a) a director or senior officer of the Company;

(b) a director or senior officer of the Company that is an Insider or subsidiary of the Company;

(c) a Person that beneficially owns or controls, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or

(d) the Company itself if it holds any of its own securities.

"**Listing**" means the listing of the Company's Common Shares on the CSE under the trading symbol "SPIR" or such other symbol approved by the Exchange.

"**Listing Date**" means the date that the Common Shares are listed on the CSE or another stock exchange recognized under provincial securities laws.

"**MD&A**" means management's discussion and analysis of financial condition and operating results.

"**Named Executive Officers**" or "**NEOs**" has the meaning set forth under "Executive Compensation".

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees.*

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings*.

"**Olympia**" means Olympia Trust Company.

"**Options**" means the options issued pursuant to the Share Compensation Plan.

"**Participant**" has the meaning set forth in "Options and Other Rights to Purchase Securities – Share Compensation Plan".

"**Person**" means a company or individual.

"**Private Placement**" means the non-brokered private placement of Former Spirit of 26,070,000 Common Shares at $0.125 per Common Share for gross proceeds of $3,258,750 which completed on June 30, 2021.

"**Promoter**" means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

"**Prospectus**" means this prospectus dated August 23, 2021.

"**Prospectus Receipt Date**" means the date that a receipt for a final prospectus qualifying the distribution of the Qualified Securities is issued to the Company from the securities regulatory authorities in British Columbia and Ontario.

"**Qualified Securities**" has the meaning as set forth on the face page of this Prospectus.

"**RSU"** means restricted share units granted under the Share Compensation Plan.

"**Shareholders**" means holders of Common Shares.

"**Share Compensation Plan**" has the meaning set forth in "Options and Other Rights to Purchase Securities – Share Compensation Plan".

"**Special Warrantholder**" means holders of Special Warrants.

"**Special Warrant Exercise Date**" means the date the Special Warrants are deemed to have been exercised into one Common Share, which is the earlier of the date that is (i) the third Business Day after the Prospectus Receipt Date and (ii) four months and one day after the issue date of the Special Warrants.

"**Special Warrant Offering**" means the non-brokered private placement of the Company of 347,000 Special Warrants at $0.05 per Special Warrant for gross proceeds of $17,350, which completed on May 6, 2021.

"**Special Warrants**" means the special warrants issued by the Company at a price of $0.05 per Special Warrant, pursuant to the Special Warrant Offering entitling the holder thereof to acquire, for no additional consideration, one Common Share pursuant to the terms and conditions in the Special Warrant Certificates.

"**Special Warrant Certificate**" means a certificate representing Special Warrants.

"**Spirit**" or the "**Company**" means **Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. Ltd.), a company organized under the laws of the Province of British Columbia.

"**Spirit Financial Statements**" means the audited financial statements of the Company for the period from incorporation on January 19, 2021 to May 31, 2021, together with the notes thereto and the auditors' report thereon, as applicable, attached hereto as Schedule "B".

"**Spirit Holdings**" has the meaning set out under the heading "Prospectus Summary".

"**Transfer Agent**" means the transfer agent and registrar of the Company, anticipated to be Olympia Trust Company.

"**United States**" or "**U.S.**" means the United States of America, its territories or its possessions, any state of the United States or the District of Columbia.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

## CURRENCY PRESENTATION

In this Prospectus, unless otherwise specified or the context otherwise requires, all currency amounts are stated in Canadian dollars.

## INTERPRETATION

Unless the context otherwise requires, all references in this Prospectus to "we", "us", "our" or the "Company" refer to Spirit Blockchain Capital Inc., a British Columbia company and where applicable its subsidiaries.

Certain capitalized terms and phrases used in this Prospectus are defined under "Glossary of General Terms". Words importing the singular number include the plural, and *vice versa*, and words importing any gender include all genders.

## NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus contains statements and information that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumption underlying any of the foregoing. This Prospectus uses words such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook", and other similar expressions to identify forward-looking information. These forward-looking statements include, among other things, statements relating to:

- the deemed exercise of the Special Warrants on the Special Warrants Exercise Date;
- the share capital of the Company;
- the listing on the CSE;
- the executive compensation of the Company;
- the composition of the Board and management of the Company;
- the Company's expectations regarding its revenue, expenses and research and development operations;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's intention to grow the business and its operations;
- expectations regarding our growth rates and growth plans and strategies;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's expected business objectives for the next 12 months;
- the Company's plans with respect to the payment of dividends;
- beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the design, production, marketing, distribution and sale of our products and services;
- the Company's reliance on market and industry data obtained from third party sources, industry reports and publications, website and other publicly available information;
- the dependence on key personnel;
- the economic feasibility surrounding proof-of-staking, mining operations, and any other forms of blockchain production;
- the changing market dynamics relating to cryptocurrencies, including but not limited to price, cost and liquidity;
- any director and officer insurance policies and/or indemnification;
- the use of stable tokens to make mining equipment purchases; and
- the Company's ability to obtain additional funds through the sale of equity or debt commitments.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The material factors and assumptions used to develop the forward-looking statements contained in this Prospectus include, without limitation:

- the ability to obtain listing approval from the CSE;

- obtaining the necessary regulatory approvals;
- that regulatory requirements will be maintained;
- general business and economic conditions;
- the Company's ability to successfully execute its plans and intentions;
- the availability of financing on reasonable terms;
- the Company's ability to attract and retain skilled staff;
- market conditions and competition;
- the products, services and technology offered by the Company's competitors; and
- that the Company's current good relationships with the Company's suppliers, service providers and other third parties will be maintained.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, prospective purchasers of Common Shares should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include, but are not limited to:

- the worldwide COVID-19 outbreak;
- the COVID-19 outbreak or similar global health crises could affect the Company's ability to access sources of capital;
- COVID-19 or similar pandemics could adversely impact the Company's business and/or its ability to complete reporting obligations;
- cryptocurrency inventory may be exposed to cybersecurity threats and hacks;
- regulatory changes or actions may alter the nature of an investment or restrict the use of cryptocurrencies in a manner that adversely affects operations;
- cryptocurrency assets are highly volatile and speculative in nature;
- cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure;
- banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment;
- the impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain;
- the further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate;
- acceptance and/or widespread use of cryptocurrency is uncertain;
- increased costs;
- the Company's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies;
- the Company's cryptocurrency holdings may be subject to loss, theft or restriction on access;
- uninsured or uninsurable risks;
- incorrect or fraudulent transactions may be irreversible;
- if the rewards of cryptocurrencies for solving blocks and transaction fees are not sufficiently high, mining operations, validators and Masternodes may not have an adequate incentive to continue mining and may cease their mining operations;
- Bitcoin halving risk;
- the price of coins may be affected by the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets;
- risks related to technological obsolescence and difficulty in obtaining hardware;
- financing risks;

- insufficient financial resources;
- negative operating cash flow;
- a shareholder’s holding in the Company may be diluted if the Company issues additional common shares or other securities in the future;
- the Company’s adoption of new business models could fail to produce any financial returns;
- the Company will be affected by operational risks and may not be adequately insured for certain risks;
- there are risks associated with the regulatory regime and permitting requirements of the Company’s business;
- the Company may be subject to the risks associated with future acquisitions;
- the Company’s inability to retain management and key employees could impair the future success of the Company;
- a significant growth in the number of personnel would place a strain upon the Company’s management and resources;
- the Company faces uncertainty and adverse changes in the economy;
- the Company may be subject to electronic communication security risks;
- the Company’s business could be adversely affected if its consumer protection and data privacy practices are not perceived as adequate or there are breaches of its security measures or unintended disclosures of its consumer data;
- the Company may rely on its business partners, and they may be given access to systems in order to provide services and support to the Company’s teams;
- the Company may experience adverse effects on its reported results of operations as a result of adopting new accounting standards or interpretations;
- failure to adhere to the Company’s financial reporting obligations and other public company requirements could adversely affect the market price of the Common Shares;
- changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex matters could significantly affect the Company’s reported financial results or financial condition;
- if the Company is required to write down goodwill and other intangible assets, the Company’s financial condition and results could be negatively affected;
- from time to time, the Company may become involved in legal proceedings, which could adversely affect the Company;
- the Company’s directors and officers may have conflicts of interest in conducting their duties;
- forward-looking statements and information may prove inaccurate;
- the Company will be subject to additional regulatory burden resulting from its public listing on the CSE;
- risks associated with market expansion and growth;
- force majeure risks;
- cybersecurity risks;
- no established market;
- the market for securities has experienced a high level of price and volume volatility and market prices are subject to wide fluctuations;
- the Company has not paid any dividends to date;
- global financial conditions have been volatile and in some cases the access to capital markets has been restricted; and
- tax issues.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under “*Risk Factors*” should be considered carefully by readers.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this Prospectus (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

***All of the forward-looking statements contained in this Prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire Prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.***

## MARKET AND INDUSTRY DATA

Market and industry data presented throughout this Prospectus was obtained from third party sources, industry reports and publications, websites and other publicly available information, as well as industry and other data prepared by us or on our behalf on the basis of our knowledge of the Canadian and United States blockchain markets and economy (including our opinions, estimates and assumptions relating to the market for serotonergic therapeutics and economy based on that knowledge). We believe that the market and economic data presented throughout this Prospectus is accurate and, with respect to data prepared by us or on our behalf, that our opinions, estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this Prospectus are not guaranteed and we do not make any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although we believe it to be reliable, we have not independently verified any of the data from third party sources referred to in this Prospectus, analyzed or verified the underlying studies relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data are subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties.

## PROSPECTUS SUMMARY

***The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.***

| | |
|---|---|
| **The Company:** | The Company was incorporated on January 19, 2021 under the BCBCA under the name "1284696 B.C. Ltd." Following the Closing (as defined below), it changed its name to "Spirit Blockchain Capital Inc." The Company's head office is located at Suite 1570 – 505 Burrard St., One Bentall Centre, Vancouver, B.C. V7X 1M5 and its registered and records office is located at Suite 2800, Park Place, 666 Burrard St., Vancouver, B.C. V6C 2Z7. The Company's principal business is the former business of Former Spirit. See "Description of the Business". |
| **The Transaction** | On July 29, 2021, the Company, its wholly-owned subsidiary 1302186 B.C. Ltd. ("**Subco**") and a predecessor entity to Spirit Holdings, Spirit Blockchain Capital Inc. ("**Former Spirit**") completed (the "**Closing**") a business combination transaction (the "**Transaction**") pursuant to an amalgamation agreement dated April 28, 2021, between the Company, Subco and Former Spirit (the "**Amalgamation Agreement**") whereby: (i) the Company acquired all of the issued and outstanding securities of Former Spirit pursuant to a three-cornered amalgamation (as described below); (ii) Subco amalgamated with Former Spirit to form the amalgamated wholly-owned subsidiary of the Company, Spirit Blockchain Holdings Inc. ("**Spirit Holdings**"); and (iii) the Company changed its name to "Spirit Blockchain Capital Inc." (the "**Name Change**").<br><br>Upon Closing, Spirit issued to Former Spirit shareholders, pro rata to their respective holdings of Former Spirit shares, 72,070,000 Common Shares at a price of $0.125 per Common Share (the "**Transaction Shares**") in exchange for all of the issued and outstanding Former Spirit shares. Certain Transaction Shares are subject to escrow pursuant to the Escrow Agreement (defined herein). See "Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer". The Transaction was subject to, among other things, the following post-closing covenants: (i) the Company preparing and filing the Prospectus, including such documents required to be filed therewith with the BCSC; and (ii) the Company completing a listing application (including a listing statement) with the CSE. As a result of the Transaction, Former Spirit amalgamated with Subco to create and continue as Spirit Holdings, which became a wholly-owned subsidiary of Spirit and the business of Former Spirit became the business of Spirit. The former Spirit Holdings shareholders owned approximately 84.32% of the issued and outstanding Common Shares upon completion of the Transaction. See "Consolidated Capitalization – Fully Diluted Share Capital". Spirit also intends to enter into standard employment agreements with certain directors and officers. See "Executive Compensation – Employment, Consulting and Management Agreements". |
| **Former Spirit** | Former Spirit was incorporated on November 21, 2017, under the BCBCA under the name "Spirit Blockchain Technologies Ltd.". On September 19, 2018 it changed its name to "Spirit Blockchain Capital Inc.". Following the Transaction, Former Spirit and Subco amalgamated under Section 269 of the BCBCA and continued as Spirit Holdings. The Company's registered and records office was located at Suite 2800, Park Place, 666 Burrard St., Vancouver, B.C. V6C 2Z7. |
| **Business of the Company:** | The Company is a blockchain company providing capital to blockchain ecosystem participants and blockchain research and advisory services. The Company aims to supply capital to the blockchain ecosystem through lending, staking, streaming and mining. The Company also provides blockchain advisory and research services.<br>See "*General Development of the Business*". |
| **The Special Warrant Offering:** | Pursuant to the Special Warrant Offering, the Company issued 347,000 Special Warrants for gross proceeds of $17,350 on May 6, 2021. See "*Plan of Distribution"* and "*Description of Securities Distributed*". |
| **Issue Price:** | $0.05 per Special Warrant. |

| | |
|---|---|
| **Qualified Securities** | This Prospectus is being filed to qualify the distribution of 347,000 Common Shares upon the deemed exercise of 347,000 issued and outstanding Special Warrants. |
| **Listing** | The Company intends to list its Common Shares on the CSE under the trading symbol "SPIR" or such other symbol accepted by the CSE. Listing is subject to the Company fulfilling all of the requirements of the Exchange, including minimum public distribution requirements. See "*Plan of Distribution*". |
| **Use of Proceeds:** | The Company will use the funds available to it, including the net proceeds from the Special Warrant Offering, to further its business objectives. Specifically, the Company will use the funds available to it as follows: |

| Principal Purpose | Amount to be Expended |
|---|---|
| Investment in cryptocurrency-related assets for staking, streaming and other business activities | $1,800,000 |
| Consultant Fees and Salaries | $1,200,000 |
| General and Administrative Expenses(1) | $350,000 |
| Costs related to Listing | $150,000 |
| Unallocated Working Capital | $548,995 |
| **TOTAL** | **$4,048,995** |

**Notes:**

(1) General and administrative expenses are estimated to total $350,000 for the upcoming year, comprising: transfer agent and regulatory fees of $10,000; audit and related fees of $40,000; legal and related fees of $60,000; office and administrative expenses of $80,000 travel and related costs of $60,000; annual general meetings and associated costs of $10,000; Marketing costs of $30,000 and news release, investor relations and associated costs of $60,000.

There may be circumstances, where for business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives. See "*Use of Available Funds*".

**Directors and Officers of the Company:**

The Board of Directors of the Company consists of

Mr. Erich Perroulaz

Mr. Raymond O'Neill

Mr. Anthony Zelen

Mr. Denis Silva

The officers of the Company consist of

Mr. Erich Perroulaz - Chief Executive Officer

Mr. Meetul Patel – Chief Financial Officer

**Selected Consolidated Financial Information:**

**Summary of Selected Financial Information**

***Spirit***

The following selected financial information has been derived from and is qualified in its entirety by the annual financial statements of the Company for the period from incorporation on January 19, 2021 to May 31, 2021 (audited), and notes thereto included in this Prospectus, and should be read in conjunction with the financial statements, notes thereto and related Management's Discussion & Analysis. All financial statements of the Company are prepared in accordance with IFRS. See "*Selected Financial Information and Management's Discussion and Analysis*".

All amounts referred to as being derived from the financial statements of the Company are denoted in Canadian Dollars.

| | As at and for the period from incorporation on January 19, 2021 to May 31, 2021 (audited) ($) |
|---|---|
| Total Assets | 282,882 |
| Total Liabilities | 18,526 |
| Total Equity | 264,356 |
| Loss and Comprehensive Loss for the Period | 20,994 |

| | For the period from incorporation on January 19, 2021 to May 31, 2021 (audited) ($) |
|---|---|
| Expenses | 20,994 |
| Interest income | Nil |
| Foreign exchange loss | Nil |
| Net loss and comprehensive loss for the period | 20,994 |

See "*Selected Financial Information and Management's Discussion and Analysis*".

***Former Spirit***

The following table sets forth the selected financial information for the years ended December 31, 2020 and 2019 and the six-month interim period ended June 30, 2021 has been derived from the Former Spirit Financial Statements and accompanying notes thereto, prepared in accordance with IFRS and attached as Schedule C to this Prospectus. The selected financial information should be read in conjunction with the Former Spirit MD&A and the Former Spirit Financial Statements contained elsewhere in this Prospectus.

| | For the year ended December 31, 2020 ($) (audited) | For the year ended December 31, 2019 ($) (audited) | For the six months ended June 30, 2021 ($) (unaudited) |
|---|---|---|---|
| **Statement of Operations Data** | | | |
| Gross Profit | 0 | 0 | 0 |
| Revenue | 0 | 0 | 0 |
| Cost of sales | 0 | 0 | 0 |
| Total expenses | 99,447 | 199,915 | 355,951 |
| Profit/(Loss) and comprehensive loss | 46,039 | (186,047) | (102,235) |

| | | | |
|---|---|---|---|
| Profit/(Loss) per share (basic and diluted) | 0.00 | (0.01) | (0.01) |
| | | | |
| **Balance Sheet Data** | | | |
| Current assets | 396,406 | 41,363 | 3,861,217 |
| Total assets | 396,406 | 41,363 | 3,861,217 |
| Current liabilities | (33,033) | (12,697) | (250,579) |
| Total liabilities | (33,033) | (12,697) | (250,579) |

***Pro Forma Consolidated Financial Information***

The following table contains certain unaudited pro forma consolidated financial information for the Company as at May 31, 2021 and gives effect to completion of the Transaction as if it had occurred as of May 31, 2021. This information should be read together with the Pro Forma Financial Statements of the Company, attached as Schedule D, along with the Spirit Financial Statements and the Former Spirit Financial Statements contained elsewhere in this Prospectus.

| | **As at May 31, 2021 (unaudited)** |
|---|---|
| **Balance Sheet Data** | |
| Current assets | 3,894,099 |
| Total assets | 3,894,099 |
| Current liabilities | 269,105 |
| Total liabilities | 269,105 |
| Total Shareholders' Equity (Deficit) | 3,624,994 |

**Risk Factors:** Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. Readers should carefully consider all such risks. The risks described herein are not the only risks that affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future business prospectus, financial condition and results of operations. For a detailed description of these risks, see "*Risk Factors*".

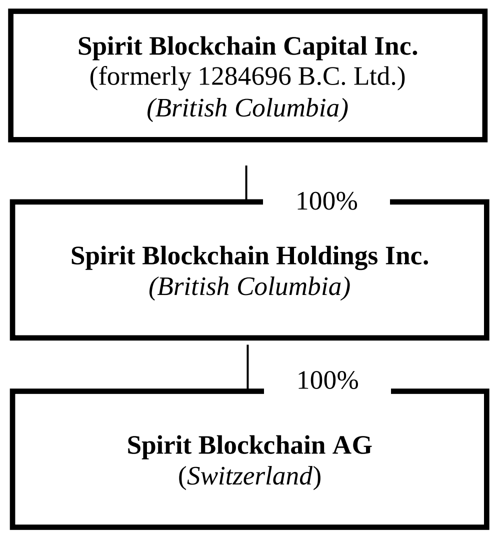
## CORPORATE STRUCTURE

### Incorporation and Offices of Spirit

Spirit Blockchain Capital Inc. was incorporated under the BCBCA on January 19, 2021 under the name "1284696 B.C. Ltd.". On May 20, 2021, the Company changed its name to "Spirit Blockchain Capital Inc." The head office of the Company is Suite 1570 - 505 Burrard St., One Bentall Centre, Vancouver, B.C. V7X 1M5 and its registered and records office is located at Suite 2800, Park Place, 666 Burrard St., Vancouver BC V6C 2Z7. The Company's principal business is the former business of Former Spirit. See "Description of the Business".

### Intercorporate Relationships

The following diagram summarizes the intercorporate relationships of the Company:




### Incorporation and Offices of Former Spirit

Spirit Blockchain Holdings Inc. was incorporated under the BCBCA on November 21, 2017 under the name "Spirit Blockchain Technologies Ltd.". On September 19, 2018, the company changed its name to "Spirit Blockchain Holdings Inc." Following the Transaction, Former Spirit and Subco amalgamated under Section 269 of the BCBCA and continued as Spirit Blockchain Holdings Inc. The Company's registered and records office was located at Suite 2800, Park Place, 666 Burrard St., Vancouver, B.C. V6C 2Z7.

## GENERAL DEVELOPMENT AND BUSINESS OF THE COMPANY

### Overview and History

#### *Spirit*

The Company was incorporated on January 19, 2021, under the BCBCA for purpose of undergoing a transaction to become a reporting issuer and to list on a Canadian stock exchange. See "*Description of the Business*".

- On April 16, 2021, the Company issued 13,400,000 Common Shares at a price of $0.02 per share as part of a seed round financing for aggregate proceeds of $268,000 (the "**Seed Financing**").

- On April 28, 2021, Spirit entered into the Amalgamation Agreement.

- On May 6, 2021, Spirit issued a total of 347,000 Special Warrants at a price of $0.05 for aggregate gross proceeds of $17,350.

- On July 29, 2021 Spirit completed the Transaction to acquire Former Spirit. Pursuant to the Transaction, Spirit issued to Former Spirit shareholders, pro rata to their respective holdings of Former Spirit shares, 72,070,000 Common Shares at a price of $0.125 per Common Share (the "**Transaction Shares**") in exchange for all of the issued and outstanding Former Spirit shares. Certain Transaction Shares are subject to escrow pursuant to the Escrow Agreement (defined herein). See "*Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer*". The Transaction was subject to, among other things, the following post-closing covenants: (i) the Company preparing and filing the Prospectus, including such documents required to be filed therewith, with the BCSC; and (ii) the Company completing a listing application (including a listing statement) with the CSE. As a result of the Transaction, Former Spirit amalgamated with Subco to create and continue as Spirit Holdings, which became a wholly-owned subsidiary of Spirit and the business of Former Spirit became the business of Spirit. The former Spirit Holdings shareholders owned approximately 84.32% of the issued and outstanding Common Shares upon completion of the Transaction. See "Consolidated Capitalization - Fully Diluted Share Capital". Spirit intends to enter into standard employment agreements with certain directors and officers. See "Executive Compensation – Employment, Consulting and Management Agreements".

***Former Spirit***

Former Spirit was formed on November 21, 2017, under the BCBCA. Since that date, it has pursued the activities described below.

- On November 24, 2017, Former Spirit approved an offering of 25,000,000 units consisting of 25,000,000 common shares and 25,000,000 common share purchase warrants at a price of $0.0001 per unit for 20,000,000 units and $0.0004 per unit for 5,000,000 units.

- On December 27, 2017, Former Spirit approved an offering of 10,000,000 common shares at a price of $0.10 per common share (the "**$0.10 Offering").**

- On August 31, 2020, Former Spirit approved an offering of up to 10,000,000 common shares at a price of $0.05 per common share (the "$**0.05 Offering**").

- On June 30, 2021, Former Spirit approved an offering of up to 2,500,000 common shares at a price of $0.08 per common share (the "$**0.08 Offering**", and collectively with the Founders' Financing, $0.10 Offering, and $0.05 Offering, the "Former Spirit Seed Financings").

- In connection with the Former Spirit Seed Financings, 46,000,000 common shares of Former Spirit were issued at varying prices per common share.

- On April 28, 2021, Former Spirit entered into the Amalgamation Agreement.

- On June 30, 2021, Former Spirit issued a total of 26,070,000 Common Shares at a price of $0.125 per Common Share for gross proceeds of $3,258,750.

- On July 29, 2021, Former Spirit completed the Transaction. Upon closing, Former Spirit and Subco amalgamated under Section 269 of the BCBCA and continued as Spirit Blockchain Holdings Inc.

**General**

Former Spirit is currently engaged in growing a revenue-generating diversified portfolio of investments and cryptocurrency operations across the digital asset ecosystem including Bitcoin staking, tokens, proof-of-stake cryptocurrencies, decentralized finance (DeFi), and associated blockchain technologies.

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, and to receive payments from Staking, Streaming and Advisory services as well as generating revenues in the decentralized finance space through other proof-of-stake networks, investing in startup technologies and investment in crypto growth funds.

***Introduction to Blockchain and Cryptocurrency***

Blockchain technology was invented in 2008 and works as BTC database technology. Blockchain is gaining widespread adoption with many unique applications, fewer middlemen, greater efficiency and automated transactions.

Blockchain technology is unique in that it can store data and distribute it in a decentralized manner. The decentralization of information increases security and offers additional functionality to its users. Blockchain technology is making a significant impact in many areas of business, finance, information management and governance, but it is still in its early stages, with significant future opportunities and applications.

Blockchain technology enables the application of cryptocurrency. Cryptocurrency is a form of encrypted and decentralized digital currency, transferred directly between peers across the internet, with transactions being settled, confirmed and recorded in a distributed public ledger by a process known as "mining".

Units of a cryptocurrency exist only as data on the internet, and are not issued or controlled by any single institution, authority, or government. Whereas most of the world's money currently exists in the form of electronic records managed by central authorities, units of cryptocurrency exist as electronic records in a decentralized tamper-proof transaction database called a blockchain. The ledger is both publicly available to anyone and secured with public key encryption.

***How a Cryptocurrency Works***

Cryptocurrencies are decentralised digital currencies that enable instant transfers to anyone, anywhere. Transactions occur via open source, cryptographic protocol platforms which use peer-to-peer technology to operate with no central authority. The network is an online, peer-to-peer network that hosts the public transaction ledger, known as the blockchain, and each cryptocurrency with a source code that comprises the basis for the cryptographic and algorithmic protocols governing the blockchain. No single entity owns or operates the network, the infrastructure of which is collectively maintained by a decentralised user base. As the network is decentralised, it does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of the coins. Rather, the value of a coin is determined by the market supply of and demand for the coins, the prices of which are set in transfers by mutual agreement or barter, as well as by the number of merchants that accept the coins. Because coins are digital files that can be transferred without the involvement of intermediaries or third parties, there are little or no transaction costs in direct peer-to-peer transactions. Coins can be used to pay for goods and services or can be converted to fiat currencies, such as the US dollar, at rates determined by various exchanges. Bitcoin.org lists a number of Bitcoin exchanges, including international exchanges such as: Bitsquare, Bitstamp, and Coinbase. There are also country-based and regional exchanges. Additionally, third party service providers may be used for transfers but they may charge significant fees for processing transactions.

In a cryptocurrency network, every peer has their own copy of the blockchain, which contains records of every historical coin transaction, effectively containing records of all account balances. Each account is identified solely by its unique public key, and is secured with its associated private key (kept secret, like a password).

The combination of private and public cryptographic keys constitutes a secure digital identity in the form of a digital signature, providing strong control of ownership.

Each time a new block of transactions is created, data from that block is used to create a hash that is stored along with the block. One piece of data used is the hash from the most recent block in the blockchain. Each block's hash is created using the hash of the block before it, acting as a sort of tamper-evident seal that confirms the validity of the new block and all earlier blocks. Alterations made to any earlier block would make the hashes of all subsequent blocks invalid, the discrepancy would be easily detected by future miners, and that broadcast would be discarded in favour of one from a different peer. Thus, miners "vote with their computer power, expressing their acceptance of valid blocks by working on extending them and rejecting invalid blocks by refusing to work on them" and consensus of the majority is represented by the longest blockchain.

Miners, which are specialized computers, compete to solve new blocks; a miner that verifies and solves a new block is awarded a newly-generated quantity of coins, an amount which is usually proportional to the miner's contributed hash rate/work, (plus a small transaction fee) as an incentive to invest their computer power, as mining is critical to the continuing functioning and security of the cryptocurrency network. The difficulty of the proof-of-work puzzles is automatically adjusted so that a new block is mined on a specified basis, adapting as the total mining power active on the network increases over time.

***Bitcoin Halving Event***

Bitcoin miners derive revenue from block rewards and transaction fees for each block they solve. Bitcoin has a finite or terminal supply and is becoming scarcer over time. According to the Bitcoin Network, only 21,000,000 Bitcoins can ever be mined, with diminishing returns at each 'halving'. Bitcoin halving is an event where the block reward for mining new Bitcoin is halved, meaning that bitcoin miners will receive 50% less Bitcoin for every transaction they verify. In 2009, when Bitcoin was first launched the reward for mining a new block was 50 Bitcoins. As of the most recent halving in May 2020, the reward is only 6.25 Bitcoin per block as of the date of this Prospectus. This reward is expected to continue to be cut approximately every four years, with the next Bitcoin halving expected to occur in 2024 which will reduce the fixed reward for solving a new block to 3.125 Bitcoins. A Bitcoin halving event could also impact Blockchain safety as a number of different safety protocols, such as proof-of-work and proof-of-stake, are dependent on the miner participation to verify the Blockchain transactions. See "Risk Factors – Bitcoin Halving Risk".

***Bitcoin Mining Pool***

Bitcoin mining is competitive and the goal is to solve or "find" a block before someone else's miner does, at which point you will get the block reward and transaction fees from the block. During the last several years, an increasing amount of Hashrate has come online which has made it harder to have enough Hashrate personally (individually) to solve a block and earn the payout reward. In response to this trend, the concept of "pooled mining" was developed, whereby groups of individual miners contribute to the generation of a block, and then split the block reward according to the contributed processing or computing power. In doing this, the variance of finding a block is increased by having a larger total Hashrate in trying to process a block the fastest.

***Why Cryptocurrencies?***

A blockchain enables market participants to make and verify transactions on a network instantaneously without a central authority (i.e., a clearinghouse in the traditional financial system). We believe that Blockchain, the backbone technology behind cryptocurrency mining, has the potential to truly disrupt multiple industries and make processes more democratic, secure, transparent, and efficient.

Interbank transactions can potentially take days for clearing and final settlement, especially outside of working hours. Blockchain transactions can reduce transaction times to minutes and are processed at all times.

Because cryptocurrencies are completely digital, they can be used in ways that ordinary currencies cannot; primarily, they are used like the digital equivalent of cash. Unlike credit or debit cards that are issued by banks, consumers don't need an account or good credit to use digital currencies. Further, digital currencies are becoming increasingly accepted globally by retailers and institutions.

***The Market for Cryptocurrency***

Cryptocurrencies offer many advantages over traditional (also known as 'fiat') currency, including:

- acting as a fraud deterrent, as cryptocurrencies are digital and cannot be counterfeited or reversed arbitrarily by sender;
- immediate settlement;

- eliminate counterparty risk;
- no trusted intermediary required;
- lower fees;
- identity theft prevention;
- accessible by everyone;
- transactions are verified and protected through a confirmation process, which prevents the problem of double spending currencies;
- decentralized no central authority (government or financial institution); and
- recognized universally and not bound by government imposed exchange rates.

Management believes that as the demand for cryptocurrencies increases and cryptocurrencies become more widely accepted, there will be an increasing demand for professional grade, scalable infrastructure to support growth of the growing blockchain ecosystem.

***Company's Storage of Cryptocurrency Assets***

The Company stores its cryptocurrency assets either in a brokerage account, or as loans with reputable third parties. The Company to date has not converted crypto assets to fiat currency and intends to use fiat currency to meet its working capital needs, the Company does not see a need to convert crypto assets into fiat as most transactions in this ecosystem can be facilitated using either Bitcoin or other cryptocurrencies.

*Loans*

The Company may loan out Bitcoin and other cryptocurrencies in order to earn interest on these crypto assets prior to them being used to purchase or fund other asset acquisitions.

***Blockchain Mining***

Blockchain mining can be completed using proof-of-work or proof-of-stake protocols. Proof-of-work is a computer algorithm that is used by a number of different cryptocurrencies for block generation, allowing blocks to be accepted by network participants. Proof-of-work is used by cryptocurrencies such as Bitcoin and others and is designed to create decentralized agreement between different nodes around adding a specific block to the blockchain. Proof-of-work protocol requires miners to solve extremely complex and computationally intense mathematical problems in order to add blocks onto the blockchains. This process produces a specific kind of data that permits verification of the block, but is time consuming and extremely energy intensive to produce.

Proof-of-stake is an alternative method to proof-of-work and enables the mining and validation of blockchain transactions based on the number of coins that have staked, which means the more coins a miner has the more mining power it possesses. In other words, instead of utilizing energy to generate proof-of-work data, a proof-of-stake miner is mining a percentage of transactions that is reflective of its ownership stake. Many coins use proof-of-stake mining, including Ethereum and Cardano.

Advantages of using of proof-of-stake mining include:

- Recurring dividends: The Company will be rewarded for their service to the blockchain network through an annual dividend of mined token collected from network fees, just like proof-of-work miners.

- Exposure to a diversified portfolio of coins: The Company will hold a diversified portfolio of coins required for proof-of-staking mining, thus minimizing exposure to volatility of a single coin.

- No need to consume large quantities of electricity: The Company will not be required to purchase and maintain expensive hardware or pay high electricity costs. As a result, the Company anticipates that its proof-of-staking mining operations will be more economical given the reduced energy costs and through revenue that it will be reinvested into its mining operations. Given the recent upwards moment of Bitcoin, the Company has deemed that proof-of-stake, although reliable, mining rewards in in environments of crypto contraction, is not as profitable in times of crypto expansion. Having both proof-of-stake and proof-of-work exposure allows the Company to optimize the existing economic environment.

- Faster validations: proof-of-staking results in faster transaction times on the blockchain.

**Competitive Conditions**

In the cryptocurrency industry, there exists many online companies that offer cryptocurrency cloud mining services, many hosts that operate Masternodes, as well as companies, individuals and groups that run their own mining farms. Miners can range from individual enthusiasts to professional mining operations with dedicated data centres. Hosts of Masternodes provide various services, and large blocks of Masternodes may be able to effect the participation and direction of Crypto coins.

The vast majority of mining is now undertaken by mining pools, whereby miners organize themselves and pool their processing power over a network and mine transactions together. Rewards are then distributed proportionately to each miner based on the work / hash power contributed. Mining pools became popular when mining difficulty and block time increased. Mining pools allow miners to pool their resources so they can generate blocks quickly and receive rewards on a consistent basis instead of mining alone where rewards may not be received for long periods. The Company may also decide to participate in mining pools in order to smooth the receipt of rewards.

Other market participants in the cryptocurrency industry include investors and speculators, retail users transacting in cryptocurrencies, and service companies that provide a variety of services including buying, selling, payment processing and storing of cryptocurrencies.

**Specialized Skill and Knowledge**

There is a specialized skill required for the development, operations, maintenance, and marketing of the Company's business. The Company's current staff possesses the necessary skills and knowledge required for the Company's business; however, additional employees may be added to staff as needed.

**Employees/Consultants**

The Company had 8 consultants as at June 30, 2021 and 6 consultants as at the date of this Prospectus. The Company does not have any employees. The Company takes extensive measures to keep costs to a minimum and as such relies on external contractors for many services in order to scale back quickly if need be given the volatility of the digital currency ecosystem.

**Government Regulation**

With wider adoption of cryptocurrency underway, the groundswell movement to introduce and implement regulatory regimes and controls to safeguard investors will continue to grow and will be spurred on by the entry of global corporations, hedge funds, family offices, and institutional investors into the cryptocurrency sector.

There has been a recent flurry of announcements in the cryptocurrency industry that will likely have the effect of driving forward regulation while simultaneously adding legitimacy to the sector. On December 16, 2020, Massachusetts Mutual Life Insurance Co., an insurance company, announced that it bought USD$100 million worth of Bitcoin. On December 21, 2020, MicroStrategy Inc. (NASDAQ: STR), a company that provides business intelligence software and related services, announced it has purchased over USD$1billion in Bitcoin in 2020. On February 8, 2021, Tesla, Inc. (NASDAQ: TSLA), an American electric vehicle and clean energy company, announced that it had invested an aggregate USD$1billion in Bitcoin.

On January 4, 2021, the US Office of the Comptroller of the Currency issued a statement clarifying the legal framework for banks and financial institutions to work with cryptocurrencies and, more specifically, nodes and stable coins.

## SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

### Selected Financial Information

***Spirit***

The following selected financial information has been derived from and is qualified in its entirety by the audited financial statements of the Company for the period from incorporation to May 31, 2021 and notes thereto included in this Prospectus, and should be read in conjunction with such financial statements and the related notes thereto, along with the MD&A included in Schedule "A" of this Prospectus. All financial statements of the Company are prepared in accordance with International Financial Reporting Standards.

| | **As at and for the period from incorporation on January 19, 2021 to May 31, 2021 (audited) ($)** |
|---|---|
| Total Assets | 282,882 |
| Total Liabilities | 18,526 |
| Total Equity | 264,356 |
| Loss and Comprehensive Loss for the Period | 20,994 |

### Statement of Comprehensive Loss Data

| | **For the period from incorporation on January 19, 2021 to May 31, 2021 (audited) ($)** |
|---|---|
| Expenses ........................................................................................... | 20,994 |
| Interest income ................................................................................. | Nil |
| Foreign exchange loss...................................................................... | Nil |
| Net loss and comprehensive loss for the period.............................................. | 20,994 |

### Management's Discussion and Analysis

The MD&A of the Company for the period ended May 31, 2021, is attached to this Prospectus at Exhibit "A".

The MD&A of the Company should be read in conjunction with the respective financial statements and the accompanying notes thereto included in this Prospectus. Certain information contained in the MD&A constitutes forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. See "*Forward-Looking Statements*" and "*Risk Factors*".

***Former Spirit***

The following table sets forth the selected financial information for the years ended December 31, 2020 and 2019 and the six-month interim period ended June 30, 2021 has been derived from the Former Spirit Financial Statements and accompanying notes thereto, prepared in accordance with IFRS and attached as Schedule C to this Prospectus. The selected financial information should be read in conjunction with the Former Spirit MD&A and the Former Spirit Financial Statements contained elsewhere in this Prospectus.

| | **For the year ended December 31, 2020 ($) (audited)** | **For the year ended December 31, 2019 ($) (audited)** | **For the six months ended June 30, 2021 ($) (unaudited)** |
|---|---|---|---|
| **Statement of Operations Data** | | | |
| Gross Profit | 0 | 0 | 0 |
| Revenue | 0 | 0 | 0 |
| Cost of sales | 0 | 0 | 0 |
| Total expenses | 99,447 | 199,915 | 355,951 |
| Profit/(Loss) and comprehensive loss | 46,039 | (186,047) | (102,235) |
| Profit/(Loss) per share (basic and diluted) | 0.00 | (0.01) | (0.01) |
| | | | |
| **Balance Sheet Data** | | | |
| Current assets | 396,406 | 41,363 | 3,861,217 |
| Total assets | 396,406 | 41,363 | 3,861,217 |
| Current liabilities | (33,033) | (12,697) | (250,579) |
| Total liabilities | (33,033) | (12,697) | (250,579) |

***Pro Forma Consolidated Financial Information***

The following table contains certain unaudited pro forma consolidated financial information for the Company as at and for the period ended May 31, 2021 and gives effect to completion of the Transaction as if it had occurred as of May 31, 2021. This information should be read together with the Pro Forma Financial Statements of the Company, attached as Schedule D, along with the Spirit Financial Statements and the Former Spirit Financial Statements contained elsewhere in this Prospectus.

| | **As at May 31, 2021 (unaudited)** |
|---|---|
| **Balance Sheet Data** | |
| Current assets | 3,894,099 |
| Total assets | 3,894,099 |
| Current liabilities | 269,105 |
| Total liabilities | 269,105 |
| Total Shareholders’ Equity (Deficit) | 3,624,994 |

## USE OF AVAILABLE FUNDS

### Proceeds

No proceeds will be raised, as no securities are being sold pursuant to this Prospectus.

### Negative Operating Cash Flow

The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. There is no guarantee the Company will ever become profitable. The nature of the Company's business as a company in the blockchain industry requires focused on streaming and staking together with DEFI opportunities, and as a result the Company has negative cash flow from its operating activities and currently generates no revenue from its activities. The Company anticipates that it will continue to have negative cash flow until such time as September, 2022. The Company has to this date funded its operations with proceeds from equity financings and expects to raise additional funds through equity financings.

### Available Funds

The Company received proceeds of $17,350 from the Special Warrant Offering, as there were no finders' fees payable. The Company had $4,048,995 in available funds in estimated working capital as at July 31, 2021. The Company intends to spend the available funds as follows:

| | **Funds Available ($)** |
|---|---|
| **Funds Available.................................................................................** | |
| Working Capital as at July 31, 2021 | $4,048,995 |
| | |
| **Principal Purposes for the Available Funds** | |
| Investment in cryptocurrency-related assets for staking, streaming and other business activities............................................................................................ | $1,800,000 |
| Consultant Fees and Executive Officer Salaries.............................................. | $1,200,000 |
| Costs related to Listing.................................................................................... | $150,000 |
| General and administrative expenses(1) .......................................................... | $350,000 |
| Unallocated working capital ........................................................................... | $548,995 |
| **TOTAL.............................................................................................** | **$4,048,995** |

**Notes:**

(1) General and administrative expenses are estimated to total $350,000 for the upcoming year, comprising: transfer agent and regulatory fees of $10,000; audit and related fees of $40,000; legal and related fees of $60,000; office and administrative expenses of $80,000; travel and related costs of $60,000; annual general meetings and associated costs of $10,000; Marketing costs of $30,000 and news release, investor relations and associated costs of $60,000.

The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the industry in which the Company's investee companies operate, investments may be frequently reviewed and reassessed. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations. See "*Risk Factors*".

**Business Objectives and Milestones**

The primary business objectives for the Company over the next 12 months are as follows:

| Business Objective | Significant Events | Time Period | Costs related to Event |
|---|---|---|---|
| Generate Revenue through Staking of Crypto Assets | Staking Contracts in place | 6 months | $500,000 |
| Expand Crypto research client base | Enter into New Client contracts | 6 months | $200,000 |
| Raise additional capital via the Market | Completion of cap raise | 2 months | $300,000 |

The Company anticipates that it will have sufficient cash available to execute its business plan and to pay its operating and administrative costs for at least twelve months after Listing.

**Unallocated Funds in Trust or Escrow**

Unallocated funds will be deposited in the Company's bank account and added to the working capital of the Company. The CEO of the Company is responsible for the supervision of all financial assets of the Company. Based on the Company's cash flow requirements, management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary.

There may be circumstances, where for business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

## DESCRIPTION OF SECURITIES DISTRIBUTED

**Authorized and Issued Share Capital**

The authorized capital of the Company consists of an unlimited number of Common Shares without par value. As of the date hereof, there are 85,470,000 Common Shares issued and outstanding. The Company expects to issue 347,000 Common Shares upon exercise of the Special Warrants pursuant the Special Warrant Offering.

**Common Shares**

Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company, and each Common Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Board. The holders of Common Shares, subject to the prior rights, if any, of any other class of shares of the Company with special rights as to dividends, are entitled to receive such dividends in any financial year as the Board may determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights. See "*Consolidated Capitalization – Fully Diluted Share Capital*".

## PLAN OF DISTRIBUTION

This Prospectus qualifies the distribution of the Qualified Securities, consisting of the Common Shares issuable upon the deemed exercise of the previously issued Special Warrants. The Special Warrants were sold to subscribers at a price of $0.05 per Special Warrant for gross aggregate proceeds of $17,350.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the

Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by Plus Market Groups plc).

The Company has applied to list its Common Shares on the CSE. Listing will be subject to the Company fulfilling all the listing requirements of the CSE.

The Special Warrants and the underlying Common Shares have not been and will not be registered under the U.S. Securities Act or under any state securities laws. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities qualified for distribution hereunder within the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act).

The Special Warrants were issued pursuant to the terms of the Special Warrant Certificates representing the Special Warrants. The Special Warrant Certificates provide, among other things, that Special Warrantholders are entitled to receive in respect of each Special Warrant held, without additional consideration and without any further action on the part of the holder thereof, one Common Share. The Special Warrants will be deemed exercised for Common Shares on the Special Warrant Exercise Date.

Certificates or DRS advices representing the Common Shares to be issued upon deemed exercise of the Special Warrants will be available for delivery upon the deemed exercise of the Special Warrants.

The Company is not currently a reporting issuer in any province or territory of Canada.

## CONSOLIDATED CAPITALIZATION

### The Company

***Consolidated Capitalization***

The following table sets forth the share and loan capital of the Company before and after giving effect to the deemed exercise of the Special Warrants. The table should be read in conjunction with the financial statements and the accompanying notes thereto included in this Prospectus.

| | **Amount Authorized or to be Authorized** | **Outstanding as at June 30, 2021** | **Outstanding as at the date of this Prospectus(1)** | **Outstanding After Giving Effect to the Special Warrant Offering(2)** |
|---|---|---|---|---|
| Common Shares | Unlimited | 13,400,000 | 85,470,000 | 94,364,000 |

**Note:**

(1) On an undiluted basis. The Company also has 5,698,000 Options and 2,849,000 RSUs outstanding.

(2) On an undiluted basis. Assumes the issuance of 347,000 Common Shares upon deemed exercise of 347,000 Special Warrants and 8,547,000 Common Shares upon the exercise and conversion of the 5,698,000 Options and 2,849,000 RSUs.

***Fully Diluted Share Capital***

The following table sets forth the anticipated fully diluted share capital of the Company after giving effect to the deemed exercise of the Special Warrants.

| **Shares to be Issued** | **Number of Securities as at the date of this Prospectus** | **% of total issued and outstanding** |
|---|---|---|
| Common Shares issued as of June 30, 2021 | 13,400,000(1) | 15.68% |
| Common Shares issued on closing of the Transaction(2) | 72,070,000 | 84.32% |
| **Total Company Shares** | **85,470,000** | **100%** |

| Shares to be Issued | Number of Securities as at the date of this Prospectus | % of total issued and outstanding |
|---|---|---|
| | | |
| Common Shares issued on conversion of outstanding $0.05 Special Warrants | 347,000(3) | 3.90%(4) |
| Common Shares to be issued on exercise of Options and RSUs | 8,547,000 | 96.10%(4) |
| **Total Common Shares reserved for issuance** | **8,894,000** | **100%**(4) |
| | | |
| **Fully diluted securities** | **94,364,000** | |

**Notes:**

(1) For further details see "*Prior Sales*".
(2) For further details see "*General Development of the Business – History*".
(3) For further details see "*Face Page*".
(4) On a fully-diluted basis.

## OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES

### Outstanding Options and RSUs

As of the date of this Prospectus, the Company has 5,698,000 Options and 2,849,000 RSUs outstanding.

### Share Compensation Plan

At the time of Listing, the Company intends to have 5,698,000 Options and 2,849,000 RSUs outstanding, having been granted to directors, executive officers, employees and consultants, being approximately % of the issued and outstanding Common Shares after completion of the Listing. The Share Compensation Plan will be the sole share compensation plan utilized by the Company for security-based compensation and long-term incentives. The aggregate maximum number of Common Shares that may be reserved for issuance under the Share Compensation Plan is 10% of the issued and outstanding Common Shares, being 85,470,000 Common Shares at the time of Listing.

Options granted as of the date of this Prospectus are as follows:

| | Common Shares under Option | Common Shares under RSUs | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Executive Officers(1) | 50,000 | 25,000 | $0.125 | July 31, 2026 |
| Directors(2) | 1,720,000 | 860,000 | $0.125 | July 31, 2026 |
| Consultants | 3,928,000 | 1,964,000 | $0.125 | July 31, 2026 |

Notes:

(1) Consists of Meetul Patel.
(2) Consists of Erich Perroulaz, Raymond O'Neill, Anthony Zelen and Denis Silva.

### *Terms of the Plan*

The full text of the Share Compensation Plan is available upon written request made directly to the Company at its registered office located at Suite 2800, Park Place, 666 Burrard St., Vancouver, B.C. V6C 2Z7.

Administration

The Share Compensation Plan shall be administered by the Board, a special committee of the Board (the "**Committee**") or by an administrator appointed by the Board or the Committee (the "**Administrator**") either of which will have full and final authority with respect to the granting of all Options thereunder. Options and RSUs may be granted under the Share Compensation Plan to such directors, officers, employees or consultants of the Company, as the Board, the Committee or the Administrator may from time to time designate (such individuals, as "**Participants**").

<u>Number of Common Shares Reserved</u>

Subject to adjustment as provided for in the Share Compensation Plan, the number of Common Shares available for issuance under the Share Compensation Plan will not exceed, in any combination of Options or RSUs, 10% of the number of Common Shares which are issued and outstanding on the particular date of grant. If any Option or RSU expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Option or RSU shall again be available for the purposes of granting Options or awarding RSUs pursuant to the Share Compensation Plan.

<u>Options</u>

All Options granted under the Share Compensation Plan will have a exercise price determined and approved by the Administrators at the time of the grant, which shall not be less than the closing price of the Common Shares on the CSE on the trading day immediately preceding the date of the granting of the option. The Administrators may determine when any Option will become exercisable and may determine if Options shall be exercisable in instalments or pursuant to a vesting schedule. Options shall be exercisable during a period established by the Administrators which shall not be more than 10 years from the grant of the Option. The Share Compensation Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a blackout period. In such cases, the extended exercise period shall terminate 10 business days after the last day of the blackout period.

If an event of termination occurs, namely an event whereby an Participant ceases to be eligible under the Share Compensation Plan for such reason as giving of any notice of termination of employment or service (whether voluntary or involuntary and whether with or without cause), retirement, or any cessation of employment or service for any reason whatsoever, including disability or death ("**Event of Termination**"), then:

- any unvested Options, to the extent not available for exercise as of the date of the Event of Termination, shall, unless otherwise determined by the Administrators in their discretion, be cancelled, terminated and not available for exercise; and

- any vested Options granted to the Participant that are available for exercise may be exercised only before the earlier of (i) the expiry of the Option, and (ii) six months after the date of Event of Termination.

<u>RSUs</u>

RSUs awarded under the Share Compensation Plan entitle the Participant to receive Common Shares (issued from treasury or purchased on the open market), cash (based on the value of a Common Share) or a combination thereof, at some future time to eligible persons under the Share Compensation Plan. The terms and conditions of awards of RSUs, including the quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions, shall be set out in the specific RSU award. Subject to the achievement of the applicable vesting conditions, the payout of an RSU will generally occur on the settlement date.

If an Event of Termination occurs, any unvested RSUs shall, unless otherwise determined by the Administrators in their discretion, shall be forfeited by the Participant and cancelled, and any vested RSUs shall be issued as soon as practicable after the Event of Termination and in accordance with the applicable vesting schedule.

## DIVIDENDS OR DISTRIBUTIONS

The Company has not declared any cash dividends or distributions for any of our securities and no such dividends or distributions are contemplated for the current financial year.

As of the date of this Prospectus, there are no restrictions that prevent the Company from paying dividends on its Common Shares. The Company has neither declared nor paid any dividends on its shares and it is not contemplated that the Company will pay dividends in the immediate or foreseeable future. The Company currently intends to retain future earnings, if any, to finance the expansion of its business and does not anticipate paying dividends in the foreseeable future. Any future decision to pay dividends on the Company's Common Shares will be made by the Board on the basis of the earnings, financial requirements and other conditions existing at such time.

## PRIOR SALES

### Common Shares

This table sets out particulars of the Common Shares that have been issued or sold since the incorporation of Spirit.

| Date of Issuance/Sale | Security Type | Number of Securities | Issue/Sale Price |
|---|---|---|---|
| January 19, 2021 | Common Shares | 1(1) | $0.01 |
| April 16, 2021 | Common Shares | 13,400,000(2) | $0.02 |
| July 29, 2021 | Common Shares | 72,070,000(3) | $0.125 |

**Notes:**

1. Incorporator's share was issued and subsequently repurchased.
2. Issued in connection with the Seed Financing. See "*General Development of the Business – History – Spirit*".
3. Issued in connection with the Transaction. See "*General Development of the Business – Spirit*".

### Securities Convertible into Common Shares

This table sets out particulars of securities exercisable for or exchangeable into Common Shares issued within the 12 months prior to the date of this Prospectus.

| Date of Issuance | Security Type | Number of Securities | Issue/Exercise Price |
|---|---|---|---|
| May 6, 2021 | Special Warrants | 347,000(1) | $0.05 |

**Notes:**

(1) Issued in connection with the Special Warrant Offering. Each Special Warrant will be deemed exercised in exchange for one Common Share on the earlier of the date that is (i) the third Business Day after a receipt for a final prospectus qualifying the distribution of the Common Shares issuable upon the conversion of the Special Warrants and (ii) 4 months and one day after the issue date of the Special Warrants. The Company expects to issue 347,000 Common Shares upon conversion of the Special Warrants. See "*Plan of Distribution*" for a description of the terms of the Special Warrants.

## ESCROWED SECURITIES AND RESALE RESTRICTIONS

### Escrowed Securities

#### *CSE Escrow*

As of the date of this Prospectus, none of the Company's securities are held in escrow or are subject to a contractual restriction on transfer.

In connection with the proposed listing of Common Shares on the CSE, the following Common Shares are expected to be subject to escrow upon completion of the listing on the CSE as shown in the following table:

| Name | Designation of Class | Securities held in Escrow(1) | Percentage of Class(2) |
|---|---|---|---|
| Erich Perroulaz | Common Shares | 18,240,000 | 21.25% |
| Raymond O'Neill | Common Shares | 5,140,000 | 5.99% |

| Name | Designation of Class | Securities held in Escrow(1) | Percentage of Class(2) |
|---|---|---|---|
| Anthony Zelen | Common Shares | Nil | Nil |
| Denis Silva | Common Shares | Nil | Nil |

**Notes:**

(1) Common Shares and Options (the "**Escrowed Securities**") held in escrow and released over a 36-month period pursuant to an escrow agreement to be entered into (the "**Escrow Agreement**") between directors and officers of the Company and Olympia, as escrow agent. The release of the Escrowed Securities under the Escrow Agreement is as follows: 10% on date of listing on the CSE and thereafter 15% released every six months over a 36-month period.

(2) Percentage is based on 85,817,000 Common Shares expected to be outstanding upon exercise of the Special Warrants and listing on the CSE.

Section 3.5 of National Policy 46-201 - *Escrow for Initial Public Offerings* provides that all securities of a company owned or controlled by principals will be escrowed at the time of the company's initial public offering, unless the securities held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the total issued and outstanding shares of the company after giving effect to the initial public offering.

Directors, executive officers and certain shareholders of the Company (the "**Escrow Shareholders**") have entered into the Escrow Agreement with the Company pursuant to which the Escrow Shareholders have agreed to deposit the securities of the Company which they hold with Olympia Trust Company, as escrow agent once appointed, until they are released in accordance with terms of their respective Escrow Agreements, CSE Policy and applicable securities law as follows:

| Release Date | Amount of Securities to be Released |
|---|---|
| On the date the Company's securities are listed on the CSE | 10% of Escrowed Securities |
| 6 months after the listing date | 15% of Escrowed Securities |
| 12 months after the listing date | 15% of Escrowed Securities |
| 18 months after the listing date | 15% of Escrowed Securities |
| 24 months after the listing date | 15% of Escrowed Securities |
| 30 months after the listing date | 15% of Escrowed Securities |
| 36 months after the listing date | 15% of Escrowed Securities |

## PRINCIPAL SHAREHOLDERS

### The Company

As of the date of this Prospectus, 85,470,000 Common Shares are issued and outstanding.

To the knowledge of the directors and officers of the Company, the following persons are expected to beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying more than 10% of the voting rights attaching to all the outstanding Common Shares:

| Name | Number and type of securities | Type of Ownership | Percentage of Class(1) |
|---|---|---|---|
| Erich Perroulaz | 18,240,000 Common Shares | Beneficial and of record | 21.34% |

**Note:**

(1) Based on 85,470,000 issued and outstanding Common Shares.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holdings

The following table sets out the name, age, city of residence, position and the number and percentage of Common Shares which will be beneficially owned or controlled by each of the current directors and officers of the Company. The directors of the Company are Erich Perroulaz, Raymond O'Neill, Anthony Zelen, and Denis Silva, and the officers of the Company consist of Erich Perroulaz (CEO) and Meetul Patel (CFO).

| Name and Municipality of Residence | Position to be held with the Company | Principal Occupation for the Past Five Years | Number of Common Shares | Percentage of Class[2] |
|---|---|---|---|---|
| Erich Perroulaz, Switzerland | CEO and Director | Company Director | 18,240,000 | 21.34% |
| Raymond O'Neill, Ireland[1] | Director | Company Director | 5,140,000 | 6.01% |
| Anthony Zelen, British Columbia, Canada[1] | Director | Company Director | Nil | Nil |
| Denis Silva, British Columbia, Canada[1] | Director | Partner, DLA Piper (Canada) LLP | Nil | Nil |
| Meetul Patel, British Columbia, Canada | CFO | Accountant | 5,000[3] | 0.0005% |

**Notes:**

(1) Member of the audit committee.

(2) Based on 85,470,000 issued and outstanding Common Shares.

(3) Does not include the 17,000 Common Shares issuable on conversion of 17,000 Special Warrants held by Mr. Patel and includes the 5,000 Common Shares issuable on conversion of 5,000 Special Warrants held by 1260806 B.C. Ltd., a company wholly-owned by Mr. Patel.

As of the date of this Prospectus, directors and officers of the Company, as a group, own or control or exercise direction over 23,385,000 Common Shares, being 27.36% of the issued Common Shares.

### *Directors and Officers – Biographies*

**Erich Perroulaz - 54 - Chairman & Chief Executive Officer**

Erich is a Swiss entrepreneur with over thirty years' experience in the international investment industry. His previous positions include heading the representative office Switzerland for Hansberger Global Investors from 1998 until 2010 as well as holding different positions for international investment banks from 1988 until 1997**.**

**Raymond O'Neil – 59 - Director**

Raymond has worked in the Asset Management industry since 1987, in senior positions with global organisations. His experience includes operations, dealing with investors and regulators, acting as an expert witness, and advising on the structuring of funds and regulated entities. His previous positions include Chief Executive Officer and Founding Member of Kinetic Partners, Partner in Charge of the Financial Services Group at Robson Rhodes and Managing

Director of the Irish operations of Investors Bank & Trust, a global fund administrator and custodian. Mr. O'Neill is an FCCA, a CFA, and also holds a Dip IoD and has worked as a non-executive director since 2014.

**Anthony Zelen – 49 - Director**

Anthony has over 23 years of experience in finance, investor relations, start-ups and corporate development. He has served as a director and officer for a number of public companies listed both in the United States and Canada in roles relating to investor relations, public relations, financing and strategic marketing for companies in the technology, mining and oil and gas sectors. Mr. Zelen received an undergraduate degree from Simon Fraser University.

**Denis Silva - 41 - Director**

Denis is a partner at DLA Piper (Canada) LLP, an international law firm, advising clients on corporate finance and merger and acquisition transactions with a focus on the technology and mining sectors. Denis has been recognized by Lexpert and Chambers, and has acted for a wide variety of companies listed on Canadian and US exchanges. Denis holds a B.A. from the University of British Columbia, an M.P.A. from Queen's University, and an LL.B from the University of Windsor.

**Meetul Patel – 28 – Chief Financial Officer**

Meetul has worked in capital markets for the past two years and formerly as a Senior Accountant at KPMG LLP. His responsibilities include financial planning and analysis, tax, and audit. Mr. Patel received a Bachelor of Business Administration (Hons) degree from Simon Fraser University and obtained his Chartered Professional Accountant designation at KPMG LLP.

***Committees***

The only committee of the Board of Directors of the Company is the Audit Committee. The Audit Committee of the Company consists of 3.

***Cease Trade Orders***

No director or executive officer of the Company is, as at the date of this Prospectus, or was within 10 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any company that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person as acting in the capacity as director, chief executive officer or chief financial officer.

***Bankruptcies***

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is as at the date of the Prospectus, or has been within the 10 years before the date of the Prospectus, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has within the 10 years before the date of the Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

***Penalties or Sanctions***

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

***Conflicts of Interest***

Conflicts of interest may arise as a result of the directors and officers of the Company also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under British Columbia corporate law. Directors who are in a position of conflict will abstain from voting on any matters relating to the conflicting company.

## EXECUTIVE COMPENSATION

In this section "**Named Executive Officer**" or "**NEO**" means each individual who acted as chief executive officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year (a "**CEO**"), each individual who acted as chief financial officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year (a "**CFO**") and each of the three most highly compensated executive officers, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than CDN$150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year.

### The Company

***Compensation Discussion and Analysis***

Erich Perroulaz, Meetul Patel, Florian Volery and Bernhard Utiger are the Company's only Named Executive Officers.

Executive compensation is intended to be consistent with the Company's business plans, strategies and goals while taking into account various factors and criteria, including competitive factors and the Company's performance. The Company's executive compensation program is intended to provide an appropriate overall compensation package that permits the Company to attract and retain highly qualified and experienced senior executives and to encourage superior performance by the Company. The Company's compensation policies are intended to motivate individuals to achieve and to award compensation based on corporate and individual results. Compensation for the NEOs is intended to reflect a fair evaluation of overall performance.

The Board of Directors of the Company has not appointed a compensation committee and the responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Company's compensation program, recommending compensation of the Company's officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives, is performed by the Board of Directors as a whole. The Board of Directors also assumes responsibility for reviewing and monitoring the long-range compensation strategy for the Company's senior management. The Board of Directors reviews compensation of senior management on an annual basis.

When determining individual compensation levels for the Company's NEOs, a variety of factors will be considered including: the overall financial and operating performance of the Company, each NEO's individual performance and contribution towards meeting corporate objectives and each NEO's level of responsibility and length of service.

The Board of Directors considers the following objectives when reviewing annual compensation: (i) retaining individuals critical to the growth and overall success of the Company; (ii) rewarding achievements of individuals; (iii) providing fair and competitive compensation; and (iv) compensating individuals based on their performance.

The base salary review for each NEO is based on an assessment of factors such as current market conditions and particular skills, including leadership ability and management effectiveness, experience, responsibility and proven or expected performance.

The Company intends to adopt a bonus plan to assist the Company in attracting, retaining and motivating directors, officers, employees, consultants and contractors of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders. It is intended that 10% of the Company's profits post-tax will be allocated to the bonus plan.

The Company has adopted a Share Compensation Plan to assist the Company in attracting, retaining and motivating directors, officer, employees, consultants and contractors of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders. As of the date of this Prospectus, the Company has Nil Options issued and outstanding. See "*Options to Purchase Securities*".

The Company is aware that compensation practices can have unintended risk consequences. At the present time, the Board of Directors is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk.

***Summary Compensation Table***

The Company was not a reporting issuer at any time during the most recently completed period for which financial statements are available. Accordingly, the following table sets out information concerning the expected compensation to be paid to each NEO once the Company becomes a reporting issuer, effective as of date hereof, for the 12 month period after the Listing Date.

| Name and principal position | Salary, consulting fee, retainer or commission ($) | Bonus ($) | Committee or meeting fees ($) | Value of perquisites ($) | Value of all other compensation ($) | Total compensation ($) |
|---|---|---|---|---|---|---|
| **Erich Perroulaz, CEO** | 180,000 | Nil | Nil | Nil | Nil | 180,000 |
| **Meetul Patel, CFO** | 25,000 | Nil | Nil | Nil | Nil | Nil |
| **Florian Volery Head of Operations** | 170,000 | Nil | Nil | Nil | Nil | 170,000 |

| Name and principal position | Salary, consulting fee, retainer or commission ($) | Bonus ($) | Committee or meeting fees ($) | Value of perquisites ($) | Value of all other compensation ($) | Total compensation ($) |
|---|---|---|---|---|---|---|
| **Bernhard Utiger**<br>**Head of Marketing & Sales** | 328,000 | Nil | Nil | Nil | Nil | 324,000 |

### *Incentive Plan Awards*

Option and RSU grants will be used to align executive interests with those of the shareholders of the Company and will be based on the executive's performance, level of responsibility, as well as the terms of the previously issued Options and RSUs to the executive as part of the overall aggregate total compensation package. Options and RSUs may be granted on an annual basis in connection with the review of executives' compensation packages, or upon hire or promotion and as special recognition for extraordinary performance.

### *Pension Plan Benefits*

The Company does not anticipate that it will have a pension, retirement or similar plan.

### *Termination of Employment and Change of Control Benefits*

None of the NEOs currently has any agreement in place with the Company pursuant to which such NEO would be entitled to receive non-standard payments in the event of any termination of employment or a change of control.

### *Director Compensation*

Non-executive directors of the Company will be paid fees for the year following the Listing Date. Directors will also be entitled to receive options in accordance with the terms of the Share Compensation Plan. The timing, amounts, exercise price of those future option-based awards are not yet determined. Directors of the Company will be reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Board of Directors, committees of the Board of Directors or meetings of the shareholders of the Company. It is anticipated that the Company will obtain customary insurance for the benefit of its directors and that the Company will enter into indemnification agreements with each director and officer.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

### The Company

As of the date of this Prospectus, no director or executive officer of the Company or any associate thereof, is indebted to the Company or any of its subsidiaries, or has been at any time during the preceding financial year.

## AUDIT COMMITTEE

### The Audit Committee's Mandate

The mandate of the Audit Committee is to ensure the Company effectively maintains the necessary management systems and controls to allow for timely and accurate reporting of financial information to safeguard shareholder value, to meet all relevant regulatory requirements and to provide recommendations to the Board of Directors in the areas of management systems and controls. The charter of the Audit Committee is attached to this Prospectus as Schedule "A".

**Composition of the Audit Committee**

The Audit Committee of the Company consists of three. Of the members, three will be independent members of the Audit Committee. In accordance with section 6.1.1(3) NI 52-110 relating to the composition of the audit committee for venture issuers, a majority of the members of the Audit Committee will not be executive officers, employees or control persons of the Company.

All members of the Audit Committee are considered to be financially literate as required by section 1.6 of NI 52-110. For a summary of the experience and education of the Audit Committee members see "*Directors and Officers – Biographies*".

**Reliance on Certain Exemptions**

The Company is relying on the exemptions provided for "venture issuers" in section 6.1 of NI 52-110 with respect to Part 3 – *Composition of the Audit Committee* and Part 5 – *Reporting Obligations*.

**External Auditor Service Fees**

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Harbourside CPA to ensure auditor independence. The following table sets out the aggregate fees billed to date by Harbourside CPA for the audit fees and the tax fees for the period from January 19, 2021 (date of incorporation) to May 31, 2021, for each category of fees described:

| Time Period | Audit Fees(1) | Audit Related Fees(2) | Tax Fees(3) | All Other Fees(4) |
|---|---|---|---|---|
| Period from January 19, 2021 (date of incorporation) to May 31, 2021 | \$25,000 | Nil | Nil | Nil |

**Notes:**

(1) "Audit Fees" includes fees necessary to perform the annual audit of the Company's financial statements.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include reviewing interim financial statements and disclosure documents related to financings and other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services, the aggregate fees billed for products and services, other than the services reported under clauses (1), (2) and (3) above.

## CORPORATE GOVERNANCE

Corporate governance refers to the policies and structure of the board of directors of a corporation, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The board of directors is committed to sound corporate governance practices, as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

**Board of Directors**

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the opinion of the board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment.

The board of directors facilitates its exercise of independent judgement in carrying out its responsibilities by carefully examining issues and consulting with outside counsel and other advisors in appropriate circumstances. The

Board of Directors requires management to provide complete and accurate information with respect to the Company's activities and to provide relevant information concerning the industry in which the Company operates in order to identify and manage risks. The Board of Directors is responsible for monitoring the Company's senior officers, who in turn are responsible for the maintenance of internal controls and management information systems.

The Board of Directors of the Company consists of 4. The independent directors are Anthony Zelen and Denis Silva. Erich Perroulaz and Raymond O'Neill are non-independent directors.

**Directorships**

The following directors of the Company are currently directors of other reporting issuers (or equivalent in a foreign jurisdiction):

| Name | Name of Reporting Issuer |
|---|---|
| Anthony Zelen | Jessy Ventures Corp. (TSXV: SARG.P) |
| | Paloma Resources (TSXV: PLO.H) |
| | QMC Minerals (TSXV: QMC) |
| | Pure Extraction Corp. (TSXV: PURX) |
| | Hollister Biosciences Inc. (CSE: DEFN) |
| | New Wave Holdings Corp. (CSE: SPOR) |
| Denis Silva | Nova Royalty (TSXV: NOVR) |
| | Draganfly (CSE: DPRO, NASDAQ: DPRO) |

**Orientation and Continuing Education**

When new directors are appointed to the Board of Directors, they receive an orientation, commensurate with their previous experience on the Company's business and on the responsibilities of directors.

Meetings of the Board of Directors may also include presentations by the Company's management to give the directors additional insight into the Company's business.

**Ethical Business Conduct**

The Board of Directors has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual directors' participation in decisions of the Board of Directors in which the director has an interest, have been sufficient to ensure that the Board of Directors operates independently of management and in the best interests of the Company. Further, the Company's auditor has full and unrestricted access to the Audit Committee at all times to discuss the audit of the Company's financial statements and any related findings as to the integrity of the financial reporting process.

**Nomination of Directors**

The Board of Directors will consider its size each year when it considers the number of directors to recommend to the shareholders for election at the annual meeting of shareholders, taking into account the number required to carry out the Board of Directors' duties effectively and to maintain a diversity of views and experience.

The Board of Directors does not have a nominating committee, and these functions are currently performed by the Board of Directors as a whole. However, if there is a change in the number of directors required by the Company, this policy will be reviewed.

**Compensation**

The Board of Directors is responsible for determining compensation for the officers, employees and non-executive directors of the Company. The Board of Directors annually reviews all forms of compensation paid to officers, employees and non-executive directors, both with regards to the expertise and experience of each individual and in relation to industry peers. See "*Executive Compensation*".

**Other Committees of the Board of Directors**

The Board of Directors has no committees other than the Audit Committee.

**Assessments**

The Board of Directors monitors the adequacy of information given to directors, communication between the Board of Directors and management, and the strategic direction and processes of the Board of Directors and Audit Committee.

## RISK FACTORS

**Risks Relating to COVID-19**

***Worldwide COVID-19 outbreak.***

At the beginning of the year 2020 the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could materially and adversely affect the business of the Company. The Company cannot accurately predict the future impact COVID-19 may have on, among others, the: (i) value of cryptocurrencies, (ii) price of energy and bandwidth, (iii) severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labour availability and supply lines, (iv) availability of essential supplies, (v) purchasing power of the Canadian dollar, or (vi) ability of the Company to obtain necessary financing. Despite global vaccination efforts, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in the future.

As of the date of this Prospectus, the Company has not had any confirmed cases of COVID-19 among any of its employees or contractors. The Company is adopting the advice of public health authorities and adhering to government regulations with respect to COVID-19 in the jurisdictions in which it operates. The following measures have been instituted across the Company to prevent the potential spread of the virus: (i) indefinite closure of its corporate offices in Vancouver; (ii) employees are working remotely; (iii) social distancing practices have been implemented for any and all in-person meetings, with meeting participation via teleconferencing strongly encouraged; (iv) elimination of all non-essential business travel; (v) required 14- day quarantine for any employees returning from out of country travel.

While the Company's operations have not been materially impacted by COVID-19, the Company expects COVID-19 may affect the availability of capital and human resources.

***The COVID-19 outbreak or similar global health crises could affect the Company's ability to access sources of capital.***

The COVID-19 outbreak or similar global health crises could affect the Company's ability to access sources of capital. The extent to which COVID-19 could impact the Company's operations, financial condition, liquidity, results of operations, and cash flows is highly uncertain and cannot be predicted. Negative financial results, uncertainties in the market, and a tightening of credit markets, caused by COVID-19, or a recession, could have a material adverse effect on the Company's liquidity and ability to obtain financing in the future.

***COVID-19 or similar pandemics could adversely impact the Company's business and/or its ability to complete reporting obligations***

If a pandemic, epidemic, or outbreak of an infectious disease including the recent outbreak off respiratory illness caused by a novel coronavirus such as COVID-19 or other public health crisis were to affect the Company's facilities, staff, accountants or advisors, our business could be adversely and materially affected. Such a pandemic could result in mandatory social distancing, travel bans, and quarantine restrictions, and this may limit access to the Company's employees and professional advisors. These factors may hamper the Company's efforts to comply with it filing obligations with the CSE or as required under Canadian securities laws.

**General Cryptocurrency Risks**

*Cybersecurity Risks*

Cybersecurity incidents and cyber-attacks have been occurring globally with more frequency and a greater level of severity and will likely continue to increase in frequency in the future. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures that Spirit uses to protect its systems. Failures of Spirit's cybersecurity system could harm its reputation, subject it to legal claims and otherwise materially and adversely affect its business, financial condition and results of operations.

The blockchain industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups, including state-sponsored actors, having authorized or unauthorized access to Spirit's systems or Spirit's clients' or counterparties' information, all of which may include confidential information. These individuals or groups include employees, third-party service providers, customers and hackers. The information and technology systems used by Spirit and its are vulnerable to unauthorized access, damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; fraud; security breaches; usage errors by their respective professionals; power outages; terrorism; and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

While Spirit will deploy a range of defenses, it is possible Spirit could suffer an impact or disruption that could materially and adversely affect it. The security of the information and technology systems used by Spirit and its service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in Spirit's business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, Spirit may have to make a significant investment to fix or replace them.

Spirit relies on a variety of technologies to provide security to its systems. Spirit's infrastructure is potentially vulnerable to computer break-ins and similar disruptive problems. Spirit could also suffer from an internal security breach. Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions. If a third party or employee were to misappropriate, misplace or lose corporate information, including financial and account information, customers' personal information, Spirit's business may be harmed. Spirit may be required to expend significant capital and other resources to protect against these security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to Spirit's systems or databases or those of Spirit's partners or contractors, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose Spirit to monetary liability, lead to inquiries and fines or penalties from regulatory or governmental authorities, lead to reputational harm and make users less confident in Spirit's services, which could harm Spirit's business, financial condition and results of operations.

***Cryptocurrency inventory may be exposed to cybersecurity threats and hacks***

In the recent past, flaws in cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare across all cryptocurrencies.

***Regulatory changes or actions may alter the nature of an investment or restrict the use of cryptocurrencies in a manner that adversely affects operations***

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Company to continue to operate.

The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company.

Governments may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation. For example, on July 25, 2017 the United States Securities and Exchange Commission released an investigative report which indicates that the United States Securities and Exchange Commission would, in some circumstances, consider the offer and sale of blockchain tokens pursuant to an initial coin offering subject to U.S. securities laws.

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Company's shares. Such a restriction could result in the Company liquidating assets at unfavorable prices and may adversely affect the Company's shareholders.

***Cryptocurrency assets are highly volatile and speculative in nature.***

Masternodes, ASIC miners and validators are paid by the blockchain network in exchange for the capital and operating costs associated with their construction and operation. Given the highly volatile nature of cryptocurrencies with respect to pricing, hashing power, and block reward, the Company cannot guarantee that the net asset value of a blockchain asset, or the block reward associated with any particular token will remain at current levels or rise in the future.

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

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over the counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company's assets and thereby affect the Company's shareholders.

***Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure.***

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of BTC Exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed BTC Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such BTC Exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

***Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment.***

A number of companies that provide BTC and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to BTC and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide BTC and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of many or of a few key businesses providing BTC and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Company's assets.

***The impact of geopolitical events on the supply and demand for cryptocurrencies is uncertain.***

Crises may motivate large scale purchases of cryptocurrencies which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis driven purchasing behavior wanes, adversely affecting the value of the Company's assets.

The possibility of large scale purchases of cryptocurrencies in times of crisis may have a short term positive impact on the prices of. For example, in March 2013, a report of uncertainty in the economy of the Republic of Cyprus and the imposition of capital controls by Cypriot banks motivated individuals in Cyprus and other countries with similar economic situations to purchase BTCs. This resulted in a significant short term positive impact on the price of BTCs. However, as the purchasing activity of individuals in this situation waned, speculative investors engaged in significant sales of BTCs, which significantly decreased the price of BTCs. Crises of this nature in the future may erode investors' confidence in the stability of cryptocurrencies and may impair their price performance which would, in turn, adversely affect the Company's investments.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies such as Bitcoin and Ethereum, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralised means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large scale acquisitions or sales of BTCs either globally or locally. Large scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Company's operations and profitability.

***The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.***

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Company's operations. The factors affecting the further development of the industry, include, but are not limited to:

- continued worldwide growth in the adoption and use of cryptocurrencies;
- governmental and quasi governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open source software protocol of the network;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer sentiment and perception of BTCs specifically and cryptocurrencies generally.

***Acceptance and/or widespread use of cryptocurrency is uncertain.***

Currently, there is relatively small use of BTCs and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Company's operations, investment strategies, and profitability.

As relatively new products and technologies, BTC, the Bitcoin Network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short term or long term holding of cryptocurrencies. The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies, and profitability.

***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.

**Company-Specific Cryptocurrency Risks**

***The Company's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.***

The Company competes with other users and/or companies that own and run proof-of-stake operations, and to a more limited extent, those companies which mine cryptocurrencies and other potential financial vehicles, possibly including securities backed by or linked to cryptocurrencies through entities similar to the Company. Market and financial conditions, and other conditions beyond the Company's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly which could limit the market for the Company's shares and reduce their liquidity.

***The Company's cryptocurrency holdings may be subject to loss, theft or restriction on access.***

There is a risk that some or all of the Company's cryptocurrency holdings could be lost or stolen and these events may adversely affect the operations of the Company and, consequently, its investments and profitability.

Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public Blockchain.

***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. See safeguarding of crypto assets for further discussion of security protocols.

Even if Spirit obtains insurance for certain potential liabilities in the future, such insurance will not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts refundable. Even if Spirit believes a claim is covered by insurance, insurers may dispute Spirit's entitlement for a variety of different reasons, which may affect the timing and, if the insurers prevail, the amount of Spirit's recovery. Any claims or litigation, even if fully indemnified or insured, could damage Spirit's reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

***Incorrect or fraudulent transactions may be irreversible.***

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred coins may be irretrievable. As a result, any incorrectly executed or fraudulent coin transactions could adversely affect the Company's investments.

Coin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of a coin or a theft of coin generally will not be reversible and the Company may not be capable of seeking compensation for any such transfer or theft. Although the Company's transfers of coins will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, the Company's coins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

***If the rewards of cryptocurrencies for solving blocks and transaction fees are not sufficiently high, mining operations, validators and Masternodes may not have an adequate incentive to continue mining and may cease their mining operations.***

As the value of tokens awarded for solving a block in a network decreases, the incentive to continue to contribute processing power to the network will decrease. This may result in a requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain, and may decrease demand for that particular token and prevent the continued expansion of the network, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrency inventory, mining revenues and associated blockchain investments.

***Bitcoin halving risk.***

Bitcoin halving is an event where the block reward for mining new Bitcoin is halved, meaning that bitcoin miners will receive 50% less Bitcoin for every transaction they verify. In 2009, when Bitcoin was first launched the reward for mining a new block was 50 Bitcoins. As of the most recent halving in May 2020, the reward is only 6.25 Bitcoin per block as of the date of this Prospectus. See "*Ongoing Business of the Company – Introduction to Blockchain and Cryptocurrency – Bitcoin Halving Event*".

It is anticipated that each subsequent halving event will cause many less efficient miners to shut off their miners in the medium to long term unless the price of Bitcoin rises significantly. This will result in a decrease in the Bitcoin network's overall Hashrate and the corresponding difficulty number. Without a corresponding increase in the price of Bitcoin, the Company's revenue will be negatively impacted. If the price of Bitcoin and the network Hashrate and difficulty numbers remain flat, the Company's corresponding revenue would be reduced by 50%. The future price of Bitcoin and the difficulty number are challenging to forecast. The Company believes that although the halving event would reduce the block reward by 50%, other market factors such as the network difficulty rate and price of Bitcoin would change to offset the impact of the halving sufficiently for the Company to maintain profitability. Nevertheless, there is a risk that a halving event will render the Company unprofitable and have a material adverse impact on the Company's business, financial conditions and operations.

***The price of coins may be affected by the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets.***

To the extent that other vehicles investing in coins or tracking cryptocurrency markets form and come to represent a significant proportion of the demand for coins, large redemptions of the securities of those vehicles and the subsequent sale of coins by such vehicles could negatively affect cryptocurrency prices and therefore affect the value of the inventory held by the Company.

**Other Company Risks**

***Financing risks.***

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

***Insufficient financial resources.***

The Company may not have sufficient financial resources or crypto revenues to pay operating expenses.

***Negative operating cash flow.***

The Company has incurred substantial losses since its inception and continues to incur losses and experience negative cash flows. The Company cannot predict if or when it will operate profitably or generate positive cash flows or if it will be able to implement its business strategy successfully. Pursuing the Company's strategy requires it to incur significant expenditures for research and product development, marketing, and general administrative activities. As a result, the Company needs to continue to grow its revenues and gross margins to achieve and sustain profitability and positive operating cash flows, and it may need to raise additional capital.

***A shareholder's holding in the Company may be diluted if the Company issues additional Common Shares or other securities in the future.***

The Company may issue additional Common Shares or other securities in the future, which may dilute a shareholder's holding in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders have no pre-emptive rights in connection with further issuances of any securities. The directors of the Company have the discretion to determine if an issuance of Common Shares or other securities is warranted, the price at which any such securities are issued and the other terms of issue of Common Shares or securities. In addition, the Company's may issue additional Common Shares upon the exercise of incentive stock options to acquire Common Shares under its share compensation plan, which will result in further dilution to shareholders. In addition, the issuance of Common Shares or other securities in any potential future acquisitions, if any, may also result in further dilution to shareholder interests.

***The Company's adoption of new business models could fail to produce any financial returns.***

Forecasting the Company's revenues and profitability for new business models is inherently uncertain and volatile. The Company's actual revenues and profits for its business models may be significantly less than the Company's forecasts. Additionally, the new business models could fail for one or more of the Company's products and/or services, resulting in the loss of Company's investment in the development and infrastructure needed to support the new business models, and the opportunity cost of diverting management and financial resources away from more successful businesses.

***The Company will be affected by operational risks and may not be adequately insured for certain risks.***

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's technologies, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

***There are risks associated with the regulatory regime and permitting requirements of the Company's business.***

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 cash flows.

***The Company may be subject to the risks associated with future acquisitions.***

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Any such future acquisitions, if completed, may expose the Company to additional potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

***The Company's inability to retain management and key employees could impair the future success of the Company.***

The Company's future success depends substantially on the continued services of its executive officers and its key development personnel. If one or more of its executive officers or key development personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose experience, know-how, key professionals and staff members as well as business partners. These executive officers and key employees could develop drone technologies that could compete with and take customers and market share away from the Company.

***Ability to manage growth***

Spirit may experience rapid growth in the scope of its operations. Growth may result in increased responsibilities for Spirit's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, Spirit will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that Spirit will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support Spirit's expansion. Any failure to implement cohesive and efficient operating, financial, and management information systems, to add resources on a cost-effective basis or to otherwise properly manage Spirit's expansion could have a material adverse effect on its business and results of operations.

***Risks associated with market expansion and growth***

Any future expansion into new markets could place Spirit in unfamiliar competitive environments and involve various risks, including incurring losses or failing to comply with applicable laws and regulations. Such expansion would also require significant resources and management time, and there is no guarantee that, after expending such resources and time, Spirit would receive the necessary approvals to operate in such new markets. If Spirit were granted authority to operate in such new markets, it is possible that returns on such investments would not be achieved for several years, if at all. There is no guarantee that Spirit's business model will be successful in a new market, that Spirit could maintain acceptable profit margins in any such new market, or that international expansion would help grow Spirit's business. If Spirit is unable to successfully expand operations into new markets, future growth rates may be harmed.

As Spirit grows its business, its employee headcount and the scope and complexity of its business may increase dramatically. Spirit only has a limited operating history at its current scale and its management team does not have substantial tenure working together. Consequently, if Spirit's business grows at a rapid pace, it may experience difficulties maintaining this growth and building the appropriate processes and controls. Growth may increase the strain on resources, cause operating difficulties, including difficulties in sourcing, logistics, maintaining internal controls, marketing, designing products and services and meeting customer needs.

In addition, Spirit may seek to run additional business lines and, while these business lines are anticipated to be complimentary, there can be no assurance that Spirit will be able to effectively deliver internal or external resources effectively to each business line as and when needed, particularly when multiple business lines are experiencing high levels of need at the same time.

***Force majeure risks***

Spirit may be affected by events beyond its control, including acts of nature, fires, floods, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, civil unrest, change in overall legal framework and labor strikes. Some such events may adversely affect the ability of Spirit or a counterparty to Spirit to perform its obligations. In addition, the cost to Spirit of repairing or replacing its damaged reputation or assets as a result of such an event could be considerable. Certain events such as war or an outbreak of an infectious disease could have a broader negative impact on the world economy and international business activity generally, or in any location in which Spirit may invest or conduct its business specifically.

***The Company faces uncertainty and adverse changes in the economy.***

Adverse changes in the economy could negatively impact the Company's business. Future economic distress may result in a decrease in value of the Company's assets and investments, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with acquiring or operating technology, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

***The Company may be subject to electronic communication security risks.***

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

***The Company's business could be adversely affected if its consumer protection and data privacy practices are not perceived as adequate or there are breaches of its security measures or unintended disclosures of its consumer data.***

The rate of privacy law-making is accelerating globally and interpretation and application of consumer protection and data privacy laws in Canada, the United States, Europe and elsewhere are often uncertain, contradictory and in flux. As business practices are being challenged by regulators, private litigants, and consumer protection agencies around the world, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with the Company's data and/or consumer protection practices. If so, this could result in increased litigation government or court imposed fines, judgments or orders requiring that the Company change its practices, which could have an adverse effect on its business and reputation. Complying with these various laws could cause the Company to incur substantial costs or require it to change its business practices in a manner adverse to its business.

***The Company may rely on its business partners, and they may be given access to systems in order to provide services and support to the Company's teams.***

The Company relies on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees, among others, in some areas of the Company's business. In some cases, these third parties are given access to systems in order to provide services and support to the Company's teams. These third parties may misappropriate the Company's information and engage in unauthorized use of it. The failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to the Company's business operations. Further, disruptions in the financial markets and economic downturns may adversely affect the Company's business partners and they may not be able to continue honoring their obligations to the Company. Alternative arrangements and services may not be available to the Company on commercially reasonable terms or the Company may experience business interruptions upon a transition to an alternative partner or vendor. If the Company loses one or more significant business partners, the Company's business could be harmed.

***The Company may experience adverse effects on its reported results of operations as a result of adopting new accounting standards or interpretations.***

The Company's implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, could adversely affect its reported financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

***Failure to adhere to the Company's financial reporting obligations and other public company requirements could adversely affect the market price of the Common Shares.***

The Company is subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and the rules of any stock exchange on which the Common Shares are listed. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. If the Company is unable to meet such demands in a timely and effective manner, its ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in its reported financial information, which could result in a reduction in the trading price of the Common Shares.

In addition, the Company does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to errors or fraud may occur and may not be detected in a timely manner or at all.

***Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Company's reported financial results or financial condition.***

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Company's reported financial performance or financial condition in accordance with generally accepted accounting principles.

***If the Company is required to write down goodwill and other intangible assets, the Company's financial condition and results could be negatively affected.***

Goodwill impairment arises when there is deterioration in the capabilities of acquired assets to generate cash flows, and the fair value of the goodwill dips below its book value. The Company is required to review its goodwill for impairment at least annually. Events that may trigger goodwill impairment include deterioration in economic conditions, increased competition, loss of key personnel, and regulatory action.

***From time to time, the Company may become involved in legal proceedings, which could adversely affect the Company.***

The Company may, from time to time in the future, become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on the Company's business, operating results, or financial condition.

***The Company's directors and officers may have conflicts of interest in conducting their duties.***

Because directors and officers of the Company are or may become directors or officers of other reporting companies or have significant shareholdings in other technology companies, the directors and officers of the Company may have conflicts of interest in conducting their duties. The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against a particular matter in which the director has the conflict. In appropriate cases, the Company will establish a special committee of independent directors to review a particular matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Executive officers and directors may have rights to indemnification from the Company.

***Forward-looking statements and information may prove inaccurate.***

Shareholders and prospective investors are cautioned not to place undue reliance on the Company's forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading. See "Note Regarding Forward-Looking Information".

***The Company will be subject to additional regulatory burden resulting from its public listing on the CSE.***

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE or any other stock exchange. In anticipation of Listing, the Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to its financial management control systems to manage its obligations as a public company. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including its internal controls over financial reporting. However, the Company cannot assure purchasers of Common Shares that these and other measures that it might take will be sufficient to allow it to satisfy its obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that it might incur, the timing of such costs or the impact that management's attention to these matters will have on its business.

**Risks Related to the Securities of the Company**

***No established market.***

Although the Company has applied for the listing of the Common Shares on the CSE, there is currently no market through which the Company's securities may be sold and purchasers may not be able to resell the Common Shares purchased under this Prospectus. An active public market for the Common Shares might not develop or be sustained after this Special Warrant Offering. Even if a market develops, there is no assurance that the price of the Common Shares offered under this Prospectus, which has been determined by negotiations between the Company and representatives of the Agent, will reflect the prevailing market price of the Common Shares following this Special Warrant Offering. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the initial public offering price.

***The market for securities has experienced a high level of price and volume volatility and market prices are subject to wide fluctuations.***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. An active public market for the Common Shares may never develop or otherwise be sustained. If an active public market for the Common Shares does not develop or, if one develops but it is not sustained, the liquidity of a shareholder' investment in the Common Shares may be very limited and the share price may decline.

***The Company has not paid any dividends to date.***

To date, the Company has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Company will be made by the Board on the basis of its earning, financial requirements and other conditions.

***Global financial conditions have been volatile and in some cases the access to capital markets has been restricted.***

Current global financial conditions have been subject to increased volatility and in some cases the access to financial markets has been restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these levels of volatility and market instability continue, the Company's operations could be adversely impacted and the value and price of the Common Shares could continue to be adversely affected.

***Tax issues.***

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

## PROMOTERS

The Company confirms there are no promoters of the Company within the meaning of applicable securities legislation.

## LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings and the Company does not know of any such proceedings that are contemplated.

## REGULATORY ACTIONS

The Company does not know of any:

(a) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years preceding the date of this Prospectus;

(b) any other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and

(c) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years preceding the date of this Prospectus.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed above under the heading "*Executive Compensation*", no Insider, director or executive officer of the Company and no associate or affiliate of any director, executive officer or Insider has any material interest, direct or indirect, in any transaction within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company.

## AUDITORS

The Company's independent auditor is Harbourside CPA, located at 1140 – 1185 W. Georgia St. Vancouver, BC, V6E 4E6.

## REGISTRAR AND TRANSFER AGENT

Prior to filing the final prospectus, the Company intends to appoint Olympia Trust Company as the transfer agent and registrar for the Company's Common Shares at its office located at 925 West Georgia St. #1900, Vancouver, BC V6C 3L2.

## MATERIAL CONTRACTS

There are no contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company, other than as set forth below:

(a) the Amalgamation Agreement; and

(b) the Escrow Agreement, referred to under "*Escrowed Securities*".

## EXPERTS AND INTERESTS OF EXPERTS

Certain matters relating to the Special Warrant Offering will be passed upon on behalf of the Company by McMillan LLP. As of the date of this Prospectus, McMillan LLP beneficially owns, directly or indirectly, in the aggregate, less than 1% of the outstanding securities of the Company.

The independent auditor of the Company is Harbourside CPA. The auditor is independent with respect to the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

## OTHER MATERIAL FACTS

There are no material facts relating to the Company or the Special Warrant Offering other than as disclosed herein that are necessary to be disclosed for this Prospectus to contain full, true and plain disclosure of all material facts.

## AGENTS FOR SERVICE OF PROCESS

Erich Perroulaz, the CEO and director of the Company, and Raymond O'Neill, a director of the Company reside outside of Canada and have appointed the following agent(s) for service of process:

| Name of Person or Company | Name and Address of Agent |
|---|---|
| Erich Perroulaz | DLA Piper (Canada) LLP |
| Raymond O'Neill | DLA Piper (Canada) LLP |

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

## PURCHASERS' STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of special warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the Prospectus is limited, in certain provincial securities legislation, to the price at which the special warrants are offered to the public under the Prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

## CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

The Company has granted to each holder of Special Warrants a contractual right of recession of the prospectus-exempt transaction under which the Special Warrants were initially acquired. The contractual right of rescission provides that if a holder of Special Warrants who acquires Common Shares on exercise of the Special Warrants as provided for in this Prospectus is, and becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to this Prospectus containing a misrepresentation: (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the Special Warrant Offering under which the Special Warrant was initially acquired, (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company and on the acquisition of the Special Warrants, and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and a refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

**Financial Statement Disclosure**

SCHEDULE “A” AUDIT COMMITTEE CHARTER

SCHEDULE “B” SPIRIT BLOCKCHAIN CAPITAL INC. AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD FROM JANUARY 19, 2021 (DATE OF INCORPORATION) TO MAY 31, 2021 AND SPIRIT BLOCKCHAIN CAPITAL INC. MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE PERIOD FROM JANUARY 19, 2021 (DATE OF INCORPORATION) TO MAY 31, 2021

SCHEDULE “C” SPIRIT BLOCKCHAIN HOLDINGS INC. AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 AND UNAUDITED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021 AND SPIRIT BLOCKCHAIN HOLDINGS INC. MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 AND UNAUDITED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2021

SCHEDULE “D” SPIRIT BLOCKCHAIN CAPITAL INC. (FORMERLY 1284696 B.C. LTD.) AND SPIRIT BLOCKCHAIN HOLDINGS INC. PRO FORMA FINANCIAL STATEMENTS AS AT MAY 31, 2021

# SCHEDULE A

# AUDIT COMMITTEE CHARTER

**SPIRIT BLOCKCHAIN CAPITAL INC.**

# AUDIT COMMITTEE CHARTER

## I. PURPOSE

This charter sets out the Audit Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the "**Board**") of Spirit Blockchain Capital Inc. (the "**Company**"), annual evaluation and compliance with this charter. The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

## II. COMPOSITION

A. A majority of the members of the Audit Committee must not be executive officers, employees or control persons of the Company or of an affiliate of the Company, as defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), provided that should the Company become listed on a more senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange and of NI 52-110.

B. The Audit Committee will consist of at least three members, all of whom must be directors of the Company. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, each member of the Audit Committee will also satisfy the financial literacy requirements of such exchange and of NI 52-110.

C. The Chair of the Audit Committee will be appointed by the Board.

## III. AUTHORITY

A. In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

1. engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;

2. communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

3. incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

## IV. DUTIES AND RESPONSIBILITIES

A. The duties and responsibilities of the Audit Committee include:

1. recommending to the Board the external auditor to be nominated by the Board;

2. recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;

3. reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);

4. overseeing the work of the external auditor;

5. ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to Company;

6. ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;

7. ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;

8. reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("**MD&A**"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;

9. reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;

10. reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing

standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;

11. reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;

12. reviewing the external auditor’s report to the shareholders on the Company’s annual financial statements;

13. reporting on and recommending to the Board the approval of the annual financial statements and the external auditor’s report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;

14. satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company’s disclosure of financial information extracted or derived from the Company’s financial statements that such information is fairly presented;

15. overseeing the adequacy of the Company’s system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management’s remediation of identified weaknesses;

16. reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;

17. reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;

18. satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company’s legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;

19. resolving disputes between management and the external auditor regarding financial reporting;

20. establishing procedures for:

  a) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto, and

  b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

21. reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;

22. pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;

23. overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;

24. establishing procedures for:

a) reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;

b) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("**CFO**") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;

c) obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("**CEO**") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;

d) reviewing fraud prevention policies and programs, and monitoring their implementation;

e) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:

i. tax and financial reporting laws and regulations;

ii. legal withholding requirements;

iii. environmental protection laws and regulations;

iv. other laws and regulations which expose directors to liability; and

B. A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

C. On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

D. On an annual basis, the Audit Committee shall require the Company's Chief Executive Officer and Chief Financial Officer to evaluate, or cause to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as at the Company's financial year end date and to report the results of their evaluation to the Audit Committee prior to the Audit Committee approving the Company's annual financial statements.

## V. TERM

The members of the Audit Committee shall be appointed by designation of the Board and shall continue to be a member thereof until the earlier of (i) the Board, at its discretion, decides to remove the member from the Committee, or (ii) the expiration of his or her term of office as a Director. Vacancies at any time occurring shall be filled by designation of the Board.

## VI. MEETINGS

The Committee shall meet at least once per year or more frequently as circumstances dictate. A majority of the members appearing at a duly convened meeting shall constitute a quorum and the Committee shall maintain minutes or other records of its meetings and activities. The Chair shall be responsible for leadership of the Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. These documents will be shared with the Board as needed to discharge the Committee's delegated responsibilities and stored in a centralized electronic archive administered by the Corporate Secretary. In case of absence of the Chair, the participating Audit Committee members will designate an interim Chair. The Committee may invite members of Management or others to attend their meetings and they will be asked to step-out during sensitive conversations. As part of its responsibility to foster open communication, the Committee should meet at least annually with each of the CEO and Chief Financial Officer in separate executive sessions to discuss any matters that the Committee or the executive officers believe should be discussed privately with the Committee.

## VII. REPORTS

A. The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

B. The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

## VIII. MINUTES

A. The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## IX. ANNUAL PERFORMANCE EVALUATION

A. The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the charter, to determine the effectiveness of the Committee.

This charter was adopted by the Board effective August 23, 2021.

# SCHEDULE B

# FINANCIAL STATEMENTS OF THE COMPANY
# AND MANAGEMENT'S DISCUSSION AND ANALYSIS

**Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. LTD.)

Financial Statements

For the period from incorporation on January 19, 2021 to May 31, 2021

Expressed in Canadian Dollars

## **Spirit Blockchain Capital Inc.** (formerly 1284696 B.C LTD.)

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HARBOURSIDE CPA

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd.)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd.) (the "Company"), which comprise the statement of financial position as at May 31, 2021 and the statement of loss and comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the period from incorporation on January 19, 2021 to May 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021, and its financial performance and its cash flows for the period from incorporation on January 19, 2021 to May 31, 2021 in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about Spirit Blockchain Capital Inc.'s (formerly 1284696 B.C. Ltd.) ability to continue as a going concern.

**Information other than the Consolidated Financial Statements and the Auditor's Report thereon**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

t 604.688.7227
f 604.681.7716
harboursidecpa.com
SUITE 1140–1185
WEST GEORGIA STREET,
VANCOUVER, BC V6E 4E6

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mickey Goldstein.

| | |
|---|---|
| Vancouver, British Columbia | Harbourside CPA, LLP |
| [Audit report date] | Chartered Professional Accountants |

**Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. LTD.)
Statement of Financial Position
As at May 31, 2021
(Expressed in Canadian Dollars)

| | | **May 31, 2021** |
|---|---|---|
| **Assets** | | |
| Current: | | |
| Cash and cash equivalents (Note 3) | $ | 282,882 |
| | **$** | **282,882** |
| **Liabilities** | | |
| Current: | | |
| **Accounts payable and accrued liabilities** | $ | 18,526 |
| | | **18,526** |
| **Shareholders' Equity** | | |
| Share capital | | 268,000 |
| Special warrants | | 17,350 |
| Deficit | | (20,994) |
| Total shareholders' equity | | 264,356 |
| **Total liabilities and shareholders' equity** | **$** | **282,882** |

Nature of business and going concern (Note 1)

Approved on behalf of the board of directors:

*"Erich Perroulaz"*
**Erich Perroulaz, Director**

The accompanying notes form an integral part of these financial statements.

**Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. LTD.)
Statement of Changes in Shareholders' Equity
For the period from incorporation on January 19, 2021 to May 31, 2021
(Expressed in Canadian Dollars)

| | Note | Number of Shares | Number of Special Warrants | Share Capital Amount $ | Special Warrants Amount $ | Deficit $ | Total Shareholders' Equity $ |
|---|---|---|---|---|---|---|---|
| Balance, January 19, 2021 (date of incorporation) | | 1 | - | - | - | - | - |
| Issuance of common shares | | 13,400,000 | - | 268,000 | - | - | 268,000 |
| Special warrants issued | | - | 347,000 | - | 17,350 | - | 17,350 |
| Loss for the period | | - | - | - | - | (20,994) | (20,994) |
| **Balance, May 31, 2021** | | **13,400,001** | **347,000** | **268,000** | **17,350** | **(20,994)** | **264,356** |

The accompanying notes form an integral part of these financial statements

## **Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. LTD.)

Statement of Loss and Comprehensive Loss
For the period from Incorporation on January 19, 2021 to May 31, 2021
(Expressed in Canadian Dollars)

| | | For the period from January 19, 2021 to May 31, 2021 |
|---|---|---|
| Expenses: | | |
| Legal and professional fees | $ | 18,321 |
| Office and miscellaneous | | 2,651 |
| Interest and bank charges | | 22 |
| Net and comprehensive loss | $ | 20,994 |
| Loss per common share – basic and diluted | $ | **(0.00)** |
| Weighted average number of common shares outstanding – basic and diluted | | **4,639,160** |

The accompanying notes form an integral part of these financial statements

**Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. LTD.)

Statement of Cash Flows
For the period from incorporation on January 19, 2021 to May 31, 2021
(Expressed in Canadian Dollars)

| | | **For the period from January 19, 2021 to May 31, 2021** |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities | | |
| Net loss for the period | **$** | (20,994) |
| Changes in non-cash working capital: | | |
| Accounts payable and accrued liabilities | | 18,526 |
| | | (2,468) |
| Financing activities | | |
| Proceeds from common share issuances | | 268,000 |
| Proceeds from special warrants | | 17,350 |
| | | 285,350 |
| Change in cash | | 282,882 |
| Cash, beginning of period | | - |
| Cash, end of period | **$** | 282,882 |

The accompanying notes form an integral part of these financial statements

## 1. NATURE OF BUSINESS AND GOING CONCERN

Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd.) (the "Company") was incorporated on January 19, 2021 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

On April 28, 2021, the Company entered into a definitive agreement with Spirit Blockchain Capital Inc. ("Spirit Blockchain") whereby the Company will acquire all of the issued and outstanding ordinary shares in the capital of Spirit Blockchain (the "Transaction") by way of a reverse takeover ("RTO"). It is contemplated that the Transaction will take place whereby the Company will acquire all of the issued and outstanding securities of Spirit Blockchain in exchange for the issuance of 46,000,000 shares in the Company to former Spirit Blockchain Shareholders on a pro rata basis, which will result in Spirit Blockchain becoming a 100% wholly-owned subsidiary of the Company.

Following the closing of the acquisition of Spirit Blockchain by the Company pursuant to the terms of the Amalgamation Agreement, Spirit Blockchain will become a wholly owned subsidiary of the Company that will result in it becoming a reporting issuer and will apply to list (the "Listing") its common shares on the Canadian Stock Exchange ("CSE"). The Company will carry on the business of Spirit Blockchain.

These financial statements have been prepared on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a loss of $20,994 during the period ended May 31, 2021 and has working capital as at May 31, 2021 of $264,356, and has accumulated deficit as at May 31, 2021 of $20,994. The Company does not earn revenue and is reliant on share issuances for its funding. There is no assurance that sufficient funding (including adequate financing) will be available to conduct its business. These factors present a material uncertainty over the Company's ability to continue as a going concern. The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern.

*Global outbreak of COVID-19*

In March 2020 there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements were reviewed, approved and authorized for issuance by the Company's Board of Directors on July XX, 2021.

## 1. NATURE OF BUSINESS AND GOING CONCERN (continued)

***Basis of presentation***

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. These financial statements are presented for the period from incorporation on January 19, 2021 to May 31, 2021. All amounts in the financial statements are presented in Canadian dollars, unless otherwise noted, which is also the Company's functional currency.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Significant estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

**Significant judgments**

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

***Cash and cash equivalents***

The Company considered all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

***Share capital***

Common shares and special warrants are classified as equity. Transaction costs directly attributable to the issue of common shares and special warrants are recognized as a deduction from equity as share issue costs, net of any tax effects. Common shares issued for consideration other than cash are valued based on their fair value at the date the shares are issued.

Share issue costs and other legal fees related to and incurred in advance of share subscriptions are recorded as deferred financing costs. Share issue costs related to uncompleted share subscriptions are charged to profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Share-based payments*

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized is transferred to deficit. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### *Loss per share*

Basic earnings (loss) per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

### *Income taxes*

*Current income tax:*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax:*
Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Income taxes** (continued)*

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

***Provisions***

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

***Financial instruments***

The Company recognizes financial assets and financial liabilities at fair value on the date the Company becomes a party to the contractual provisions of the instruments.

The Company classifies its financial assets into the following categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost.

The Company classifies its financial liabilities at amortized cost. Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or accumulated other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's financial assets and financial liabilities are classified and measured as follows:

| Asset/Liability | Measurement Category |
|---|---|
| Cash | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |

(Expressed in Canadian Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

***Standards issued but not yet effective***

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2021. These updates are not applicable or consequential to the Company and have been omitted from discussion herein.

## 3. CASH AND CASH EQUIVALENTS

| | | May 31, 2021 |
|---|---|---|
| Cash | $ | 172,965 |
| Funds held in trust | | 109,917 |
| | $ | 282,882 |

## 4. SHARE CAPITAL

### a. Authorized

Unlimited number of common shares without par value.

### b. Issued and outstanding

During the period from January 19, 2021, date of incorporation to May 31, 2021, the Company completed the following transactions:

i) On January 19, 2021, 1 common share was issued to the incorporator of the Company for $nil.
ii) On April 16, 2021, the Company issued 13,400,000 common shares at $0.02 per share for gross proceeds of $268,000.

### c. Special warrants

On May 6, 2021, the Company issued a total of 347,000 Special Warrants at the $0.05 per Special Warrant for gross proceeds of $17,350. The special warrants automatically convert to common shares for no additional consideration on the date that is earlier of: (i) the third business day after receipt for a final Prospectus qualifying the distribution of the Special Warrant Shares; and (ii) September 7, 2021. Any Special Warrants exercised prior to the automatic conversion will have a hold period, the later of (i) four months and a day following the date of issuance of the Special Warrant, and (ii) the date the Company becomes a reporting issuer in a jurisdiction in Canada.

(Expressed in Canadian Dollars)

## 5. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 27% and the Company's effective income tax expense is as follows:

| | | 2021 |
|---|---|---|
| Earnings (loss) for the year | $ | **(20,994)** |
| Combined federal and provincial rate | | **27%** |
| Expected income tax (recovery) | | **(5,668)** |
| Change in unrecognized deductible temporary differences | | **5,668** |
| Total income tax expense (recovery) | $ | **-** |

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognised deductible temporary differences at May 31, 2021 are as follows:

| | | 2021 |
|---|---|---|
| Non-capital losses | $ | 5,668 |
| **Total unrecognized temporary differences** | **$** | **5,668** |

As at May 31, 2021, the Company has a non-capital loss for income tax purposes of approximately $20,994 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| **Expiry** | | **May 31, 2021** |
|---|---|---|
| 2039 | $ | 20,994 |
| Total | $ | 20,994 |

The Company has not recorded deferred tax assets related to these unused non-capital loss carryforwards as it is not probable that future taxable profits will be available to utilize these losses.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at May 31, 2021, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

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

*Credit risk*
Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

*Liquidity risk*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

*Market risk*
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) 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 the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

(b) Foreign currency risk
The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company.

## 7. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. As at May 31, 2021, the Company's shareholders' equity was $264,356 and current liabilities was $18,526. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company currently is not subject to externally imposed capital requirements.

**Spirit Blockchain Capital Inc.** (formerly 1284696 B.C. LTD.)

**Management's Discussion and Analysis**
**For the period from incorporation on January 19, 2021 to May 31, 2021**

# *Management's Discussion and Analysis*

## Period of incorporation on January 19, 2021 to May 31, 2021

The following management's discussion and analysis ("MD&A") has been prepared by Management. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited annual financial statements and related notes thereto for the period from incorporation on January 19, 2021 to May 31, 2021 of Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd.) (the "Company") and notes thereto. The information provided herein supplements but does not form part of the financial statements. This discussion covers the year ended May 31, 2021 and the subsequent period up to the date of issue of this MD&A. Unless otherwise noted, all dollar amounts are stated in Canadian dollars.

The Company's audited annual financial statements from the period from incorporation on January 19, 2021 to May 31, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, 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 Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A is intended to help the reader understand the Company, its operations, financial performance, current and future business environment and opportunities and risks facing the Company. Certain statements in this report incorporate forward looking information and readers are advised to review the cautionary note regarding such statements in Appendix 1 of this MD&A.

## Description of Business and Overview

Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd.) (the "Company") was incorporated on January 19, 2021 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The Company's head office and principal address is Suite 1570 – 505 Burrard Street, Vancouver BC, V6E 3P3. The registered and records office is 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

The Company has not commenced commercial operations. At present, the Company has no current operating income. Without additional financing, the Company may not be able to fund its ongoing operations and complete its development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

*Global outbreak of COVID-19*

In March 2020 there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**Proposed Transaction**

On April 28, 2021, the Company entered into a definitive agreement with Spirit Blockchain Capital Inc. ("Spirit Blockchain") whereby the Company will acquire all of the issued and outstanding ordinary shares in the capital of Spirit Blockchain (the "Transaction") by way of a reverse takeover ("RTO"). It is contemplated that the Transaction will take place whereby the Company will acquire all of the issued and outstanding securities of Spirit Blockchain in exchange for the issuance of 72,070,000 shares in the Company to former Spirit Blockchain Shareholders on a pro rata basis, which will result in Spirit Blockchain becoming a 100% wholly-owned subsidiary of the Company.

Following the closing of the acquisition of Spirit Blockchain by the Company pursuant to the terms of the Amalgamation Agreement, Spirit Blockchain will become a wholly owned subsidiary of the Company that will result in it becoming a reporting issuer and will apply to list (the "Listing") its common shares on the Canadian Stock Exchange ("CSE"). The Company will carry on the business of Spirit Blockchain.

# Financial Results of Operations

## Selected Financial Information

The following selected financial data is derived from the financial statements prepared in accordance with IFRS:

| | Period from incorporation on January 19, 2021 to May 31, 2021 |
|---|---:|
| | |
| Total revenue | $Nil |
| Net Loss | $20,994 |
| Loss per common share, basic and diluted | $Nil |
| Total assets | $282,882 |
| Long term debt | $Nil |
| Dividends paid/payable | $Nil |

## Quarterly Financial Results

Quarterly financial information for interim periods preceding the date of this MD&A have been omitted as the Company was incorporated on January 19, 2021.

## Results of Operations

**Period from incorporation on January 19, 2021 to May 31, 2021**

During the period from incorporation on January 19, 2021 to May 31, 2021, the Company reported a net loss of $20,994. The loss in 2021 can be attributed mainly to accounting and audit fees and legal fees.

For the period ended May 31, 2021, the Company incurred accounting and audit fees of $10,000. Costs incurred in 2021 were for fees incurred for the financial audit of the period ended May 31, 2021.

For the period ended May 31, 2021, the Company incurred legal fees of $8,321. Costs incurred in 2021 were for regulatory and filing fees.

## Liquidity and Capital Resources

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

At May 31, 2021 the Company had working capital[(1)] of $264,356 which included cash of $282,882 available to meet short-term business requirements and liabilities of $18,526. The Company's accounts payable and accrued liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company has no long term debt.

[(1)] Non-GAAP Financial Measure:
The Company uses "working capital" to assess liquidity and general financial strength and is calculated as current assets less current liabilities. Working capital does not have any standardized meaning prescribed by IFRS and is referred to as a "Non-GAAP Financial Measure." It is unlikely for Non-GAAP Financial Measures to be comparable to similar measures presented by other companies. Working capital is calculated as current assets (May 31, 2021 – $282,882), less current liabilities (May 31, 2021 – $18,526).

At present, the Company has no current operating income. Without additional future financing, the Company may not be able to fund its ongoing operations and complete future development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

### Current year financing

During the period from January 19, 2021, date of incorporation, to May 31, 2021, the Company completed the following transactions:

i) On January 19, 2021, 1 common share was issued to the incorporator of the Company for $nil.
ii) On April 16, 2021, the Company issued 13,400,000 common shares at $0.02 per share for gross proceeds of $268,000.
iii) On May 6, 2021, the Company issued a total of 347,000 Special Warrants at the $0.05 per Special Warrant for gross proceeds of $17,350. The special warrants automatically convert to common shares for no additional consideration on the date that is earlier of: (i) the third business day after receipt for a final Prospectus qualifying the distribution of the Special Warrant Shares; and (ii) September 7, 2021. Any Special Warrants exercised prior to the automatic conversion will have a hold period, the later of (i) four months and a day following the date of issuance of the Special Warrant, and (ii) the date the Company becomes a reporting issuer in a jurisdiction in Canada.

### Prior year financing

No financings conducted in the prior fiscal year as this is the first year of operations.

## Outstanding Share Data

As at May 31, 2021 and the date of this report, the Company had 13,400,001 issued and outstanding common shares, 347,000 special warrants and nil options outstanding.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Transactions with Related Parties

There are no transactions with related parties.

## Critical Accounting Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management estimates and judgments include:

*Going concern*

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

*Accounting Policies*

The Company's significant accounting policies are disclosed in note 3 of the Company's audited financial statements for the year ended May 31, 2021.

## Financial Instruments

The Company's financial instruments as at May 31, 2021 include cash, accounts payable and accrued liabilities.

The Company's financial assets and financial liabilities are classified and measured as follows:

| Financial instrument | Category |
|---|---|
| Cash | Fair value through profit or loss |
| Accounts payable and accrued liabilities | Amortized cost |

The carrying values of financial assets and liabilities approximate their fair values due to the short-term maturity of these financial instruments.

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

(a) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

As at May 31, 2021, the Company has cash of $282,882 available to apply against short-term business requirements and current liabilities of $18,526. All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of May 31, 2021.

(c) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

(d) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their cash in bank.

The Company does not expect any significant effect on the Company's loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the of the financial year.

## Management's responsibility for financial statements

The information provided in this report, including the financial statements is the responsibility of Management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

## APPENDIX 1

### Cautionary Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking statements". Forward-looking statements reflect the Company's current views with respect to future events, are based on information currently available to the Company and are subject to certain risks, uncertainties, and assumptions, including those discussed elsewhere in this MD&A. Forward-looking statements include, but are not limited to, statements with respect to the success of mining exploration work, title disputes or claims, environmental risks, unanticipated reclamation expenses, the estimation of mineral reserves and resources and capital expenditures. In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or various of such words and phrases or state certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ. Such factors include, among others, risks related to actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in minerals resources, grade or recovery rates, accidents, labour disputes, title disputes and other risks of the mining industry, fluctuation of currency exchange rates, delays in obtaining, or inability to obtain, required governmental approvals or financing or in the completion of development or construction activities, claims limitations on insurance coverage, as well as other factors discussed under "Risk Factors". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in this MD&A are made as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not assume the obligations to update forward-looking statements, except as required by applicable law.

**SCHEDULE C**

**FINANCIAL STATEMENTS OF FORMER SPIRIT AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

## Consolidated Financial Statements
## for the Years ended December 31, 2020 and 2019

**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

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**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

## Company details

Directors
Erich Perroulaz – Director (Swiss Resident)
Raymond O'Neill (Irish Resident)

Registered Office
666 Burrard St,
Vancouver, BC V6C 2Z7,
Canada
Bankers
BMO Bank of Montreal,
595 Burrard Street,
Vancouver BC, V7X 1L7,
Canada

Sparkasse Schwyz AG,
Herrengasse 23,
6431 Schwyz,
Switzerland

Lawyers as to Canadian Law
DLA Piper (Canada) LLP
666 Burrard St,
Vancouver, BC V6C 2Z7,
Canada
Lawyers as to Swiss Law
Prager Dreifuss AG,
Gotthardstrasse 26,
6300 Zug,
Switzerland

Crypto Currency Broker
Crypto Finance AG,
Genferstrasse 35,
8002 Zurich,
Switzerland

www.spiritblockchain.com

**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

**Management' s Responsibility**

To the Shareholders of SPIRIT Blockchain Holdings Inc. (formerly Spirit Blockchain Capital Inc.)

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

The consolidated financial statements were approved by the Board of Directors on August 23, 2021 and were signed on its behalf by:

"Erich Perroulaz"
Erich Perroulaz,
Director

HARBOURSIDE CPA

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Spirit Blockchain Holdings Inc. (formerly Spirit Blockchain Capital Inc.)

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Spirit Blockchain Holdings Inc. (formerly Spirit Blockchain Capital Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020, 2019 and January 1, 2019 and the consolidated statements of operations, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years ended December 31,2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, 2019 and January 1, 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the [consolidated] financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about Spirit Blockchain Holdings Inc.'s (formerly Spirit Blockchain Capital Inc.) ability to continue as a going concern.

**Information other than the Consolidated Financial Statements and the Auditor's Report thereon**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

t 604.688.7227
f 604.681.7716
harboursidecpa.com
SUITE 1140–1185
WEST GEORGIA STREET,
VANCOUVER, BC V6E 4E6

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mickey Goldstein.

| | |
|---|---|
| Vancouver, British Columbia | Harbourside CPA, LLP |
| Audit report date | Chartered Professional Accountants |

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Consolidated Statements of Financial Position**
**As at December 31, 2020, 2019 and January 1, 2019**
(Expressed in Canadian Dollars)

| | **December 31, 2020** | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | **$ 89,257** | $ 13,765 | $ 116,379 |
| Amounts receivable | **5,333** | 6,258 | 5,351 |
| Digital assets (*Note 5)* | **298,643** | 21,340 | 14,817 |
| Prepaid expenses | **3,173** | - | - |
| | **$ 396,406** | $ 41,363 | $ 136,547 |
| **LIABILITIES** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | **$ 33,033** | $ 12,697 | $ 18,613 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital *(Note 6)* | **1,258,835** | 969,668 | 876,168 |
| Share subscriptions receivable | **(8,000)** | (7,501) | (10,780) |
| Accumulated other comprehensive income | **114,873** | - | - |
| Deficit | **(1,002,335)** | (933,501) | (747,454) |
| | **363,373** | 28,666 | 117,934 |
| | **$ 396,406** | $ 41,363 | $ 136,547 |

Nature of business and going concern (Note 1)
Subsequent events (Note 10)

The consolidated financial statements were approved by the Board of Directors on August 23, 2021 and were signed on its behalf by:

"Erich Perroulaz"

Director
Erich Perroulaz

"Raymond O'Neill"

Director
Raymond O'Neill

Vancouver, BC
August 23, 2021

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Consolidated Statements of Operations**
**For the years ended December 31, 2020 and 2019**
(Expressed in Canadian Dollars)

| | | December 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Consulting fees *(Note 9)* | $ | **59,789** | $ | 163,953 |
| Legal & professional fees | | **10,075** | | 5,196 |
| Audit fees | | **23,000** | | - |
| Rent & office costs | | **-** | | 3,599 |
| Website & communication expenses | | **2,940** | | 9,266 |
| Marketing & events | | **380** | | 3,968 |
| Travel | | **-** | | 2,533 |
| Bank charges | | **734** | | 2,079 |
| Miscellaneous expenses | | **2,529** | | 9,321 |
| | | **(99,447)** | | (199,915) |
| **OTHER INCOME (EXPENSES)** | | | | |
| Foreign exchange gain (loss) | | **(132)** | | (823) |
| Realized gains (losses) on digital assets *(Note 5)* | | **1,915** | | 3,509 |
| Unrealized gains (losses) on digital assets *(Note 5)* | | **29,459** | | 11,844 |
| | | **31,242** | | 14,530 |
| **INCOME (LOSS) BEFORE INCOME TAXES** | | **(68,205)** | | (185,385) |
| Current income tax expense *(Note 5)* | | **(629)** | | (662) |
| **NET INCOME (LOSS)** | | **(68,834)** | | (186,047) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Unrealized gains on digital assets | | **114,873** | | - |
| **COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | $ | **46,039** | $ | (186,047) |
| Basic and diluted loss per share | $ | **(0.00)** | $ | (0.01) |
| Weighted average number of shares outstanding | | **36,477,350** | | 34,416,667 |

**The accompanying notes to these financial statements are an integral part of these financial statements**

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Consolidated Statement of Cash Flows**
**For the years ended December 31, 2020 and 2019**
(Expressed in Canadian Dollars)

| | | December 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net loss for the year | **$** | **(68,834)** | $ | (186,047) |
| Items not involving cash | | | | |
| Consulting fees | | **39,167** | | 93,500 |
| Realized gains on digital assets | | **(1,915)** | | (3,509) |
| Unrealized gains on digital assets | | **(29,459)** | | (11,844) |
| Changes in non-cash working capital | | | | |
| Amounts receivable | | **925** | | (907) |
| Prepaid expenses | | **(3,173)** | | - |
| Accounts payable and accrued liabilities | | **20,337** | | (5,916) |
| Cash used in operating activities | | **(42,952)** | | (114,723) |
| Cash flows from investing activities | | | | |
| Digital assets | | **(131,056)** | | 8,830 |
| | | **(131,056)** | | 8,830 |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of shares | | **249,500** | | 3,279 |
| Cash provided by financing activities | | **249,500** | | 3,279 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **75,492** | | (102,614) |
| CASH AND CASH EQUIVALENTS – Beginning of year | | **13,765** | | 116,379 |
| **CASH AND CASH EQUIVALENTS – End of year** | **$** | **89,257** | $ | 13,765 |

| | | | | |
|---|---|---|---|---|
| **Cash (paid) received for** | | | | |
| Interest | **$** | **(734)** | $ | (2,079) |
| Taxes | **$** | **(629)** | $ | (662) |

There were no non-cash transactions affecting cash flows from investing and financing activities for the years ended December 31, 2020 and 2019.

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Consolidated Statement of Shareholders' Equity**
**For the years ended December 31, 2020 and 2019**
(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Share Subscriptions Receivable | Other Comprehensive Income | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance, January 1, 2019 | 34,816,667 | $ 876,168 | $ (10,780) | $ - | $ (747,454) | $ 117,934 |
| Shares issued for cash | - | - | 3,279 | - | - | 3,279 |
| Shares issued for services | 935,000 | 93,500 | - | - | - | 93,500 |
| Loss for the year | - | - | - | - | (186,407) | (186,407) |
| Unrealized gains on digital assets | - | - | - | - | - | - |
| Balance, December 31, 2019 | 35,751,667 | $ 969,668 | $ (7,501) | $ - | $ (933,501) | $ 28,666 |
| Shares issued for cash | 5,000,000 | 250,000 | (499) | - | - | 249,501 |
| Shares issued for services | 783,334 | 39,167 | - | - | - | 39,167 |
| Loss for the year | - | - | - | - | (68,834) | (68,834) |
| Unrealized gains on digital assets | - | - | - | 114,873 | - | 114,873 |
| **Balance, December 31, 2020** | **41,535,001** | **$ 1,258,835** | **$ (8,000)** | **$ 114,873** | **$ (1,002,334)** | **$ 363,373** |

**The accompanying notes to these financial statements are an integral part of these financial statement**

## 1. Nature of business and going concern

Spirit Blockchain Holdings Inc. (formerly Spirit Blockchain Capital Inc.) (the "Company") was incorporated under the Business Corporations Act on November 25, 2017 in British Columbia, Canada. The Company changed its name from Spirit Blockchain Technologies Limited on September 19, 2019. The Company registration number is BC1142087. The purpose of the Company is to develop products and services in the Digital Assets and Blockchain Ecosphere. The Company can also mine, hold crypto-currencies and invest in other companies operating in this Ecosphere.

These consolidated financial statements (the "Financial Statements") have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Historically, the Company has not earned income to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from or raise equity capital or borrowings sufficient to meet current and future obligations.

Based on the Company's history of accumulating significant losses to date. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with equity financing including private placements of common shares, potential debt financing and the generation of revenue however, there can be no assurance that this will occur. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

## 2. Basis of presentation

### Statement of compliance

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB"). These Financial Statements were authorized for issue by the Board on August 23, 2021 and have been prepared under the historical cost convention, except for certain financial instruments.

### Basis of presentation

These financial statements are expressed in Canadian dollars and have been prepared on a historical basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements as if the policies have always been in effect.

### Basis of consolidation

These Financial Statements incorporate the financial statements of the Company and the Company's wholly owned subsidiary, SPIRIT Blockchain AG, which was incorporated on 19 February 2018 in Switzerland, and is owned 100% by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

## *2.* Basis of presentation (continued)

### Significant accounting judgements and estimates

The preparation of the Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

## 3. Summary of significant accounting policies

### a. Financial Instruments

Financial assets
The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (" FVTOCI") or at amortized cost. The classification depends on the Company's business model for managing the financial assets and terms of the related cashflow. Management determines the classification of its financial assets at initial recognition.

Equity investment that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. The Company's cash is classified as FVTPL.

**3. Summary of significant accounting policies** (continued)

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company does not have any financial assets classified as FVTOCI.

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Transaction costs are netted against financial assets and are accounted for using the effective interest method. They are classified as current assets or non-current assets based on their maturity date. The amounts due from related parties are financial assets classified at amortized cost.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:
FVTPL- This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.
Amortized cost - The Company's accounts payables are recognized at amortized cost.

**b. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, held in trust and on deposit in interest-bearing bank accounts.

## 3. Summary of significant accounting policies (continued)

### c. Reserves

Equity reserves presented as contributed surplus include amounts related to share-based payments.

### d. Digital assets

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets are held with a short-term nature and are recorded as current assets on the statement of financial position.

Management of the Company view the Digital currencies as an intangible asset as it is an identifiable nonmonetary asset without physical substance and accordingly the Company uses the revaluation model, as permitted under IAS 38 “Intangible Assets”, to measure its digital currencies. Initially the digital currencies are measured at cost and will not be subject to amortization. The revaluation model under IAS 38 requires intangible assets, after initial recognition, to be carried at revalued amounts less any accumulated amortization and accumulated impairment losses. The revalued amounts are determined at each reporting period at their fair market value which is calculated using the spot rate based on the hourly volume weighted average from *www.cryptocompare.com*. Increases in the carrying amounts are measured through Other Comprehensive Income. Decreases that offset previous increases are measured through Other Comprehensive Income and all other decreases are measured through profit and loss. On disposal, any cumulative revaluation surplus associated with the dash digital tokens is transferred directly to retained earnings.

## 3. Summary of significant accounting policies (continued)

### e. Share-based payments

Share-based payment include option and stock grants granted to directors, employees and consultants. The Company accounts for share-based compensation using a fair value-based method with respect to all share-based payments measured and recognized, to directors, employees, and consultants. For directors and employees, the fair value of the options and stock grants is measured at the date of grant. For consultants, the fair value of the options and stock are measured at the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. For directors, employees and consultants, the fair value of the options and stock grants is accrued and charged to operations, with the offsetting credit to share based payment reserve for options, and commitment to issue share for stock grants over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from share-based payment reserve to share capital. When the stock grants are issued, the applicable fair value is transferred from commitment to issue shares to share capital. Option based compensation awards are calculated using the Black-Scholes option pricing model while stock grants are valued at the fair value on the date of grant.

### f. Income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted rates expected to apply when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactments occur. To the extent that the company does not consider it probable that a deferred income tax asset will be recovered, the deferred income tax asset is not recognized. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

## 3. Summary of significant accounting policies (continued)

### g. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### h. Impairment

i. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For the purpose of impairment testing, assets grouped together into the smallest group of assets or group of assets (the "cash generated unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

**3. Summary of significant accounting policies** (continued)

ii. Financial assets

The Company assesses all information including forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

**i. Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gains and losses on available for sale financial assets and digital assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments to self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders’ equity as accumulated other comprehensive income. During the year ended December 31, 2020, the Company recognized $114,873 in other comprehensive income.

## 3. Summary of significant accounting policies (continued)

### j. Foreign currency translation

These Financial Statements are presented In Canadian dollars, which is the functional currency of the Company. The Company's wholly owned subsidiary, Spirit Blockchain AG has a functional currency of Swiss Franc (CHF). Transactions in currencies other than the functional currency are translated into Canadian dollars on the following basis:

- Monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date;
- Non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

  Gains and losses arising from this translation of foreign currency are included in the determination profit and loss.

### k. Critical accounting judgements and key sources of estimation uncertainty

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 on-going 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.

## 3. Summary of significant accounting policies (continued)

### Valuation of digital assets

Digital currencies consist of cryptocurrency denominated assets (Note 5) and are included in both current assets. Digital currencies are carried at their fair market value determined by the spot rate based on volume weighted average from www.coinmarketcap.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currencies.

The Company is required to make significant assumptions and judgements as to its accounting policies and the application thereof which is disclosed in the notes to these consolidated financial statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company's profit or loss and financial position as currently presented.

## 3. Summary of significant accounting policies (continued)

### Valuation of share-based compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate fair value of the stock options granted to directors and consultants. The use of the Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility in not necessarily indicative of future volatility.

### Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at December 31, 2020.

### l. Accounting standards issued but not yet applied

There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

## 4. Financial instruments and risk management

### a. Financial instrument classification

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable. The Company classifies its cash and cash equivalents as fair value through profit and loss, amounts receivable are classified as amortized cost. The Company's accounts payable are classified as financial liabilities recognized at amortized cost. The carrying amount of cash and cash equivalents, amounts receivable and accounts payable approximate their carrying values because of the short-term nature of these instruments.

### b. Fair values of financial assets and liabilities

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:

i. Level 1- quoted prices in active markets for identical financial instruments.

ii. Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

iii. Level 3 - valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

## 4. Financial instruments and risk management (continued)

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

*Credit risk:*
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company's cash, digital currencies, due from related parties and proceeds of coin sale are exposed to credit risk. The Company limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Company has performed internal due diligence procedures. The Company deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets . When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at December 31, 2020, the Company held approximately $89,257 (2019 - $13,764) in cash and $302,565 (2019 - $21,340) in digital assets with a digital asset custodian. As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. As of December 31, 2020 the Company recorded an allowance of $NIL (2019 - $ Nil). While the Company intends to only transact with counterparties or exchanges that it believes to be credit worthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

*Liquidity risk:*
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. The Company manages liquidity risk by restricting cash reserves to offset funds due to creditors. As at 31 December 2020, the Company had an unrestricted cash balance of $88,779 to settle current liabilities. Accordingly, the Company is moderately exposed to liquidity risk.

(Expressed in Canadian Dollars)

## 4. Financial instruments and risk management (continued)

*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 commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk.

*Interest 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's liabilities are non-interest bearing and therefore, interest rate risk is not considered significant.

*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. As at 31 December 2020, the Company held financial liabilities denominated in foreign currencies totaling $ Nil (2019 – $5,218) as well as financial assets denominated in foreign currencies totaling $87,792 (2019 - $13,111). A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately $4,000. Accordingly, the Company is moderately exposed to foreign currency risk.

## 5. Digital assets

The Company has a brokerage account with Crypto Finance AG in Zurich, Switzerland. Digital currencies are recorded at their fair value on the date they are received and are revalued to their fair value at each reporting date. The fair market value of the Company’s digital assets is as follows:

| | 2020 | 2019 |
|---|---|---|
| Bitcoin | 180,637 | 16,794 |
| Ethereum | 85,919 | 1,636 |
| Litecoin | 14,088 | - |
| Chainlink | 5,669 | - |
| Cardano | 4,192 | - |
| Bitcoin Cash | - | 504 |
| Ripple | - | 310 |
| Zen Horizen Masternodes | 8,137 | 2,095 |
| | $298,643 | $21,340 |

## 5. Digital assets (continued)

During the year ended December 31, 2020 the Company recognized $1,915 (2019 - $3,509) in realized gains and $29,459 (2019 - $11,844) in unrealized gains through profit and loss, and $114,873 in unrealized gains through other comprehensive income on the digital assets.

## 6. Share capital

The Company is authorized to issue an unlimited number of shares.

During the year ended December 31, 2020, the Company had the following share capital transactions:

The Company issued 5,000,000 common shares at $0.05 for gross proceeds of $250,000.

The Company issued 783,334 common shares to directors and consultants of the Company for services provided at a fair value of $0.05 per common share for an aggregate of $39,167.

During the year ended December 31, 2019, the Company had the following share capital transactions:

The Company issued 935,000 common shares to directors and consultants of the Company at a fair value of $0.10 per common share for an aggregate of $93,500.

(Expressed in Canadian Dollars)

## 7. Income taxes

The Company has non-capital loss carry forward of approximately $544,000 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities. The non-capital losses have an expiry date range of 2037 to 2041. The Company's Swiss subsidiary has operated at a loss since inception and therefore pays a fixed annual tax charge of CHF500.

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| Loss for the year | **$** | **(68,834)** | $ | (186,074) |
| Statutory rate | | **27%** | | 27% |
| Expected income tax recoverable at statutory rate | | **(18,585)** | | (50,240) |
| Adjustments due to change in statutory tax rates, prior year returns, and other | | **54,585** | | (22,760) |
| Change in unrecognized deductible temporary differences | | **(36,000)** | | 73,000 |
| Total income tax recovery | **$** | **-** | $ | - |

The significant components of the Company's unrecognized deferred tax assets are as follows:

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Non-capital losses available for future period | **$** | **147,000** | $ | 162,000 |
| Digital assets | | **(21,000)** | | - |
| | | **126,000** | | 162,000 |
| Unrecognized deferred tax assets | | **(126,000)** | | (162,000) |
| Net deferred tax assets | **$** | **-** | $ | - |

## 8. Related party Transactions

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

Transactions with related parties for the year ended 31 December 2020 and 2019 were as follows:

Creade GmbH, a company controlled by Mr. Perroulaz (Chairman, CEO and Director) was paid $27,883 in consulting fees for services provided by Mr. Perroulaz (2019 – $51,750). The Company issued 381,667 common shares as part payment for these services (2019 – 395,000) with a fair value of $19,083 (2019 - $39,500).

New World Management Limited, a company controlled by Mr. O'Neill (Director) was paid $20,583 in consulting fees for services provided by Mr. O'Neill (2019 – $51,750). The Company issued 351,667 shares as part payment for these services (2019 – 395,000) with a fair value of $17,583 (2019 - $39,500).

As at December 31, 2020 the amounts owing to related parties was $nil (2019 - $nil).

## 9. Subsequent events

On April 28, 2021, the Company entered into a definitive agreement with 1284696 B.C. Ltd.. ("1284696") whereby the 1248696 will acquire all of the issued and outstanding ordinary shares in the capital of the Company (the "Transaction") by way of a reverse takeover ("RTO"). It is contemplated that the Transaction will take place whereby the 1284696 will acquire all of the issued and outstanding securities of the Company in exchange for the issuance of 46,000,000 shares in 1284696 to former Spirit Blockchain Shareholders on a pro rata basis, which will result in the Company becoming a 100% wholly-owned subsidiary of 1284696.

On July 29, 2021 the acquisition of the Company by 1284696 pursuant to the terms of the Amalgamation Agreement was completed, and the Company became a wholly owned subsidiary of 1284696, and as a result will become a reporting issuer upon the listing of its common shares on the Canadian Stock Exchange ("CSE"). 1284696 will carry on the business of the Company.

## 10. Subsequent events (continued)

Subsequent to December 31, 2020, the Company issued 2,559,999 shares at a price of $0.05 for total proceeds of $128,000.

In May 2021 the Company issued 1,105,000 common shares to directors and consultants of the Company for services provided at a fair value of $0.05 per common share for an aggregate of $55,250.

In May 2021, the Company cancelled 50,000 common shares for which proceeds had not been received.

In June 2021, the Company issued 850,000 common shares for gross proceeds of $68,000.

In June 2021, the Company closed a private placement, in which $3,285,750 was raised at a price of $0.125 per share for the issuance of 26,070,000 shares.

## 11. Capital management

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

# MANAGEMENT DISCUSSION AND ANALYSIS

**For the Six months ended June 30, 2021 and the years ended December 31, 2020 and 2019**

**Form 51-102F1**
**Management's Discussion & Analysis for**
**SPIRIT BLOCKCHAIN CAPITAL**
**(the "Company")**
**Containing information up to and including June 30, 2021**

## NOTICE

This Management Discussion and Analysis ("**MD&A**") is intended to help the reader understand the consolidated financial statements of Spirit Blockchain Capital Ltd. and includes its wholly owned subsidiary Spirit Blockchain AG. The information provided herein should be read in conjunction with the Company's condensed consolidated quarterly financial statements for the period ended June 30, 2021 and with the consolidated audited financial statements for the years ended December 31, 2020 and 2019 (the "**Financial Statements**"). The following comments may contain estimates of anticipated future trends, activities or results made by management of the Company ("**Management**"). These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond the control of Management.

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 the 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.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information related to the Company is available for view on the Company's website at www.spiritblockchain.com.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: "may,", "would", "could", "will", "likely", "plan", "forecast", "project", "estimate", "believe", "expect", "anticipate", "intend", "estimate", "postulate", and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its digital assets;
- the Company's future cash requirements;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations;
- the timing and pricing of proposed financings, if applicable;
- the anticipated completion of financings;
- the anticipated receipt of regulatory approval or acceptance of financings;
- the anticipated use of the proceeds from the financings;
- how the COVID-19 outbreak or similar global health crisis could affect the Company's business;
- listing on the Canadian Securities Exchange;
- the growth and performance of the cryptocurrency and blockchain markets;
- the Company diversifying its business, including into future streaming, royalties or alternative digital asset investments;

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to predict future digital asset pricing, the ability to determine the results of voting decisions made by digital asset networks to determine how these blockchain perform network upgrades over time, and other variables that are disclosed under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the current state of the digital asset markets and global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

## BUSINESS SUMMARY

The Company is a financial services and infrastructure company, planning on listed on the Canadian Stock Exchange ("CSE"), trading under the symbol "SPIR", the Company was incorporated on November 21, 2017 pursuant to the Business Corporations Act (*British Columbia*)(the "**BCBCA**") under the name "Spirit Blockchain Technologies Ltd.". On September 19, 2018 it changed its name to "Spirit Blockchain Capital Inc.".

Following a three-cornered amalgamation between 1284696 B.C. Ltd.("**TopCo**"), 1302186 B.C. Ltd. ("**Subco**") and the Company, (the "**Transaction**") which was governed by the terms of an amalgamation agreement dated April 28, 2021 (the "**Amalgamation Agreement**"), the Company and Subco amalgamated under Section 269 of the BCBCA and continued as Spirit Blockchain Holdings Inc. (**"Spirit Holdings**"). The Company's registered and records office was located at Suite 2800, Park Place, 666 Burrard St., Vancouver, B.C. V6C 2Z7.

The Company aims to generate recurring cash flows 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 want 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. Additionally, the Company is building the bridge between North America and Europe/Switzerland.

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

- Royalties & Streams by providing capital to blockchain ecosystem participants, where repayment of the notional 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 initially in Europe as well as providing consulting services to support these products.

The purpose of the Company is to develop products and services in the digital assets and blockchain ecosphere. The Company can also mine, stake, accumulate, hold digital assets and invest in other companies operating in this blockchain ecosphere.

**COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

## OVERALL PERFORMANCE AND DISCUSSION OF CONSOLIDATED STATEMENT

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | June 30, 2021 unaudited $ | December 31, 2020 $ | December 31, 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | 3,227,447 | 89,257 | 13,765 |
| Amounts receivable | 4,508 | 5,333 | 6,258 |
| Marketable Securities | 70,369 | - | - |
| Digital assets | 535,393 | 298,643 | 21,340 |
| Prepaid expenses | 23,500 | 3,173 | - |
| | **3,861,217** | **396,406** | **41,363** |
| **LIABILITIES** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 250,579 | 33,033 | 12,697 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 4,763,835 | 1,258,835 | 969,668 |
| Share subscriptions receivable | (163,500) | (8,000) | (7,501) |
| Accumulated other comprehensive income | 325,710 | 114,873 | - |
| Deficit | (1,315,407) | (1,002,335) | (933,501) |
| | 3,610,638 | 363,373 | 28,666 |
| | **3,861,217** | **396,406** | 41,363 |

| CONSOLIDATED STATEMENT OF OPERATIONS | Six Months Ended June 30, 2021 $ | December 31, 2020 $ | December 31, 2019 $ |
|---|---|---|---|
| **Expenses** | | | |
| Consulting fees | 298,250 | 59,789 | 163,953 |
| Legal & professional fees | 48,252 | 10,075 | 5,196 |
| Audit fees | - | 23,000 | - |
| Rent & office costs | - | - | 3,599 |
| Website & communication expenses | 761 | 2,940 | 9,266 |
| Marketing & events | 8,183 | 380 | 3,968 |
| Travel | - | - | 2,533 |
| Bank charges | 296 | 734 | 2,079 |

| | | | |
|---|---|---|---|
| Miscellaneous expenses | 209 | 2,529 | 9,321 |
| | (355,951) | (99,447) | (199,915) |
| **OTHER INCOME (EXPENSES)** | | | |
| Foreign exchange gain (loss) | (2,048) | (132) | (823) |
| Realized gains (losses) on digital assets | 20,463 | 1,915 | 3,509 |
| Unrealized gains (losses) on digital assets | 506 | 29,459 | 11,844 |
| | 18,921 | 31,242 | 14,530 |
| **INCOME (LOSS) BEFORE INCOME TAXES** | (337,030) | (68,205) | (185,385) |
| Current income tax expense *(Note 5)* | - | (629) | (662) |
| **NET INCOME (LOSS)** | (337,058) | (68,834) | (186,047) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| Unrealized gains on digital assets | 234,795 | 114,873 | - |
| **COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | (102,235) | 46,039 | (186,047) |
| Basic and diluted loss per share | (0.01) | (0.00) | (0.01) |
| Weighted average number of shares outstanding | 54,273,675 | 36,477,350 | 34,416,667 |

| **CONSOLIDATED STATEMENT OF CASH FLOW** | **Six Months Ended June 30, 2021 $** | **December 31, 2020 $** | **December 31, 2019 $** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss for the year | (337,030) | (68,834) | (186,047) |
| Items not involving cash | | | |
| Consulting fees | 55,250 | 39,167 | 93,500 |
| Realized gains on digital assets | (20,463) | (1,915) | (3,509) |
| Unrealized gains on digital assets | (506) | (29,459) | (11,844) |
| Changes in non-cash working capital | | | |
| Amounts receivable | 355 | 925 | (907) |
| Prepaid expenses | (66,827) | (3,173) | - |
| Accounts payable and accrued liabilities | 217,516 | 20,337 | (5,916) |
| Cash used in operating activities | (151,705) | (42,952) | (114,723) |
| Cash flows from investing activities | | | |
| Marketable securities | (70,369) | - | - |
| Digital assets | 19,014 | (131,056) | 8,830 |
| | (51,355) | (131,056) | 8,830 |
| Cash flows from financing activities | | | |
| Proceeds from issuance of shares | 3,341,250 | 249,500 | 3,279 |
| Cash provided by financing activities | 3,341,250 | 249,500 | 3,279 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 3,138,190 | 75,492 | (102,614) |
| CASH AND CASH EQUIVALENTS – Beginning | 89,257 | 13,765 | 116,379 |

| | | | |
|---|---|---|---|
| of year | | | |
| **CASH AND CASH EQUIVALENTS – End of year** | 3,227,447 | 89,257 | 13,765 |
| **Cash (paid) received for** | | | |
| Interest | (296) | (734) | (2,079) |
| Taxes | - | (629) | (662) |

## OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of Common Shares without par value. As of the date hereof, there are 85,437,000 Common Shares issued and outstanding. The Company expects to issue 347,000 Common Shares upon exercise of the Special Warrants pursuant the Special Warrant Offering.

| | **Six Months Ended June 30, 2021 $** | **Year Ended December 31, 2020 $** | **Year Ended December 31, 2019 $** |
|---|---|---|---|
| Issued and Outstanding Common Shares At the beginning of the period | 41,535,001 | 35,751,667 | 34,816,667 |
| Shares issued for cash | 29,479,999 | 5,000,000 | |
| Shares issued for services | 1,105,000 | 783,334 | 935,000 |
| Common shares cancelled | (50,000) | | - |
| Total Common shares issued and outstanding | **72,070,000** | **41,535,001** | **35,751,667** |

## FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL

The carrying amounts reported in the audited consolidated balance sheet for the current financial assets and liabilities, which includes accounts payable and accrued liabilities approximate fair values due to the immediate or short-term maturities of these financial instruments.

The Company has a brokerage account with PI Financial in Canada. Its subsidiary has a digital asset custody account with Crypto Finance AG in Zurich, Switzerland Digital currencies are recorded at their fair value on the date they are received and are revalued to their current market value at each reporting date. The fair market value is obtained from Coinmarketcap.com.

| **Digital Asset Holdings** | **Six Months Ended June 30, 2021 $** | **Year Ended December 31, 2020 $** | **Year Ended December 31, 2019 $** |
|---|---|---|---|
| Bitcoin | 224,427 | 180,637 | 16,794 |
| Ethereum | 247,677 | 85,919 | 1,636 |
| Litecoin | 0 | 14,088 | 0 |
| Chainlink | 9,496 | 5,669 | 0 |
| Cardano | 53,793 | 4,192 | 0 |
| Bitcoin Cash | 0 | 0 | 504 |
| Ripple | 0 | 0 | 310 |
| Zen Horizen Masternodes | 0 | 8,137 | 2,095 |
| **Total** | **535,393** | **298,643** | **21,340** |

## OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2021 and as at the date of this report the Company does not have any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties for the six months ended June 30 2021.

- Creade GmbH, a company controlled by Mr. Perroulaz (Chairman, CEO and Director) was paid C$115,000 in consulting fees for services provided by Mr. Perroulaz (2020 – $Nil).
- The Company also issued 275,000 shares as part payment for these services (2020 - $ $Nil) with a fair value of $13,750 (2020 - $Nil).
- Core Financial Management Limited, a company controlled by Mr. O'Neill (Director) was paid $33,000 in consulting fees for services provided by Mr. O'Neill (2020 – $Nil). The Company also issued 275,000 shares as part payment for these services (2020 – $Nil) with a fair value of $13,750 (2020 - $Nil).
- As at June 30, 2021 the amounts owing to related parties was $123,000 (December 31, 2020 - $Nil).

Transactions with related parties for the year ended 31 December 2020 and 2019 were as follows:

- Creade GmbH, a company controlled by Mr. Perroulaz (Chairman, CEO and Director) was paid $27,883 in consulting fees for services provided by Mr. Perroulaz (2019 – $51,750). The Company issued 381,667 common shares as part payment for these services (2019 – 395,000) with a fair value of $19,083 (2019 - $39,500).
- New World Management Limited, a company controlled by Mr. O'Neill (Director) was paid $20,583 in consulting fees for services provided by Mr. O'Neill (2019 – $51,750). The Company issued 351,667 shares as part payment for these services (2019 – 395,000) with a fair value of $17,583 (2019 - $39,500).
- As at December 31, 2020 the amounts owing to related parties was $Nil (2019 - $Nil).

## RECENT DEVELOPMENTS AND OUTLOOK

On November 24, 2017, the Company approved an offering of 25,000,000 units consisting of 25,000,000 common shares and 25,000,000 common share purchase warrants at a price of $0.0001 per unit for 20,000,000 units and $0.0004 per unit for 5,000,000 units (the "**Founders' Financing**").

On December 27, 2017, the Company approved an offering of 10,000,000 common shares at a price of $0.10 per common share (the "$**0.10 Offering**").

In January, 2020, a pandemic COVID-19 spread rapidly across the globe resulting in significant health and economic impact in most countries which has continued up to the date of this report. While a vaccine roll out has commenced in certain countries, it is still unclear how this will impact normal life and business. While the Company has taken steps to reduce costs it is unknown what the longer-term impact of the pandemic will be.

On August 31, 2020, the Company approved an offering of up to 10,000,000 common shares at a price of $0.05 per common share (the "$**0.05 Offering**").

On June 30, 2021, the Company approved an offering of up to 2,500,000 common shares at a price of $0.08 per common share (the "$**0.08 Offering**", and collectively with the Founders' Financing, $0.10 Offering, and $0.05 Offering, the "**Seed Financings**").

In connection with the Seed Financings, 46,000,000 common shares of the Company were issued at varying prices per common share.

On April 28, 2021, the Company entered into the Amalgamation Agreement.

On May 31, 2021, the Company voted a resolution to enter into a Definitive Agreement to merge with 1284696 BC, a Canadian private company that intends to apply subject to market conditions a listing on the Canadian Stock Exchange in the third quarter of 2021.

On June 30, 2021, the Company issued a total of 26,070,000 Common Shares at a price of C$0.125 per Common Share for gross proceeds of $3,258,750.

On July 29, 2021, the Transaction was completed and the Company continued as Spirit Holdings.

## RISK FACTORS

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 not widely held, difficult to purchase and store securely and not fully regulated. As 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 are 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 crypto currencies.

**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 under-capitalization, 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 commodity price risk and interest rate risk.

**Credit risk:** Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company's cash, digital currencies, due from related parties and proceeds of coin sale are exposed to credit risk.

**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.

**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.

**Liquidity risk:** Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

**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.

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.

**COVID-19:** While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in future periods.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Significant accounting judgments and estimates:** The preparation of the financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgments, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

**Significant judgments:** Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the evaluation of the Company’s ability to continue as a going concern.

**Functional currency:** The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company’s digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and expenses are settled by each entity as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company’s functional currency

**Digital currency valuation:** The digital currency  market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company’s earnings and financial position. The Company has a portfolio of digital asset assets which it holds within Spirit Blockchain AG, these digital asset assets are recognized as current assets and are valued at fair market value using coinmarketcap.com.

**Share based compensation:** The Company utilizes the Black-Scholes Option Pricing Model (“Black-Scholes”) to estimate the fair value of stock options granted to directors, employees, and consultants. The use of Black Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility is not necessarily indicative of future volatility.

**Subsidiary:** These Financial Statements incorporate the financial statements of the Company and an entity controlled by the Company:

- Spirit Blockchain AG, which was incorporated on 19 February 2018 in Switzerland, and is owned 100% by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

**Financial Instruments**

**Financial assets:** The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL" ), at fair value through other comprehensive income (" FVTOCI" ) or at amortized cost. The classification depends on the Company's business model for managing the financial assets and terms of the related cashflow. Management determines the classification of its financial assets at initial recognition.

Equity or digital currencies instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. The Company's cash is classified as FVTPL.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company does not have any financial assets classified as FVTOCI.

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Transaction costs are netted against financial assets and are accounted for using the effective interest method. They are classified as current assets or non-current assets based on their maturity date. The amounts due from related parties are financial assets classified at amortized cost.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset . The Company does not have any financial assets that contain a financing component.

**Financial instruments and risk management**

**a. Financial instrument classification and measurement**

Financial instruments of the Company carried on the statement of financial position are carried at amortized cost. There are no significant differences between the carrying value of financial instruments and their estimated fair values as at June 30, 2021, 31 December 2020 and 2019 There have been no changes in levels during the period.

The Company classifies the fair value of these transactions according to the following hierarchy:

- Level 1- quoted prices in active markets for identical financial instruments.
- Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 - valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

**b. Fair values of financial assets and liabilities**

The Company's financial instruments include cash, cash with Brokers and amounts due to related parties, accounts payable and accrued liabilities. As at 30 June 2021, 31 December 2020 and 2019, the carrying value of cash and cash equivalents are at fair value. The remaining financial instruments approximate their fair value due to their short-term nature.

**Financial liabilities:** The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FVTPL- This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.

Amortized cost - The Company's accounts payables and accrued liabilities, certain client deposits and funds due to merchants and loans payable are recognized at amortized cost.

**Cash and cash equivalents:** Cash and cash equivalents include cash on hand and on deposit in interest-bearing bank accounts.

**Reserves:** Equity reserves presented as contributed surplus include amounts related to share-based payments.

**Digital currencies:** Digital currencies consist of digital asset denominated assets and are included in current assets. Digital currencies are carried at their fair value and adjusted at each reporting date for revaluation gains and losses through the consolidated statement of loss and comprehensive loss as well as when digital currencies are exchanged or sold for traditional (fiat) currencies, such as the US dollar.

**Foreign currency translation:** These Financial Statements are presented In Canadian dollars (C$), which is the functional currency of the Company. Its wholly owned subsidiary, Spirit Blockchain AG has a functional currency of Swiss Franc. Transactions in currencies other than the functional currency are translated into C$ on the following basis:

- Monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date;
- Non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.
- Gains and losses arising from this translation of foreign currency are included in the determination of net profit/loss.

**Critical accounting judgements and key sources of estimation uncertainty:** 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.

Many aspects of the digital currency and blockchain industry have not yet been addressed by current IFRS guidance. The Company is required to make significant assumptions and judgements as to its accounting policies and the application thereof which is disclosed in the notes to these consolidated financial statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company's profit or loss and financial position as currently presented.

The estimates and underlying assumptions are reviewed on an on-going 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.

**New standards, interpretations and amendments adopted:** There were no new standards adopted for the period ended June 30, 2021.

## CONTACT DETAILS

**HEAD OFFICE**
Spirit Blockchain Capital Inc.
Suite 1570 - 505 Burrard Street, One Bentall Centre
Vancouver, British Columbia, V7X 1M5
Canada

**REGISTRAR & TRANSFER AGENT**
Olympia Trust Company
Suite 1900, 925 West Georgia Street
Vancouver, BC V6C 3L2

**REGISTERED AND RECORDS OFFICE**
Suite 2800 - 666 Burrard St., Park Place
Vancouver, British Columbia, V6C 2Z7
Canada

**AUDITOR**
Harbourside CPA
1140-1185 W. Georgia St.
Vancouver, British Columbia
V6E 4E6

**DIRECTORS & OFFICERS**
- Erich Perroulaz, Chief Executive Officer and Director
- Raymond O'Neil, Director
- Anthony Zelen, Director
- Denis Silva, Director
- Meetul Patel, Chief Financial Officer

**LEGAL COUNSEL**
DLA Piper (Canada) LLP
Suite 2800, Park Place,
666 Burrard St,
Vancouver, BC V6C 2Z7,
Canada

**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

# Condensed Consolidated Interim Financial Statements for the Six Months ended June 30, 2021 and 2020

**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

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**SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

## Company details

Directors
Erich Perroulaz – Director (Swiss Resident)
Raymond O'Neill (Irish Resident)

Registered Office
666 Burrard St,
Vancouver, BC V6C 2Z7,
Canada

Bankers
BMO Bank of Montreal,
595 Burrard Street,
Vancouver BC, V7X 1L7,
Canada

Sparkasse Schwyz AG,
Herrengasse 23,
6431 Schwyz,
Switzerland

Lawyers as to Canadian Law
DLA Piper (Canada) LLP
666 Burrard St,
Vancouver, BC V6C 2Z7,
Canada

Lawyers as to Swiss Law
Prager Dreifuss AG,
Gotthardstrasse 26,
6300 Zug,
Switzerland

Crypto Currency Broker
Crypto Finance AG,
Genferstrasse 35,
8002 Zurich,
Switzerland

www.spiritblockchain.com

# **SPIRIT Blockchain Holdings Inc** (formerly Spirit Blockchain Capital Inc.)

**Management' s Responsibility**

To the Shareholders of SPIRIT Blockchain Holdings Inc. (formerly Spirit Blockchain Capital Inc.)

Management is responsible for the preparation and presentation of the accompanying condensed consolidated interim financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the condensed consolidated interim financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors.

We draw attention to Note 1 in the condensed consolidated interim financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements were approved by the Board of Directors on August 23, 2021 and were signed on its behalf by:

“Erich Perroulaz”

Erich Perroulaz,
Director

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Condensed Consolidated Interim Statements of Financial Position**
**As at June 31, 2021 and December 31, 2020**
(Expressed in Canadian Dollars )

| | | **June 30, 2021 (unaudited)** | | December 31, 2020 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash and cash equivalents | **$** | **3,227,447** | $ | 89,257 |
| Amounts receivable | | **4,508** | | 5,333 |
| Marketable securities | | **70,369** | | - |
| Digital assets (*Note 5)* | | **535,393** | | 298,643 |
| Prepaid expenses | | **23,500** | | 3,173 |
| | **$** | **3,861,217** | $ | 396,406 |
| **LIABILITIES** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | **$** | **250,579** | $ | 33,033 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital *(Note 6)* | | **4,763,835** | | 1,258,835 |
| Share subscriptions receivable | | **(163,500)** | | (8,000) |
| Accumulated other comprehensive income | | **325,710** | | 114,873 |
| Deficit | | **(1,315,407)** | | (1,002,335) |
| | | **3,610,638** | | 363,373 |
| | **$** | **3,861,217** | $ | 396,406 |

Nature of business and going concern (Note 1)
Proposed transaction (Note 9)
Subsequent events (Note 11)

The condensed consolidated interim financial statements were approved by the Board of Directors on August 23, 2021 and were signed on its behalf by:

"Erich Perroulaz" "Raymond O'Neill"

Erich Perroulaz, Director Raymond O'Neill, Director

Vancouver, BC
August 23, 2021

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Condensed Consolidated Interim Statements of Operations**
**For the six months ended June 30, 2021 and 2020**
(Expressed in Canadian Dollars - Unaudited)

| | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Three months ended June 30, 2021 | Three months ended June 30, 2020 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Bank charges | $ 296 | $ 299 | $ 147 | $ 9 |
| Consulting fees *(Note 9)* | 298,250 | - | 281,250 | - |
| Legal & professional fees | 48,252 | 449 | 29,650 | - |
| Marketing & events | 8,183 | 380 | 8,183 | 275 |
| Miscellaneous expenses | 209 | - | - | - |
| Website & communication expenses | 761 | 2,035 | 300 | 200 |
| | (355,951) | (3,163) | (319,530) | (484) |
| **OTHER INCOME (EXPENSES)** | | | | |
| Foreign exchange gain (loss) | (2,048) | (14) | (628) | (22) |
| Realized gains (losses) on digital assets *(Note 5)* | 20,463 | - | - | - |
| Unrealized gains (losses) on digital assets *(Note 5)* | 506 | 909 | (88,600) | 867 |
| | 18,921 | 895 | (89,228) | 845 |
| **INCOME (LOSS) BEFORE INCOME TAXES** | (337,030) | (2,268) | (408,758) | 361 |
| Current income tax expense *(Note 5)* | - | (373) | - | - |
| **NET INCOME (LOSS)** | (337,058) | (2,641) | (408,758) | 361 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| Unrealized gains on digital assets | 234,795 | 6,364 | - | 7,039 |
| **COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD** | $ (102,235) | $ 3,723 | $ (408,758) | $ 7,400 |
| Basic and diluted income (loss) per share | $ (0.01) | $ 0.00 | $ (0.01) | $ 0.00 |
| Weighted average number of shares outstanding | 54,273,675 | 35,351,667 | 54,273,675 | 35,351,667 |

**The accompanying notes to these financial statements are an integral part of these financial statements**

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Condensed Consolidated Interim Statements of Cashflows**
**For the six months ended June 30, 2021 and year ended December 31, 2020**
(Expressed in Canadian Dollars - Unaudited)

| | | Six months ended June 30, 2021 | | Six months ended June 30, 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net loss for the period | **$** | **(337,030)** | $ | (2,641) |
| Items not involving cash | | | | |
| Share issued for consulting fees | | **55,250** | | - |
| Realized gains on digital assets | | **(20,463)** | | - |
| Unrealized gains on digital assets | | **(506)** | | (909) |
| Changes in non-cash working capital | | | | |
| Amounts receivable | | **355** | | 155 |
| Prepaid expenses | | **(66,827)** | | - |
| Accounts payable and accrued liabilities | | **217,516** | | (3,093) |
| Cash used in operating activities | | **(151,705)** | | (6,488) |
| Cash flows from investing activities | | | | |
| Marketable securities | | **(70,369)** | | - |
| Digital assets | | **19,014** | | - |
| Cash used by investing activities | | **(51,355)** | | - |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of shares | | **3,341,250** | | 1,000 |
| Cash provided by financing activities | | **3,341,250** | | 1,000 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **3,138,190** | | (5,488) |
| CASH AND CASH EQUIVALENTS – Beginning of period | | **89,257** | | 13,765 |
| **CASH AND CASH EQUIVALENTS – End of period** | **$** | **3,227,447** | $ | 8,277 |

| | | | | |
|---|---|---|---|---|
| **Cash (paid) received for** | | | | |
| Interest | **$** | **(296)** | $ | (299) |
| Taxes | **$** | **-** | $ | - |

There were no non-cash transactions affecting cash flows from investing and financing activities for the six months ended June 30, 2021 and 2020.

**SPIRIT Blockchain Holdings Inc.** (formerly Spirit Blockchain Capital Inc.)
**Condensed Consolidated Interim Statements of Shareholders' Equity**
**For the six months ended June 30, 2021 and year ended December 31, 2020**
(Expressed in Canadian Dollars - Unaudited)

| | Number of Shares | | Share Capital | | Share Subscriptions Receivable | | Accumulated Other Comprehensive Income | | Deficit | | Total Shareholders' Surplus |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2020 | **35,751,667** | **$** | **969,668** | **$** | **(7,501)** | **$** | **-** | **$** | **(933,501)** | **$** | **28,666** |
| Shares issued for cash | 5,000,000 | | 250,000 | | (499) | | - | | - | | 249,501 |
| Shares issued for services | 783,334 | | 39,167 | | - | | - | | - | | 39,167 |
| Loss for the year | - | | - | | - | | - | | (68,834) | | (68,834) |
| Unrealized gains on digital assets | - | | - | | - | | 114,873 | | - | | 114,873 |
| **Balance, December 31, 2020** | **41,535,001** | **$** | **1,258,834** | **$** | **(8,000)** | **$** | **114,873** | **$** | **(1,002,335)** | **$** | **363,373** |
| Balance, January 1, 2021 | **41,535,001** | **$** | **1,258,835** | **$** | **(8,000)** | **$** | **114,873** | **$** | **(1,002,335)** | **$** | **363,373** |
| Shares issued for cash | 29,479,999 | | 3,454,750 | | (160,500) | | - | | - | | 3,294,250 |
| Shares issued for services | 1,105,000 | | 55,250 | | - | | - | | - | | 55,250 |
| Cancellation of shares | (50,000) | | (5,000) | | 5,000 | | - | | - | | - |
| Loss for the period | - | | - | | - | | - | | (337,030) | | (337,030) |
| Unrealized gains on digital assets | - | | - | | - | | 234,795 | | - | | 234,795 |
| Reclassification of realized gains | - | | - | | - | | (23,958) | | 23,958 | | - |
| **Balance, June 30, 2021** | 72,070,000 | $ | 4,763,835 | $ | (163,500) | $ | 325,710 | $ | (1,315,407) | $ | 3,610,638 |

**The accompanying notes to these financial statements are an integral part of these financial statement**

## 1. Nature of business and going concern

Spirit Blockchain Holdings Inc. (formerly Spirit Blockchain Capital Inc.) (the “Company”) was incorporated under the Business Corporations Act on November 25, 2017 in British Columbia, Canada. The Company changed its name from Spirit Blockchain Technologies Limited on September 19, 2019. The Company registration number is BC 1142087. The purpose of the Company is to develop products and services in the Digital Assets and Blockchain Ecosphere. The Company can also mine, hold crypto-currencies and invest in other companies operating in this Ecosphere.

These condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Historically, the Company has not earned income to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from or raise equity capital or borrowings sufficient to meet current and future obligations.

Based on the Company’s history of accumulating significant losses to date, these factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with equity financing including private placements of common shares, potential debt financing and the generation of revenue however, there can be no assurance that this will occur. If the going concern assumption were not appropriate for these Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

## 2. Basis of presentation

### Statement of compliance

These Interim Financial Statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS 34") – Interim Financial Reporting under International Accounting Standards Board ("IASB"). These Interim Financial Statements follow the same accounting policies and methods of application as the most recent annual audited Financial Statements of the Company These Interim Financial Statements do not contain all of the information required for full annual consolidated. Accordingly these Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2020 which were prepared in accordance with IFRS as issued by the IASB.

### Basis of presentation

These Interim Financial Statements are expressed in Canadian dollars and have been prepared on a historical basis except for financial instruments that have been measured at fair value. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these Interim Financial Statements as if the policies have always been in effect.

### Basis of condensed consolidated

These Interim Financial Statements incorporate the financial statements of the Company and the Company's wholly owned subsidiary, SPIRIT Blockchain AG, which was incorporated on 19 February 2018 in Switzerland, and is owned 100% by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

## 2. Basis of presentation (continued)

### Significant accounting judgements and estimates

The preparation of these Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

## 3. Summary of significant accounting policies

### a. Financial Instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the Company's business model for managing the financial assets and terms of the related cashflow. Management determines the classification of its financial assets at initial recognition.

Equity investment that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. The Company's cash is classified as FVTPL.

## 3. Summary of significant accounting policies (continued)

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company does not have any financial assets classified as FVTOCI.

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Transaction costs are netted against financial assets and are accounted for using the effective interest method. They are classified as current assets or non-current assets based on their maturity date. The amounts due from related parties are financial assets classified at amortized cost.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- FVTPL- This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.
- Amortized cost - The Company's accounts payables are recognized at amortized cost.

### b. Cash and cash equivalents

Cash and cash equivalents include cash on hand, held in trust and on deposit in interest-bearing bank accounts.

## 3. Summary of significant accounting policies (continued)

### c. Reserves

Equity reserves presented as contributed surplus include amounts related to share-based payments.

### d. Digital assets

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets are held with a short-term nature and are recorded as current assets on the statement of financial position.

Management of the Company view Digital Assets as an intangible asset as it is an identifiable nonmonetary asset without physical substance and accordingly the Company uses the revaluation model, as permitted under IAS 38 “Intangible Assets”, to measure its digital currencies. Initially the digital currencies are measured at cost and will not be subject to amortization. The revaluation model under IAS 38 requires intangible assets, after initial recognition, to be carried at revalued amounts less any accumulated amortization and accumulated impairment losses. The revalued amounts are determined at each reporting period at their fair market value which is calculated using the spot rate based on the hourly volume weighted average from *www.cryptocompare.com*. Increases in the carrying amounts are measured through Other Comprehensive Income. Decreases that offset previous increases are measured through Other Comprehensive Income and all other decreases are measured through profit and loss. On disposal, any cumulative revaluation surplus associated with digital assets is transferred directly to retained earnings.

## 3. Summary of significant accounting policies (continued)

### e. Share-based payments

Share-based payment include option and stock grants granted to directors, employees and consultants. The Company accounts for share-based compensation using a fair value-based method with respect to all share-based payments measured and recognized, to directors, employees, and consultants. For directors and employees, the fair value of the options and stock grants is measured at the date of grant. For consultants, the fair value of the options and stock are measured at the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. For directors, employees and consultants, the fair value of the options and stock grants is accrued and charged to operations, with the offsetting credit to share based payment reserve for options, and commitment to issue share for stock grants over the vesting period. If and when the stock options are exercised, the applicable amounts are transferred from share-based payment reserve to share capital. When the stock grants are issued, the applicable fair value is transferred from commitment to issue shares to share capital. Option based compensation awards are calculated using the Black-Scholes option pricing model while stock grants are valued at the fair value on the date of grant.

### f. Income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted rates expected to apply when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactments occur. To the extent that the company does not consider it probable that a deferred income tax asset will be recovered, the deferred income tax asset is not recognized. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

## 3. Summary of significant accounting policies (continued)

### g. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

### h. Impairment

i. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For the purpose of impairment testing, assets grouped together into the smallest group of assets or group of assets (the "cash generated unit").

An impairment loss is recognized if the carrying amount of a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

## 3. Summary of significant accounting policies (continued)

ii. Financial assets

The Company assesses all information including forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

### i. Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gains and losses on available for sale financial assets and digital assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments to self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as accumulated other comprehensive income. During the period ended June 30, 2021 the Company recognized $234,795 (2020 - $364) in other comprehensive income.

## 3. Summary of significant accounting policies (continued)

### j. Foreign currency translation

These Financial Statements are presented In Canadian dollars ($), which is the functional currency of the Company. The Company's wholly owned subsidiary, Spirit Blockchain AG has a functional currency of Swiss Franc (CHF). Transactions in currencies other than the functional currency are translated into Canadian dollars on the following basis:

- Monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date;
- Non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.
- Gains and losses arising from this translation of foreign currency are included in the determination profit and loss.

## 3. Summary of significant accounting policies (continued)

### k. Critical accounting judgements and key sources of estimation uncertainty

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 on-going 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.

**Valuation of digital assets**

Digital currencies consist of cryptocurrency denominated assets (Note 5) and are included in both current assets. Digital currencies are carried at their fair market value determined by the spot rate based on volume weighted average from www.coinmarketcap.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company’s earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for coins could negatively impact the Company’s future operations. The Company has not hedged the conversion of any of its digital currencies.

The Company is required to make significant assumptions and judgements as to its accounting policies and the application thereof which is disclosed in the notes to these Interim Financial Statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company's profit or loss and financial position as currently presented.

## 3. Summary of significant accounting policies *(continued)*

### Valuation of share-based compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate fair value of the stock options granted to directors and consultants. The use of the Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has had limited history and is in a unique industry, and historical volatility in not necessarily indicative of future volatility.

### Going concern evaluation

As discussed on note 1, these Interim Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Interim Financial Statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to this assessment as at June 30, 2021.

### l. Accounting standards issued but not yet applied

There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's Interim Financial Statements.

## 4. Financial instruments and risk management

### a. Financial instrument classification

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable and accounts payable. The Company classifies its cash and cash equivalents and marketable securities as fair value through profit and loss, amounts receivable are classified as amortized cost. The Company's accounts payable are classified as financial liabilities recognized at amortized cost. The carrying amount of cash and cash equivalents, amounts receivable and accounts payable approximate their carrying values because of the short-term nature of these instruments.

## 4. Financial instruments and risk management (continued)

### b. Fair values of financial assets and liabilities

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:

i. Level 1- quoted prices in active markets for identical financial instruments.

ii. Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

iii. Level 3 - valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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

*Credit risk:*
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company's cash, digital currencies, due from related parties and proceeds of coin sale are exposed to credit risk. The Company limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Company has performed internal due diligence procedures. The Company deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at June 30, 2021, the Company held approximately $3,227,447 (December 31, 2020 - $89,257) in cash and $535,393 (December 31, 2020 - $298,643) in digital assets with a digital asset custodian. As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. As of June 30, 2021 the Company recorded an allowance of $Nil (2020 - $Nil). While the Company intends to only transact with counterparties or exchanges that it believes to be credit worthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

## 4. Financial instruments and risk management (continued)

*Liquidity risk:*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. The Company manages liquidity risk by restricting cash reserves to offset funds due to creditors. As at June 30, 2021, the Company had an unrestricted cash balance of $3,227,447 to settle current liabilities. Accordingly, the Company is moderately exposed to liquidity risk.

*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 commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is not exposed to significant market risk. The Company is moderately exposed to market risk through its Digital Asset and investment portfolio. A 5% shift in market prices would result in a gain or loss of approximately $30,000.

*Interest 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's liabilities are non-interest bearing and therefore, interest rate risk is not considered significant.

*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. As at June 30 2021, the Company held financial liabilities denominated in foreign currencies totaling $Nil (December 31, 2020 – $Nil) as well as financial assets denominated in foreign currencies totaling $27,102 (December 31, 2020 - $8,109). A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately $1,400. Accordingly, the Company is exposed to foreign currency risk.

(Expressed in Canadian Dollars - Unaudited)

## 5. Digital assets

The Company's subsidiary has a brokerage account with Crypto Finance AG in Zurich, Switzerland. Digital currencies are recorded at their fair value on the date they are received and are revalued to their fair value at each reporting date. The fair market value of the Company's digital assets is as follows:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Bitcoin | 224,427 | 180,637 |
| Ethereum | 247,677 | 85,919 |
| Litecoin | - | 14,088 |
| Chainlink | 9,496 | 5,669 |
| Cardano | 53,793 | 4,192 |
| Zen Horizen Masternodes | - | 8,137 |
| | $535,393 | $298,643 |

During the period ended June 30, 2021 the Company recognized $20,463 (2020 - $Nil) in realized gains and $506 (2020 - $909) in unrealized gains through profit and loss, and $234,795 (2020 - $6.364) in unrealized gains through other comprehensive income on the digital assets. During the period ended June 30, 2021, $23,958 (2020 - $Nil) in previously recognized unrealized gains on digital asset were reclassified from accumulated other comprehensive income to deficit upon the realization of these gains.

## 6. Share capital

The Company is authorized to issue an unlimited number of shares.

During the period ended June 30, 2021 the Company had the following share capital transactions:
The Company issued 2,559,999 common shares at $0.05 for gross proceeds of $128,000.

During the period the Company issued 1,105,000 common shares to directors and consultants of the Company for services provided at a fair value of $0.05 per common share for an aggregate of $55,250.

In June 2021, the Company issued 850,000 common shares at $0.08 per share for gross proceeds of $68,000.

In June 2021, the Company closed a private placement, in which $3,285,750 was raised at a price of $0.125 per share for the issuance of 26,070,000 shares.

## 6. Share capital *(Continued)*

During the period ended June 30, 2021, the Company cancelled 50,000 common shares for which proceeds had not been received.

During the year ended December 31, 2020, the Company had the following share capital transactions:

The Company issued 5,000,000 common shares at $0.05 for gross proceeds of $250,000.

The Company issued 783,334 common shares to directors and consultants of the Company for services provided at a fair value of $0.05 per common share for an aggregate of $39,167.

## 7. Related party Transactions

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

Transactions with related parties for the period ended June 30, 2021 and 2020 were as follows:

Creade GmbH, a company controlled by Mr. Perroulaz (Chairman, CEO and Director) was paid $115,000 in consulting fees for services provided by Mr. Perroulaz (2020 – $Nil). The Company also issued 275,000 common shares as part payment for these services (2020 – $Nil) with a fair value of $13,750 (2020 - $Nil).

Core Financial Management Limited, a company controlled by Mr. O'Neill (Director) was paid $33,000 in consulting fees for services provided by Mr. O'Neill (2020 – $Nil). The Company also issued 275,000 shares as part payment for these services (2020 – $Nil) with a fair value of $13,750 (2020 - $Nil).

As at June 30, 2021 the amounts owing to related parties was $123,000 (December 31, 2020 - $Nil).

## 8. Proposed transaction

On April 28, 2021, the Company entered into a definitive agreement with 1284696 B.C. Ltd. (“1284696”) whereby 1248696 will acquire all of the issued and outstanding ordinary shares of the Company (the “Transaction”) by way of a reverse takeover (“RTO”). It is contemplated that the Transaction will take place whereby 1284696 will acquire all of the issued and outstanding securities of the Company in exchange for the issuance of 46,000,000 shares in 1284696 to former Spirit Blockchain Holdings Inc Shareholders on a pro rata basis, which will result in the Company becoming a 100% wholly-owned subsidiary of 1284696.

On July 29, 2021 the acquisition of the Company by 1284696 pursuant to the terms of the Amalgamation Agreement was completed, and the Company became a wholly owned subsidiary of 1284696, and as a result will become a reporting issuer upon the listing of its common shares on the Canadian Stock Exchange (“CSE”). 1284696 will carry on the business of the Company.

## 10. Capital management

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

## 11. Subsequent Events

On July 31, 2021, the Company issued 5,698,000 stock options to directors, officers and consultants of the Company with an exercise price of $0.125 per common share and an expiration date of July 31, 2026. The stock options will vest 1,899,333 annually on July 31, 2022, 2023 and 2024

On July 31, 2021, the Company issue 2,849,000 restricted share units (“RSUs”) to directors, officers and consultants of the Company at price of $0.125. The RSUs will vest 949,666 annually on July 31, 2022, 2023 and 2024.

# SCHEDULE D

## PROFORMA FINANCIAL STATEMENTS OF THE COMPANY

# SPIRIT BLOCKCHAIN CAPITAL INC.

(FORMERLY 1248696 B.C. LTD.)

**Pro Forma Consolidated Financial Statements**

**May 31, 2021**

**(Unaudited)**

**(Expressed in Canadian Dollars, unless otherwise stated)**

**SPIRIT BLOCKCHAIN CAPITAL INC.**

(Formerly 1248696 B.C. Ltd.)

**PRO FORMA STATEMENT OF FINANCIAL POSITION**

**MAY 31, 2021**

(Unaudited) - (Expressed in Canadian Dollars)

| | Spirit Blockchain Capital Inc. (formerly 1248696 B.C. Ltd.) May 31, 2021 | Former Spirit June 30, 2021 | Pro Forma Adjustments | Notes | Consolidated Pro Forma |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current | | | | | |
| Cash and cash equivalents | $ 282,882 | $ 3,227,447 | $ (250,000) | 2(b) | $ 3,260,329 |
| Trade and other receivables | - | 4,508 | - | | 4,508 |
| Marketable securities | - | 70,369 | - | | 70,369 |
| Digital assets | - | 535,393 | - | | 535,393 |
| Prepaid expenses | - | 23,500 | - | | 23,500 |
| Total Assets | $ 282,882 | $ 3,861,217 | $ (250,000) | | $ 3,894,099 |
| **Liabilities** | | | | | |
| Current | | | | | |
| Trade and other payables | $ 18,526 | $ 250,579 | $ - | | $ 269,105 |
| Total Liabilities | 18,526 | 250,579 | - | | 269,105 |
| **Shareholders' equity (deficit)** | | | | | |
| Share capital | 268,000 | 4,7763,834 | (268,000) | 2(a) | |
| | | | 9,008,750 | 2(a) | 13,772,584 |
| Special warrants | 17,350 | - | (17,350) | 2(a) | - |
| Share subscriptions receivable | - | (163,500) | - | | (163,500) |
| Share-based payment reserve | - | - | 586,819 | 2(d) | 586,819 |
| Accumulated Other Comprehensive Income | - | 325,710 | - | | 325,710 |
| Deficit | (20,994) | (1,315,406) | 20,994 | 2(a) | |
| | | | (8,744,394) | 2(a) | |
| | | | (250,000) | 2(b) | |
| | | | (586,819) | 2(d) | (10,896,619) |
| Total Shareholders' Equity (Deficit) | 264,356 | (3,610,638) | (250,000) | | 3,624,994 |
| Total Liabilities and Shareholders' Equity (Deficit) | $ 282,882 | $ 3,861,217 | $ (250,000) | | $ 3,894,099 |

**SPIRIT BLOCKCHAIN CAPITAL INC.**

(Formerly 1284696 B.C. Ltd.)

**PRO FORMA STATEMENT OFLOSS AND COMPREHENSIVE LOSS**

(Unaudited) - (Expressed in Canadian Dollars)

| | Spirit Blockchain Capital Inc. (formerly 1248696 B.C. Ltd from the period of incorporation on January 19, 2021, to May 31, 2021 | Former Spirit six months ended June 30, 2021 | Pro Forma Adjustments | Notes | Consolidated Pro Forma |
|---|---|---|---|---|---|
| Operating expenses | | | | | |
| Bank charges | $ 22 | $ 296 | $ - | | $ 318 |
| Consulting fees | - | 298,250 | - | | 298,250 |
| Legal and professional fees | 18,321 | 48,252 | 250,000 | 2(b) | 316,573 |
| Marketing and events | - | 8,183 | - | | 8,183 |
| Miscellaneous expenses | 2,651 | 209 | - | | 2,860 |
| Share based compensation | - | - | 586,819 | 2(d) | 586,819 |
| Website and communication expenses | - | 761 | - | | 761 |
| Total operating expenses | 20,994 | 355,951 | 836,819 | | 1,213,764 |
| Net loss before other items | (20,994) | (355,951) | (836,819) | | (1,213,764) |
| Foreign exchange gain (loss) | - | (2,048) | - | | (2,048) |
| Realized gains (losses) on digital assets | - | 20,463 | - | | 20,463 |
| Unrealized gains (losses) on digital assets | - | 506 | - | | 506 |
| Listing fee | - | - | (8,744,394) | 2(a) | (8,744,394) |
| Net loss | (20,994) | (337,030) | (9,581,213) | | (9,939,237) |
| Other comprehensive income | | | | | |
| Unrealized gains on digital assets | - | 234,795 | - | | 234,795 |
| Comprehensive loss | $ (20,994) | $ (102,235) | $(9,581,213) | | $ (9,704,442) |

## 1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements of Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd.) (the “Company”) have been prepared by the management of the Company, in accordance with International Financial Reporting Standards (“IFRS”), for inclusion in the Company’s long form preliminary prospectus to become a reporting issuer under the applicable securities legislation in the Provinces of British Columbia, Ontario, Alberta and Manitoba.

On July 29, 2021, the Company acquired all of the issued and outstanding ordinary shares in the capital of Former Spirit. (the “Transaction”) by way of a reverse takeover (“RTO”), in exchange of the issuance of 72,070,000 shares in the Company to the former Former Spirit. shareholders. This resulted in Former Spirit. becoming a 100% wholly-owned subsidiary of the Company.

In the opinion of the Company's management, the pro-forma consolidated financial statements include all adjustments necessary for fair presentation of the transactions as described in Note 2.

These unaudited pro forma consolidated financial statements of the Company have been compiled from and include:

a) The Company’s audited financial statements as at May 31, 2021, and for the period from incorporation on January 19, 2021 to May 31, 2021;

b) Former Spirit’s audited financial statements as at June 30, 2021 and for the six months then ended;

c) the additional information set out in Note 2.

The unaudited pro forma consolidated statement of financial position gives effect to the acquisition of Former Spirit. by the Company if it had occurred on May 31, 2021.

The unaudited pro-forma consolidated financial statements have been prepared for illustrative purposes only and may not be indicative of the combined entities’ financial position and results of operations that would have occurred if the acquisition had been in effect at the date indicated as set out in Note 2.

The effective tax rate for the Company is 27%.

(Unaudited) - (Expressed in Canadian Dollars)

## 2. PRO FORMA TRANSACTIONS

The pro-forma consolidated financial statements were prepared based on the following assumptions:

(a) On July 29, 2021, the Company acquired all of the issued and outstanding ordinary shares in the capital Former Spirit. (the "Transaction") by way of a reverse takeover ("RTO"), in exchange of the issuance of 72,070,000 shares in the Company to the former Former Spirit. shareholders. This resulted in Former Spirit. becoming a 100% wholly-owned subsidiary of the Company.

The transaction will be considered a reverse takeover ("RTO") under the policies of the Canadian Securities Exchange ("CSE"), whereby the acquirer for accounting purposes will be Former Spirit.

The Company has allocated the purchase as follows:

| | |
|---|---|
| **Consideration** | |
| 72,070,000 shares at $0.125 per share | $ 9,008,750 |
| **Net assets acquired** | |
| Cash and cash equivalents | $ 282,882 |
| Accounts payable | (18,526) |
| Listing fee | 8,744,394 |
| | $ 9,008,750 |

The fair value of the 72,070,000 common shares of the Company was determined to be $0.125 per common share, based on the market value on the assumed date of the transaction.

(b) The Company incurred approximately $250,000 of professional fees in connection with the transaction.

(c) During the period ended, the Company completed a financing of 347,000 special warrants units at $0.05 per special warrant, for total proceeds of $17,350. Each special warrant was converted into one common share of the Company at no additional cost at the closing of the Transaction.

(d) Subsequent to the period end, the Company issued 5,698,000 options, exercisable t $0.125 per share, to officers, directors, employees, and consultants. The options were valued at $586,819 using the Black Scholes Options Pricing model with the following assumptions: Volatility of 120%, expected life of 5 years, and risk-free discount rate of 0.81%.

(e) Subsequent to the period end, the Company allocated 2,849,000 restricted share units ("RSUs") to officers, directors and consultants. The RSUs vest 1/3 on each of July 31, 2022, July 31, 2023, and July 31, 2024. No expense was on the pro-forma financial statements, since these have not yet vested.

(Unaudited) - (Expressed in Canadian Dollars)

## 3. SHARE CAPITAL

Authorized
Unlimited common shares without par value

Issued

| | Number of Shares | Number of special warrants | Capital stock | Special warrants | Share subscriptions receivable | Share based payment reserve | Accumulated other comprehensive income |
|---|---|---|---|---|---|---|---|
| Capital stock of the Company as at May 31, 2021 | 13,400,001 | 347,000 | $ 268,000 | $ 17,350 | $ - | $ - | $ - |
| Capital stock of Former Spirit. as at June 30, 2021 | 72,070,000 | - | 4,763,834 | - | (163,500) | - | 325,710 |
| Removal of share capital due to acquisition | (72,070,000) | - | (268,000) | (17,350) | - | - | - |
| Consideration shares issued for acquisition (Note 2a) | 72,070,000 | - | 9,008,750 | - | - | - | - |
| Conversion of special warrants (Note 2c) | 347,000 | (347,000) | - | - | - | - | -- |
| Stock options issued (Note 2d) | - | - | - | - | - | 586,819 | - |
| | 85,817,001 | - | $ 13,772,584 | $ - | $ (163,500) | $ 586,819 | $ 325,710 |

### Stock Options

As at May 31, 2021, the Company has the following stock options outstanding and exercisable

| Number of stock options issued and exercisable | Exercise price | Expiry date |
|---|---|---|
| 5,698,000 | $0.125 | July 31, 2026 |
| **5,698,000** | **$0.125** | |

### Restricted Share Units

As at May 31, 2021, the Company has the following stock options authorized, with vesting as follows:

| Number of stock restricted share units authorized | Vesting date |
|---|---|
| 949,666 | July 31, 2022 |
| 949,667 | July 31, 2023 |
| 949,667 | July 31, 2024 |
| **2,849,000** | |

## 4. INCOME TAXES

No value has been ascribed to any acquired tax loss carry forwards obtained by the Company as part of the acquisition of Former Spirit., as the Company is an early-stage company, and it is not known whether sufficient future taxable profits will be available to utilize these losses prior to expiry.

The effective tax rate applicable to the consolidated operations will be 27%.

## CERTIFICATE OF THE COMPANY

**Dated: August 23, 2021**

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia and Ontario.

*"Erich Perroulaz"*
Erich Perroulaz
Chief Executive Officer

*"Meetul Patel"*
Meetul Patel
Chief Financial Officer

## ON BEHALF OF THE BOARD OF DIRECTORS

*"Raymond O'Neill"*
Raymond O'Neill
Director

*"Anthony Zelen"*
Anthony Zelen
Director