SPIRIT BLOCKCHAIN CAPITAL INC.
(Formerly 1284696 B.C. Ltd)

Management's Discussion and Analysis

For the three and six months ended June 30, 2022 and 2021

Dated: August 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the condensed interim consolidated financial statements of Spirit Blockchain Capital Inc. (the "Company") and the notes thereto for the three and six months ended June 30, 2022 and 2021 (collectively referred to hereafter as the "financial statements"). The following discussion and analysis, prepared by management, reviews the Company's financial condition and results of operations for the three and six months ended June 30, 2022. The MD&A should be read in conjunction with the financial statements, which have been prepared in accordance with International Accounting Standard 34 *Interim financial reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. In addition, the MD&A should be read in conjunction with the audited financial statements and related notes for the years ended December 31, 2021 and 2020. This MD&A provides management's analysis of the Company's historical financial and operating results and provides estimates of the Company's future financial and operating performance based on information that is currently available. This MD&A has been approved by the Company's Board of Directors ("Board") as at August 29, 2022.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to evolve and government authorities have implemented measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities that can materially adversely affect the operations of the Company. As of the date of these consolidated MD&A, COVID-19 has had no impact on the Company's ability to operate the business but may impact the Company's ability to raise funding related to COVID-19 be extended or expanded in scope.

OVERVIEW

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

DESCRIPTION OF BUSINESS

Spirit Blockchain Capital Inc. (formerly 1284696 B.C. Ltd) (the "Company") was incorporated under the Business Corporations Act on January 19, 2021 in British Columbia, Canada. The purpose of the Company is to offer products and services to the digital assets and blockchain ecosphere. The Company holds a portfolio of crypto-currencies, some of which it has staked, and invests in other listed companies operating in this ecosphere. The Company also provides blockchain and advisory services to third parties. The Company can mine crypto-currencies, lend both FIAT money and crypto coins (royalties and streaming), provide consulting service and undertake merger and acquisition activity.

1284696 B.C. Ltd ("1284696" or the "Spirit") was incorporated on January 19, 2021 under the Business Corporations Act of British Columbia. On July 29, 2021, 1284696's wholly-owned subsidiary 1302186 B.C. Ltd. ("Subco") and the predecessor entity to Holdings, Spirit Blockchain Capital Inc. ("Former Spirit") completed a business combination transaction (the "Transaction") pursuant to an amalgamation agreement dated July 29, 2021 between Former Spirit, Subco and 1284696 whereby: (i) 1284696 acquired all of the issued and outstanding securities of Former Spirit pursuant to a three-cornered amalgamation; (ii) Subco amalgamated with Former Spirit to form the amalgamated wholly-owned subsidiary of the Company, Spirit Blockchain Holdings Inc.; and (iii) 1284696 changed its name to "Spirit Blockchain Capital Inc.".

Effective July 29, 2021, the Transaction closed whereby 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 in exchange for all of the issued and outstanding Former Spirit shares.

Management determined that the Transaction constituted a reverse acquisition for accounting purposes whereby Former Spirit acquired Spirit. For accounting purposes, Former Spirit is treated as the accounting acquirer, and Spirit (legal parent) is treated as the accounting acquiree in the consolidated financial statements. As Former Spirit was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in the financial statements at their historical carrying values. The Company's results of operations are included from the transaction date, July 29, 2021. The comparative figures are those of Former Spirit prior to the Transaction.

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 wants to become a value stock in a growing environment.

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

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

- Royalties & Streams by providing capital to blockchain ecosystem participants, where repayment of the 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.

REVERSE TAKEOVER TRANSACTION

Upon the closing of the Transaction on July 29, 2021, Spirit issued 72,070,000 common shares of the Company to Former Spirit shareholders at the fair value of $0.125 per common share for a total fair value of $9,008,750.

As a result of the Transaction, Spirit obtained control of the Company and is considered to have acquired the Company. The Transaction constituted a reverse takeover acquisition ("RTO") of the Company by Spirit and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2 *Share-based Payments*, and IFRS 3 *Business Combinations*. As the Company did not qualify as a business in accordance with the definition of IFRS 3, the RTO does not constitute a business combination. Rather, it is treated as an issuance of common shares by Spirit for the net assets of the Company and its public listing, with Spirit as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction.

For accounting purposes, Spirit is treated as the accounting parent (legal subsidiary) and the Company as the accounting subsidiary (legal parent). The fair value of the consideration paid by Spirit, net of transaction costs, less the fair value of net assets of the Company acquired by Spirit constitutes the listing expense and has been recorded in the statement of loss and comprehensive loss. The financial statements for the three and six months ended June 30, 2022 and 2021 reflect the assets, liabilities, and operations of Spirit since its incorporation and the Company from July 29, 2021.

The purchase has been allocated as follows:

	July 29, 2021
Purchase price:	
Fair value of 72,070,000 shares at $0.125 per share	9,008,750
Total consideration	**9,008,750**
Net assets acquired	
Cash	282,012
Accounts payable	(17,722)
Total net assets	**264,290**
Transaction cost	**8,744,460**

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 date of the Transaction.

MARKETABLE SECURITIES

During the three and six months ended June 30, 2022, the Company recognized an change in fair value on marketable securities of $100,212 and $208,257, respectively (2021 - $4,000 and $4,000, respectively).

During the three and six months ended June 30, 2022, the Company recognized a realized loss on the sale of marketable securities of $244,435 and $244,435, respectively (2021 - gain of $19,381 and $19,381, respectively). Additionally, the Company received dividend income of $54 and $102, respectively (2021 - $nil and $nil, respectively).

The total fair value of marketable securities has been classified as current items on the statement of financial position.

The fair value of the Company's marketable securities are as follows:

		June 30, 2022		December 31, 2021
	Shares held	**Fair value**	Shares held	Fair value
	#	**$**	#	$
Banxa Holdings Inc.	**-**	**-**	1,100	3,322
BIGG Digital Assets Inc.	**12,400**	**4,712**	12,400	12,896
Bitfarms Ltd.	**1,919**	**2,763**	7,678	48,986
Coinbase Global Inc.	**203**	**12,300**	290	92,787
Defi Technologies Inc.	**-**	**-**	7,500	22,650
Galaxy Digital Ltd.	**1,323**	**6,390**	3,890	88,109
Hive Blockchain Technologies Ltd.	**-**	**-**	7,000	23,170
Hut 8 Mining Corp.	**1,984**	**3,452**	7,937	78,814
Marathon Digital Holdings Inc.	**489**	**3,365**	1,958	81,570
Neptune Digital Assets	**-**	**-**	3,000	1,740
Riot Blockchain Inc.	**-**	**-**	925	26,187
Signature Bank	**52**	**12,008**	75	30,757
Silvergate Capital Corp.	**260**	**17,935**	620	116,491
Voyager Digital	**-**	**-**	736	11,621
Total	**18,630**	**62,925**	55,109	639,100

The cost of the Company's marketable securities are as follows:

		June 30, 2022		December 31, 2021
	Shares held	**Cost**	Shares held	Cost
	#	**$**	#	$
Banxa Holdings Inc.	**-**	**-**	1,100	2,503
BIGG Digital Assets Inc.	**12,400**	**14,894**	12,400	14,894
Bitfarms Ltd.	**1,919**	**11,162**	7,678	56,620
Coinbase Global Inc.	**203**	**50,897**	290	92,182
Defi Technologies Inc.	**-**	**-**	7,500	10,030
Galaxy Digital Ltd.	**1,323**	**26,215**	3,890	77,081
Hive Blockchain Technologies Ltd.	**-**	**-**	7,000	20,640
Hut 8 Mining Corp.	**1,984**	**12,317**	7,937	49,273
Marathon Digital Holdings Inc.	**489**	**16,419**	1,958	83,348
Neptune Digital Assets	**-**	**-**	3,000	3,300
Riot Blockchain Inc.	**-**	**-**	925	44,147
Signature Bank	**52**	**16,481**	75	30,136
Silvergate Capital Corp.	**260**	**26,619**	620	80,474
Voyager Digital	**-**	**-**	736	14,484
Total	**18,630**	**175,004**	55,109	579,112

DIGITAL ASSETS

The Company has a digital asset custody account with Crypto Finance AG in Zurich, Switzerland. Digital assets are recorded at their fair value on the date they are received and are revalued to their fair value at each reporting date.

The fair value of digital assets held as at June 30, 2022 is based on the quoted value of the digital assets on June 30, 2022.

During the three and six months ended June 30, 2022, the Company recognized a realized loss on sale of digital assets of $451,978 and $470,168, respectively (2021 - gain of $nil and $25,766, respectively); and an change in fair value on digital assets of $343,444 and $367,670, respectively (2021 - ($3,422) and ($3,422), respectively) from the revaluation of digital assets in profit or loss; and an change in fair value on digital assets of $569,202 and $697,196, respectively (2021 - $102,775 and ($241,706), respectively) from the revaluation of digital assets recognized in other comprehensive income.

The fair market value of the Company's digital assets - current, are as follows:

	June 30, 2022		December 31, 2021	
	Units held	**Fair value**	Units held	Fair value
	#	**$**	#	$
AAVE	**-**	**-**	64.857	20,975
Bitcoin	**7.497**	**191,122**	18.340	1,076,584
Cardano	**64,507.688**	**38,138**	64,673.896	107,402
Chainlink	**391.736**	**3,155**	392.743	9,753
Compound	**-**	**-**	48.899	12,416
Ethereum	**124.888**	**171,761**	267.536	1,248,969
FTX Token	**144.357**	**4,563**	144.728	7,029
Polkadot	**-**	**-**	1,593.243	53,967
Sushiswap	**1,692.130**	**2,152**	1,696.481	20,323
Uniswap	**-**	**-**	893.034	19,325
USD Coin	**-**	**-**	78,952.517	100,087
Total	**66,868.295**	**410,891**	148,746.274	2,676,830

The fair market value of the Company's digital assets - long-term portion, are as follows:

	June 30, 2022		December 31, 2021	
	Units held	**Fair value**	Units held	Fair value
	#	**$**	#	$
Cardano	**19,358.569**	**11,471**	-	-
Cosmos	**1,169.910**	**11,392**	-	-
Ethereum	**8.140**	**11,221**	-	-
Polkadot	**2,357.644**	**21,472**	-	-
Total	**22,894.263**	**55,556**	-	-

During the three and six months ended June 30, 2022, the Company was granted staking rewards by a blockchain network in which it participates. The staking rewards were recognized as other income. Staking rewards for the three and six months ended June 30, 2022 and 2021 is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Cardano	**163**	-	**267**	-
Cosmos	**779**	-	**1,557**	-
Polkadot	**1,293**	-	**2,436**	-
Total	**2,235**	-	**4,260**	-

OVERALL PERFORMANCE

The following financial data has been derived from the Company's financial statements for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Net loss for the period	**(1,638,866)**	(340,996)	**(2,173,071)**	(344,166)
Loss per common share: Basic and diluted	**(0.02)**	(0.01)	**(0.03)**	(0.00)

	June 30, 2022	December 31, 2021
	$	$
Financial position		
Total assets	**1,432,019**	4,043,426
Total liabilities	**455,987**	278,604
Working capital surplus	**920,476**	3,764,822

Three months ended June 30, 2022 compared to the three months ended June 30, 2021

Net loss was $1,638,866 (2021 - $340,996), a change of $1,297,870 from prior year due to increases in certain expenses related to the process to take the Company public during the three months ended June 30, 2022.

The loss before operating expenses was $487,944 (2021 - $359,799) an increase of $128,145. Changes in operations are mainly attributed to the following:

- Consulting fees were $309,163 (2021 - $265,250), an increase of $43,913 due to additional market advisory and administration costs.
- Office expenses were $22,036 (2021 - $10,793), an increase of $11,243, mainly due to higher storage fees on digital assets, dues and subscriptions and team meeting costs.
- Professional fees were $51,553 (2021 - $45,506), an increase of $6,047 mainly due to legal expenses related to the amalgamation and the process to take the Company public.
- Share-based compensation was $88,630 (2021 - $38,250), an increase of $50,380 related to the vesting of stock options and restricted shares units issued in the current period.

The total other expenses were $1,147,922 (2021 - other income of $18,803). The primary expenses are as follows:

- Foreign exchange loss was $20,054 (2021 - $nil), due to the drop in functional currency value of the Company's Switzerland-based subsidiary.
- Realized and unrealized loss on digital assets were $451,978 (2021 - $nil) and $343,444 (2021 - gain of $3,422), respectively, mainly because the crypto market plummeted sharply during the current period.
- Realized and unrealized loss on marketable securities were $244,435 (2021 - gain of $19,381) and $100,212 (2021 - 4,000), respectively, mainly due to the stock market suffered a recession during the current period.

This was partially offset by dividend income of $54 (2021 - $nil) and other income of $12,147 (2021 - $nil).

Six months ended June 30, 2022 compared to the six months ended June 30, 2021

Net loss was $2,173,071 (2021 - $344,166), a change of $1,828,905 from prior year due to increase in certain expenses related to the process to take the Company public during the six months ended June 30, 2022.

The loss before other income was $875,386 (2021 - $388,695) an increase of $486,691. Changes in operations are mainly attributed to the following:

- Consulting fees were $506,995 (2021 - $292,250), an increase of $214,745 due to additional market advisory and administration costs.
- Office expenses were $28,156 (2021 - $12,689), an increase of $15,467, mainly due to higher storage fees on digital assets, dues and subscriptions and team meeting costs.
- Professional fees were $138,911 (2021 - $45,506), an increase of $93,405 mainly due to legal expenses related to the amalgamation and the process to take the Company public.

The total other expenses were $1,293,993 (2021 - other income of $44,529). The primary expenses are as follows:

- Foreign exchange loss was $27,234 (2021 - $40), due to the drop in functional currency value of the Company's Switzerland-based subsidiary.
- Realized and unrealized loss on digital assets were $470,168 (2021 - gain of $25,766) and $367,670 (2021 - gain of $3,422), respectively, mainly because the crypto market plummeted sharply during the current period.
- Realized and unrealized loss on marketable securities were $244,435 (2021 - gain of $19,381) and $208,257 (2021 - 4,000), respectively, mainly due to the stock market suffered a recession during the current period.

This was partially offset by dividend income of $102 (2021 - $nil) and other income of $23,669 (2021 - $nil).

LIQUIDITY AND CAPITAL RESOURCES

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

As at June 30, 2022, the Company had a cash and cash equivalent balance of $804,765 (December 31, 2021 - $684,949) to settle current liabilities of $455,987 (December 31, 2021 - $278,604). Accordingly, the Company is exposed to liquidity risk.

CAPITAL DISCLOSURES

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations and the necessary corporate and administrative functions to facilitate these activities. This is done 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.

RELATED PARTIES TRANSACTIONS

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

During the three and six months ended June 30, 2022, Creade GmbH, a company controlled by Mr. Perroulaz (Chairman, Chief Executive Officer and Director), provided consulting services of $45,000 and $90,000, respectively (2021 - $122,750 and $125,750, respecitvely). During the three and six months ended June 30, 2022, the Company recorded share-based compensation of $15,647 and $31,208, respectively (2021 - $nil and $nil, respectively) related to the vesting of stock options and RSUs granted to Mr. Perroulaz during the year ended December 31, 2021.

Core Financial Management Limited, a company controlled by Mr. O'Neill (Director), provided consulting services of $30,000 and $60,000, respectively (2021 - $42,750 and $46,750, respectively). During the three and six months ended June 30, 2022, the Company recorded share-based compensation of $11,736 and $23,405, respectively (2021 - $nil and $nil, respectively), related to the vesting of stock options and RSUs granted to Mr. O'Neill during the year ended December 31, 2021. As at June 30, 2022, $37,599 (December 31, 2021 - $2,599) was due to Core Financial Management Limited and included in accounts payable and accrued liabilities.

During the six months ended June 30, 2022, the total advances made to an entity with common directors increased to $66,250 (CHF 49,115), (December 31, 2021 - $33,406 (CHF 24,038)). As at June 30, 2022, the advances remain receivable and are presented in due from related party on the statement of financial position. The advances are unsecured, due on demand and are non-interest bearing.

The following table summarizes payments to key management personnel for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Consulting fees	**75,000**	165,500	**150,000**	172,500
Share-based compensation	**27,383**	-	**54,613**	-
Total	**102,383**	165,500	**204,613**	172,500

	June 30, 2022	December 31, 2021
	$	$
Due from related party	**66,250**	33,406
Accounts payable and accrued liabilities	**(37,599)**	(2,599)
Total	**28,651**	30,807

PROPOSED TRANSACTIONS

As at the date of these MD&A, the Company has no proposed transactions.

OUTSTANDING SHARES DATA

As at the date of this MD&A, the Company had:

- 85,817,000 (June 30, 2022 - 85,817,000) common shares issued and outstanding;
- 5,721,134 (June 30, 2022 - 4,531,334) stock options; and
- 2,860,566 (June 30, 2022 - 2,265,666) restricted share units outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instrument classification

The Company's financial instruments consist of cash and cash equivalents, accounts receivable (excluding GST and VAT receivable), marketable securities, due from related party and accounts payable. The Company classifies its cash and cash equivalents and marketable securities at fair value through profit and loss, and accounts receivable (excluding GST and VAT receivable) and due from related party at amortized cost. The Company's accounts payable are classified at amortized cost. The carrying amounts of cash and cash equivalents, amounts receivable (excluding GST and VAT receivable) and accounts payable approximate their carrying values because of the short-term nature of these instruments.

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 of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. The Company's cash and cash equivalents, accounts receivable, and due from related parties, are exposed to credit risk. The Company limits its credit risk by placing its cash with high credit quality financial institutions.

As at June 30, 2022, the Company held $804,765 (December 31, 2021 - $684,949) in cash and cash equivalents, $62,925 (December 31, 2021 - $639,100) in marketable securities with an investment broker.

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. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common stock or debt as required. As at June 30, 2022, the Company had sufficient cash on hand to discharge its financial liabilities as they become due.

Market risk

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company'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.

The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in CHF and USD. As at June 30, 2022, the carrying amounts of the Company's foreign currency denominated monetary assets (liabilities) are as follows:

	June 30, 2022	December 31, 2021
	$	$
Cash and cash equivalents	**470,959**	22,263
Accounts payable	**(633)**	(652)
Net financial assets	**470,326**	21,611

The Company has cash and cash equivalents of $45,832 and $412,985, respectively; and accounts payable and accrued liabilities of $633 and $nil that are denominated in CHF and USD, respectively. The Company has not entered any foreign currency contracts to mitigate this risk. A 5% shift in exchange rates would result in a foreign exchange gain or loss of approximately $23,000. Accordingly, the Company is moderately exposed to foreign currency risk.

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

Collusion and third-party attacks

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

Security risks

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

Uninsured or uninsurable risks

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

Financing risks

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

No assurance of profitability

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

Dilution to the Company's existing shareholders

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

Increased costs

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

Operational risks

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

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

Government regulation

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

Irrevocability of transactions

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

Market risk

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

Digital asset risk

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

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

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

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

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

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

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

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.

SUBSEQUENT EVENTS

On July 31, 2022, the Company granted 1,810,667 stock options and 905,334 restricted share units to consultants, officers and directors of the Company, the stock options have an exercise price of $0.125 and an expiry date of July 31, 2026.

On July 31, 2022, the Company cancelled 620,867 stock options and 310,434 restricted share units previously issued.