

SPIRIT BLOCKCHAIN CAPITAL INC.

Management's Discussion and Analysis

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the consolidated financial statements of Spirit Blockchain Capital Inc. (the "Company") and the notes thereto for the years ended December 31, 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 years ended December 31, 2022 and 2021. The MD&A should be read in conjunction with the financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee. This MD&A provides management's analysis of the Company's historical financial and operating results and provides estimates of the Company's future financial and operating performance based on information that is currently available.

In this MD&A, the "Company", or the words "we", "us", or "our", collectively refer to Spirit Blockchain Capital Inc. and its subsidiaries. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended December 31, 2022 and 2021 are referred to as "Fiscal 2022" and "Fiscal 2021" respectively.

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

This MD&A has been approved by the Company's Board of Directors ("Board") as at April 28, 2023.

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 "Risks and Uncertainties" herein. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

OVERVIEW

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

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

1284696 B.C. Ltd ("1284696" or "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."

Upon the closing of the Transaction on July 29, 2021, 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, for a total fair value of \$9,008,750, in exchange for all of the issued and outstanding Former Spirit shares.

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As a result of the Transaction, Former Spirit obtained control of Spirit and is considered to have acquired Spirit. The Transaction constituted a reverse takeover acquisition ("RTO") of Spirit by Former Spirit in accordance with the guidance provided in IFRS 3 *Business Combinations*. Spirit did not qualify as a business in accordance with the definition of IFRS 3, as the significant inputs, processes, and outputs that together constitute a business did not exist at the time of the Transaction, and as such, the Transaction did not constitute a business combination. As a result, it was accounted for as an issuance of common shares by Former Spirit for the net assets of Spirit and its public listing, within the scope of IFRS 2 *Share-based Payment*. The accounting for this transaction resulted in the following:

- a) The financial statements of the combined entities are issued under the legal parent, Spirit, but are considered a continuation of the financial statements of the legal subsidiary, Former Spirit.
- b) Since Former Spirit is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their historical carrying values.

For accounting purposes, Former Spirit is treated as the accounting parent (legal subsidiary) and Spirit as the accounting subsidiary (legal parent) 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 financial statements for the years ended December 31, 2022 and 2021 reflect the assets, liabilities, and operations of Former Spirit since its incorporation and Spirit from July 29, 2021. The comparative figures are those of Former Spirit prior to the Transaction.

The fair value of the consideration paid by Former Spirit, net of transaction costs, less the fair value of net assets of Spirit acquired by Former Spirit constitutes the transaction cost and has been recorded in the statement of loss and comprehensive loss.

A summary of the Company's consideration paid and the net assets acquired as at July 29, 2021 is as follows:

Purchase price:	\$
Fair value of 72,070,000 shares at \$0.125 per share	9,008,750
	9,008,750
Purchase price allocation:	
Cash	282,012
Accounts payable	(17,722)
	264,290
Transaction cost	8,744,460

The fair value of the 72,070,000 common shares of Spirit was determined to be \$0.125 per common share, based on the market value on the date of the Transaction.

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INVESTMENTS HELD FOR TRADING

A summary of the fair value of the Company's investments held for trading is as follows:

	December 31, 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	12,896
Bitfarms Ltd.	-	-	7,678	48,986
Coinbase Global Inc.	203	9,730	290	92,787
Defi Technologies Inc.	-	-	7,500	22,650
Galaxy Digital Ltd.	-	-	3,890	88,109
Hive Blockchain Technologies Ltd.	-	-	7,000	23,170
Hut 8 Mining Corp.	1,984	2,301	7,937	78,814
Marathon Digital Holdings Inc.	-	-	1,958	81,570
Neptune Digital Assets	-	-	3,000	1,740
Riot Blockchain Inc.	-	-	925	26,187
Signature Bank	52	8,115	75	30,757
Silvergate Capital Corp.	260	6,128	620	116,491
Voyager Digital	-	-	736	11,621
	2,499	26,274	55,109	639,100

A summary of the cost of the Company's investments held for trading are as follows:

	December 31, 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
Bitfarms Ltd.	-	-	7,678	56,620
Coinbase Global Inc.	203	50,897	290	92,182
Defi Technologies Inc.	-	-	7,500	10,030
Galaxy Digital Ltd.	-	-	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.	-	-	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
	2,499	106,314	55,109	579,112

During the year ended December 31, 2022, the Company recognized a loss on change in fair value on investments held for trading of \$260,637 (2021 - gain of \$59,990).

During the year ended December 31, 2022, the Company recognized a realized loss on sale of investments held for trading of \$217,531 (2021 - gain of \$19,381). Additionally, the Company received dividend income of \$215 (2021 - \$nil).

The total fair value of investments held for trading has been classified as current items on the statement of financial position.

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DIGITAL ASSETS

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

A summary of the fair market value of the Company's digital assets - current is as follows:

	December 31, 2022		December 31, 2021	
	Units held	Fair value	Units held	Fair value
	#	\$	#	\$
AAVE	-	-	64.857	20,975
Bitcoin	-	-	18.340	1,076,584
Cardano	-	-	64,673.896	107,402
Chainlink	391.736	2,955	392.743	9,753
Compound	-	-	48.899	12,416
Ethereum	66.888	108,419	267.536	1,248,969
FTX Token	-	-	144.728	7,029
Polkadot	-	-	1,593.243	53,967
Sushiswap	1,692.130	2,118	1,696.481	20,323
Uniswap	-	-	893.034	19,325
USD Coin	107,991.310	146,263	78,952.517	100,087
		259,755	148,746.274	2,676,830

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

	December 31, 2022		December 31, 2021	
	Units held	Cost	Units held	Cost
	#	\$	#	\$
AAVE	-	-	64.857	23,750
Bitcoin	-	-	18.340	682,494
Cardano	-	-	64,673.896	66,778
Chainlink	391.736	4,963	392.743	4,963
Compound	-	-	48.899	20,279
Ethereum	66.888	155,438	267.536	625,109
FTX Token	-	-	144.728	10,215
Polkadot	-	-	1,593.243	65,015
Sushiswap	1,692.130	20,236	1,696.481	20,236
Uniswap	-	-	893.034	23,706
USD Coin	107,991.310	109,081	78,952.517	80,977
		289,718	148,746.274	1,623,522

A summary of the fair market value of the Company's digital assets - long-term portion, used for staking rewards, is as follows:

	December 31, 2022		December 31, 2021	
	Units held	Fair value	Units held	Fair value
	#	\$	#	\$
Avalanche	2,077.295	30,667	-	-
Cardano	19,654.867	6,562	-	-
Cosmos	1,280.087	16,211	-	-
Ethereum	8.140	13,194	-	-
Polkadot	2,537.104	14,810	-	-
		81,444	-	-

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A summary of the cost of the Company's digital assets - long-term is as follows:

	December 31, 2022		December 31, 2021	
	Units held	Cost	Units held	Cost
	#	\$	#	\$
Avalanche	2,077.295	48,224	-	-
Cardano	19,654.867	20,000	-	-
Cosmos	1,280.087	37,500	-	-
Ethereum	8.140	20,000	-	-
Polkadot	2,537.104	47,500	-	-
		173,224	-	-

The fair value of digital assets held as at December 31, 2022 is based on the quoted value of the digital assets on December 31, 2022. During the year ended December 31, 2022, the Company recorded a loss on change in fair value of digital assets of \$407,958 (2021 - \$71,857) through profit and loss and \$697,196 (2021 - gain of \$582,323) through other comprehensive income; and recognized a realized loss on sale of digital assets of \$482,783 (2021 - gain of \$18,903).

During the year ended December 31, 2022, the Company was granted staking rewards by a blockchain network in which it participates. The staking rewards were recognized as other income.

A summary of the Company's staking rewards for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Avalanche	1,528	-
Cardano	1,127	-
Cosmos	3,144	-
Polkadot	3,966	-
	9,765	-

OVERALL PERFORMANCE

The following financial data has been derived from the Company's financial statements for the years ended December 31, 2022 and 2021:

	2022	2021
	\$	\$
Net loss for the year	(3,392,465)	(10,187,580)
Loss per common share: Basic and diluted	(0.04)	(0.18)

	December 31, 2022	December 31, 2021
	\$	\$
Financial position		
Total assets	738,925	4,043,426
Total liabilities	646,691	278,604
Working capital surplus	10,790	3,764,822

SUMMARY OF QUARTERLY RESULTS

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

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$	\$	\$
Net loss	(773,649)	(445,745)	(1,638,866)	(534,205)
Total comprehensive loss	(743,084)	(418,102)	(2,238,935)	(734,617)
Net loss per share - basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	\$	\$	\$	\$
Net loss	(811,874)	(9,031,540)	(340,996)	(3,170)
Total comprehensive income (loss)	(558,712)	(8,919,183)	(454,549)	312,915
Net loss per share - basic and diluted	(0.01)	(0.11)	(0.01)	(0.00)

During the last eight quarters, the Company's net loss has ranged between \$3,170 and \$9,031,540. The Company has not yet achieved profitable operations and the range of net loss and comprehensive loss is correlated to the stability of the crypto market in any given quarter as this has an overall impact on the Company's digital assets and investments in other listed companies operating in the same industry.

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 its financial obligations. The Company manages liquidity risk by restricting cash reserves to offset funds due to creditors.

As at December 31, 2022, the Company had a cash and cash equivalent balance of \$269,206 (December 31, 2021 - \$684,949) to settle current liabilities of \$646,691 (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.

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RESULTS OF OPERATIONS

	Q4 2022	Q4 2021	Fiscal 2022	Fiscal 2021
	\$	\$	\$	\$
Operating expenses				
Consulting fees	289,564	172,515	1,048,682	584,385
Filing fees	2,325	5,250	20,053	12,478
General and administrative	11,599	8,104	86,447	27,557
Professional fees	193,208	188,052	398,372	306,733
Share-based compensation	96,586	372,937	454,150	507,228
	593,282	746,858	2,007,704	1,438,381
Other income (expenses)				
Change in fair value of digital assets	(86,034)	(51,972)	(407,958)	(71,857)
Change in fair value of investments held for trading	(68,601)	24,902	(260,637)	59,990
Dividend income	39	-	215	-
Foreign exchange	(3,041)	(30,474)	(23,182)	(30,514)
Other income	(27,278)	-	10,460	-
Realized gains (losses) on sales of digital assets	(22,703)	(6,830)	(482,783)	18,903
Realized gains (losses) on sales of investment held for trading	26,904	-	(217,531)	19,381
Transaction cost	-	-	-	(8,744,460)
	(180,714)	(64,374)	(1,381,416)	(8,748,557)
Loss before tax	(773,996)	(811,232)	(3,389,120)	(10,186,938)
Income tax recovery (expense)	347	(642)	(3,345)	(642)
Net loss	(773,649)	(811,874)	(3,392,465)	(10,187,580)
Other comprehensive income (loss)				
Change in fair value on digital assets	-	222,598	(697,196)	582,323
Change in foreign currency translation	30,565	30,564	(45,077)	(14,272)
Comprehensive loss	(743,084)	(558,712)	(4,134,738)	(9,619,529)

Q4 2022 compared to Q4 2021

For the three months ended December 31, 2022, the Company reported net loss of \$773,649 compared to \$811,874 in the prior year comparable period.

The total operating expense was \$593,282 compared to \$746,858 in the prior year comparable period. Changes in operations are mainly attributed to the following:

- Consulting fees were \$289,564 compared to \$172,515 in the prior year comparable period, mainly due to additional market advisory and administration costs to support the Company's expanded activities during the current year period as the Company has become public.
- General and administrative was \$11,599 compared to \$8,104 in the prior year comparable period, mainly due to additional travel expenses and marketing costs relating to branding and shareholder communication during the current year period.
- Share-based compensation was \$96,586 compared to \$372,937 in the prior year comparable period, mainly due to higher expenses that were incurred during Q4 2021 relating to the accelerated vesting of stock options and restricted shares units following the termination of certain consultants.

The total other expenses were \$180,714 compared to \$64,374 in the prior year. The increases in total other expenses were mainly due to the following:

- Loss on change in fair value of digital assets was \$86,034 compared to \$51,972 in the prior year comparable period, mainly due to the decline of the crypto market globally during the current year period.
- Loss on change in fair value of investments held for trading was \$68,601 compared to a gain of \$24,902 in the prior year comparable period, mainly due to fluctuations in the fair value of the underlying securities held by the Company during the current year period.
- Realized loss on sales of digital assets was \$22,703 compared to \$6,830 in the prior year comparable period, mainly due to the sales of certain digital assets at a lower price than their carrying value during the current year period.

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Partially offsetting the increase total other expenses was decreases to expenses and increases to income as follows:

- Foreign exchange loss was \$3,041 compared to \$30,474 in the prior year comparable period, mainly due to the impact of the strengthening Canadian dollar against the US dollar on the translation of US dollar denominated digital assets and investments.
- Realized gain on sales of investments held for trading was \$26,904 compared to \$nil in the prior year comparable period, mainly due to the sales of investments held for trading at a higher price than their carrying value during the current year period.

Fiscal 2022 compared to Fiscal 2021

For the year ended December 31, 2022, the Company reported net loss of \$3,392,465 compared to \$10,187,580 in the prior year.

The total operating expense was \$2,007,704 compared to \$1,438,381 in the prior year. The change in total operating expense was mainly due to the following:

- Consulting fees were \$1,048,682 compared to \$584,385 in the prior year, mainly due to additional market advisory and administration costs to support the Company's expanded activities during the current year as the Company has become public.
- General and administrative was \$86,447 compared to \$27,557 in the prior year, mainly related to additional travel expenses and marketing costs relating to branding and shareholder communication during the current year.
- Professional fees were \$398,372 compared to \$306,733 in the prior year, mainly due to higher legal and accounting fees that were incurred in Fiscal 2022 relating to the process to take the Company public.
- Share-based compensation was \$454,150 compared to \$507,228 in the prior year, mainly due to higher expenses that were incurred during Fiscal 2021 relating to the accelerated vesting of stock options and restricted shares units following the termination of certain consultants.

The total other expenses were \$1,381,416 compared to \$8,748,557 in the prior year. The increases to total other expenses were mainly due to the following:

- Loss on change in fair value of digital assets was \$407,958 compared to \$71,857 in the prior year, due to the sharp decline of the crypto market globally throughout the current year.
- Loss on change in fair value of investments held for trading was \$260,637 compared to a gain of \$59,990 in the prior year, mainly due to sales and fluctuations in the fair value of the underlying securities held by the Company during the current year.
- Foreign exchange loss was \$23,182 compared to \$30,514 in the prior year, due to the impact of the strengthening Canadian dollar against the US dollar on the translation of US dollar denominated digital assets and investments.
- Realized loss on sales of digital assets was \$482,783 compared to a gain of \$18,903 in the prior year, mainly due to the sales of certain digital assets at a lower price than their carrying value during the current year.
- Realized loss on sales of investments held for trading was \$217,531 compared to a gain of \$19,381 in the prior year, mainly due to the sales of investments held for trading at a lower price than their carrying value during the current year.

Partially offsetting the increase total other expenses was decreases to expenses and increases to income as follows:

- Other income of \$10,460 compared to \$nil in the prior year, mainly attributed to the staking rewards the Company started receiving periodically since January 2022.
- Transaction cost of \$nil compared to \$8,744,460 in the prior year, mainly due to the non-cash expense associated with the Transaction closed in Fiscal 2021.

SELECTED ANNUAL INFORMATION

The following financial data has been derived from the Company's financial statements:

	December 31, 2022	December 31, 2021	December 31, 2020
	\$	\$	\$
Total operating expenses	2,007,704	1,438,381	99,447
Net loss	(3,392,465)	(10,187,580)	(68,834)
Total comprehensive income (loss)	(4,134,738)	(9,619,529)	46,039
Basic and diluted loss per share	(0.04)	(0.18)	(0.00)
Cash and cash equivalents	269,206	684,949	89,257
Total assets	738,925	4,043,426	396,406
Total liabilities	646,691	278,604	33,033
Share capital	13,923,358	13,810,835	1,258,835
Shareholders' equity	92,234	3,764,822	363,373

The decrease in cash and cash equivalents for the year ended December 31, 2022, compared to the prior year is primarily driven by Company's operating and investing activities. The Company has not earned sufficient income to finance day-to-day activities through operations and has relied on funding through the issuance of common stock and the sales of assets to pay for its financial obligations. The significant decrease in fair value the Company's digital assets and investments held for trading caused by the global downturn of crypto market and the sales of such assets contributed to the decrease in the Company's total assets, net loss and total comprehensive loss for the year.

During the year ended December 31, 2021, the Company completed equity financing for net proceeds of approximately \$3.4 million which was used for acquisition of digital assets and investments that led to the increase in cash and cash equivalents, total assets and share capital. The increase in net loss for the prior year was primarily driven by the non-cash transaction cost associated with the Transaction and the share-based compensation related to the grant of stock options and restricted share units to directors, officers, and consultants of the Company.

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.

During the year ended December 31, 2022, Creade GmbH, a company controlled by Mr. Perroulaz (Chairman, Former Chief Executive Officer, and Director), provided consulting services of \$180,000 (2021 - \$188,750). During the year ended December 31, 2022, the Company recorded share-based compensation of \$62,453 (2021 - \$33,839) related to the vesting of stock options and RSUs granted to Mr. Perroulaz. As at December 31, 2022, \$34,500 (December 31, 2021 - \$nil) was due to Creade GmbH and included in accounts payable and accrued liabilities. The balance is unsecured, due on demand and is non-interest bearing.

During the year ended December 31, 2022, Core Financial Management Limited, a company controlled by Mr. O'Neill, a director of the Company, provided consulting services of \$120,000 (2021 - \$85,250). During the year ended December 31, 2022, the Company recorded share-based compensation of \$46,840 (2021 - \$25,380) related to the vesting of stock options and RSUs granted to Mr. O'Neill. As at December 31, 2022, \$30,510 (December 31, 2021 - \$2,599) was due to Core Financial Management Limited and included in accounts payable and accrued liabilities. The balance is unsecured, due on demand and is non-interest bearing.

During the year ended December 31, 2022, the Company's Chief Executive Officer provided consulting services of \$20,000 (2021 - \$nil). As at December 31, 2022, \$10,000 (December 31, 2021 - \$nil) was due to the Chief Executive Officer and included in accounts payable and accrued liabilities. The balance is unsecured, due on demand and is non-interest bearing.

During the year ended December 31, 2022, the total advances made to entities with common directors increased to \$65,781 (CHF 44,868), (December 31, 2021 - \$33,406 (CHF 24,038)). As at December 31, 2022, the advances remained receivable and were presented in due from related party on the statement of financial position. The advances are unsecured, due on demand and are non-interest bearing with no specified terms of repayment.

Subsequent to the year ended December 31, 2022, the Company settled amounts due to related parties of \$57,500 through the issuance of 1,115,385 common shares of the Company of which 1,000,000 shares were issued at \$0.05 per share and 115,385 shares were issued at a price of \$0.065 per share.

SPIRIT BLOCKCHAIN CAPITAL INC.
Management's Discussion and Analysis
For the years ended December 31, 2022 and 2021

A summary of the Company's related party transactions in profit or loss for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Consulting fees	320,000	274,000
Share-based compensation	109,293	59,219
	429,293	333,219

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

	December 31, 2022	December 31, 2021
	\$	\$
Due from related party	65,781	33,406
Accounts payable and accrued liabilities	(75,010)	(2,599)
	(9,229)	30,807

OUTSTANDING SHARES DATA

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

- 94,558,256 (December 31, 2022 - 86,717,182) common shares issued and outstanding;
- 5,401,134 (December 31, 2022 - 5,401,134) stock options; and
- 1,800,383 (December 31, 2022 - 1,800,383) 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), investments held for trading, due from related party and accounts payable and accrued liabilities. The Company classifies its cash and cash equivalents and investments held for trading 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 and accrued liabilities 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.

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. The Company's cash 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 December 31, 2022, the Company held \$269,206 (December 31, 2021 - \$684,949) in cash and cash equivalents, \$26,274 (December 31, 2021 - \$639,100) in investments held for trading with an investment broker.

The Company's credit risk is predominantly related to cash balances held in financial institutions, amounts receivable and due from related party. The maximum exposure to credit risk is equal to the carrying value of such financial assets. As at December 31, 2022, the Company expects to recover the full amount of such assets.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. As a result, accounts payable and accrued liabilities exposed the Company to liquidity risk. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common stock or debt as required. As at December 31, 2022, the Company had sufficient cash on hand to discharge its financial liabilities.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is exposed to market risk through its investments held for trading and digital assets, a 10% decrease in market prices would result in decrease of approximately \$2,627 to the Company's investments held for trading and approximately \$34,120 to the Company's digital assets.

d) 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.

e) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in CHF and USD.

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

	December 31, 2022	December 31, 2021
	\$	\$
Cash and cash equivalents	145,365	30,939
Investments held for trading	23,972	397,048
Digital assets	259,755	2,676,830
Non-current portion of digital assets	81,444	-
Accounts payable and accrued liabilities	(688)	(906)
	509,848	3,103,911

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 \$25,000.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with IFRS as issued by the IASB. The Company's significant accounting policies are described in the financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Valuation of digital assets

Digital currencies are carried at their fair market value as determined by the spot rate based on volume weighted average from www.coinmarketcap.com. The digital currency market 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 digital currency could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital assets.

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 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.

b) Valuation of share-based compensation

The Company utilizes the Black-Scholes option pricing model to estimate fair value of the options granted to directors, employees, and consultants while RSU's are valued at the fair value on the date of grant. The use of Black-Scholes option pricing model requires management to make various estimates and assumptions that impact the value assigned to the options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the 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.

c) Going concern evaluation

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, 2022.

RISKS AND UNCERTAINTIES

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.

CONTINGENT LIABILITIES

The Company has no contingent liabilities as at December 31, 2022 or at the date of this MD&A.

PROPOSED TRANSACTION

On November 16, 2022, the Company announced a strategic investment in InvestDEFY Technologies Inc. ("InvestDEFY"), a full stack AI platform that powers unique structured products for the digital asset space.

The Company leads the fundraise in a subscription in Class B common shares of InvestDEFY which pay a variable dividend targeting 10% or more per annum with a floor of 7.5% per annum, payable semi-annually until conversion or repurchase. These Class B common shares shall convert into Class A common shares of InvestDEFY after a two-year period subject to InvestDEFY's right to repurchase 40% of the Class B common shares at the end of such two-year period. The transaction was closed subsequent to December 31, 2022.

SUBSEQUENT EVENTS

On January 25, 2023, the Company settled consulting fees of \$116,100 through the issuance of 2,441,074 common shares of the Company to certain consultants and employees of which 2,171,331 shares were issued at a price of \$0.05 per share and 269,743 shares were issued at \$0.065 per share and such distribution was made on a debt-for-shares basis in accordance with the policies of the Canadian Securities Exchange.

On February 6, 2023, the Company entered into a subscription agreement with InvestDEFY Technologies Inc. ("InvestDEFY"), whereby the Company purchased 645,162 Class B voting shares of InvestDEFY ("InvestDEFY Shares") for a purchase price of US\$0.62 per share for an aggregate subscription amount of US\$225,000. As consideration, the Company provided InvestDEFY with US\$25,000 in cash (paid) and 5,400,000 common shares of the Company at \$0.05 per share. Under the terms of the subscription agreement, the InvestDEFY Shares shall pay a variable dividend targeting 10% or more per annum with a floor of 7.5% per annum, payable semi-annually until conversion or repurchase. These Class B common shares shall convert into Class A common shares after a two-year period subject to InvestDEFY's right to repurchase 40% of the Class B shares at the end of such two-year period.

On February 7, 2023, the Company entered into a share purchase agreement with Pixel (Cayman) Limited ("Pixel"), pursuant to which the Company agreed to purchase 40,000 common shares of Pixel for an aggregate purchase price of US\$50,000, with the first Instalment of US\$25,000 payable on February 7, 2023 (paid US\$18,145 (\$25,000)), second instalment of US\$25,000 on the earlier of April 30, 2023 or when Pixel completes an equity investment ("Pixel Equity Investment") that enables it to build and launch the Pixel stablecoin platform; and a top-up instalment subject to certain conditions payable on the closing date of Pixel Equity Investment.