

# SPACKMAN EQUITIES GROUP

## Management's Discussion and Analysis For the three and six months ended June 30, 2024

### OVERVIEW

The following Management's Discussion and Analysis ("MD&A") provides additional analysis of the operations, financial position and financial performance of Spackman Equities Group Inc. ("SEGI" or the "Company") for the three and six months ended June 30, 2024. It is supplementary information and should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the three and six months ended June 30, 2024, and for the year ended December 31, 2023. Reference should also be made to the Company's filings with the Canadian securities regulatory authorities that are available at [www.sedar.com](http://www.sedar.com).

This MD&A is the responsibility of the management. The Board of Directors carries out its responsibility for the review of this disclosure principally through its audit committee, which is composed of a majority of independent directors. The audit committee reviews and, prior to its publication and pursuant to the authority delegated to it by the Board of Directors, approves this disclosure.

SEGI is a publicly traded company listed on the TSX Venture Exchange under the symbol "SQG".

SEGI is an investment holding company that invests into and develops small/medium-sized growth companies that possess industry-specific know-how or proprietary technologies, primarily in Asia. SEGI also makes investments in selected publicly traded companies that SEGI believes are attractive investment propositions. The objectives of SEGI are to (i) invest into or acquire businesses with compelling growth potential at attractive valuations, (ii) build a diversified and balanced portfolio of investments and (iii) deliver the collective value derived from the performance of its portfolio of investments to the shareholders of SEGI.

During the quarter the Company ("SQG") received shareholder approval for a reverse takeover transaction (the "RTO") with Crystal Planet Limited ("CPL").

The transaction will constitute a RTO transaction under the policies of the TSX Venture Exchange (the "TSXV"). CPL is a private company incorporated under the laws of Hong Kong with two wholly-owned subsidiaries, SBD Entertainment Inc. and MSteam Entertainment Co., Ltd. that operate full-service talent agencies, representing artists in the Korean entertainment industry. CPL develops, produces, finances, and owns entertainment content projects, including theatrical motion pictures and TV dramas. The RTO involves share-based consideration only. Prior to completion of the RTO, SQG will complete a share consolidation on the basis of five (5) pre-consolidation common shares for every one (1) post-consolidation common share (the "Consolidation").

After completion of the RTO, the Resulting Issuer will carry on the business currently carried on by CPL, as described above. The Agreement contains customary representations and warranties for a transaction of this kind and was approved by the Board of Directors of each of SQG, CPL and Spackman Media Group Limited (the "Vendor"). It is expected that immediately prior to the closing of the RTO, the Board of Directors of SQG will appoint individuals designated by the Vendor as directors of the Resulting Issuer, and any remaining directors of SQG will resign.

The Agreement also provides that prior to or concurrent with the date of closing of the RTO, SQG will have completed a private placement of common shares of SQG for a minimum amount of US\$500,000.

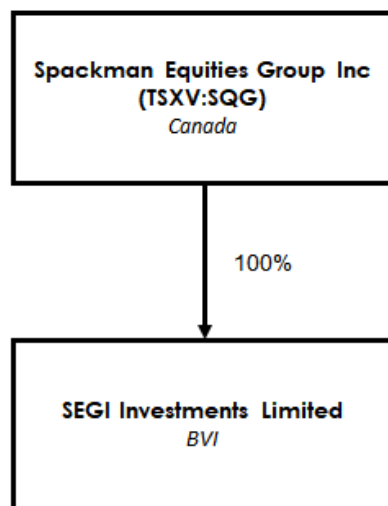
Subsequent to the quarter end on August 26, 2024, the TSXV granted an extension to the deadline for completing the proposed RTO from August 27, 2024, to November 29, 2024.

### **FORWARD-LOOKING STATEMENTS**

Matters may be included in this MD&A that constitute "forward-looking" information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may" or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. Most of these factors are outside the control of the Company. All subsequent forward-looking statements attributable to the Company or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

### **STRUCTURE AND HOLDINGS**

The following chart shows the structure and holdings of the Company as of the date of the MD&A:



### **RESULTS OF OPERATIONS**

For the three months ended June 30, 2024, the Company had an investment loss of \$nil compared with an investment loss of \$nil for the first quarter of 2023. Investment loss for the period is the unrealized loss of \$nil on the fair value of the Company's investment in SEGL and the unrealized loss of \$nil on private investments.

General and administrative expenses totaled \$135,000 for the current quarter compared with \$129,000 for the first quarter of 2023. Fair value adjustment on loans payable increased to a gain of \$117,000 from a gain of \$14,000 the previous quarter in 2023.

As a result of the foregoing, the Company recorded a net loss and comprehensive loss of \$55,000 (\$0.004 per share) for the second quarter of 2024 compared with a net loss of \$121,000 (\$0.008 per share) for the second quarter of 2023.

### **SUMMARY OF SELECTED QUARTERLY INFORMATION**

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Gain (loss), realized and unrealized, on marketable securities and private companies	-	(142,626)	(59,720)	-	-	-	(126,321)	-
Net Income (Loss)	(55,321)	(328,653)	(202,954)	(136,897)	(120,848)	(35,185)	(198,870)	(71,677)
Per Share	(0.004)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.03)	(0.00)
Per Share diluted	(0.004)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.03)	(0.00)

### **ANALYSIS OF SECOND QUARTER RESULTS**

For the second quarter ended June 30, 2024, the Company had an investment loss of \$nil, which is primarily due to the unchanging price in fair value of the Company's investment in SEGL. General and administrative expenses in the second quarter of 2024 totaled \$135,000 (\$129,000 for the second quarter of 2023). Fair value adjustments on loans payable increased to \$117,000 compared to \$14,000 in the three months ended June 30, 2023, due to the positive fluctuation of the interest rate resulting in a gain. As a result of the foregoing, the Company recorded a net loss of \$55,000 (\$0.004 per share) for the three months ended June 30, 2024 ((loss of \$121,000) (\$0.008 per share) for the second quarter of 2023).

### **LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES**

Cash and cash equivalents, and shares of public and private companies decreased to \$385,000 as of June 30, 2024, from \$527,000 as of December 31, 2023 (June 30, 2023 - 579,000).

The decrease in cash and cash equivalents, and shares of public and private companies was primarily due to a decrease of \$140,000 in the fair value of the Company's investment in shares of public company.

The Company's capital resources consist of cash and cash equivalents, and shares of public and private companies, which are used to fund the Company's financial requirements. The Company's general and administrative expenses, substantially all of which are committed and non-discretionary in nature, were \$135,000 for the current quarter, \$469,000 for the 2023 year and \$129,000 for the second quarter of 2023.

Liabilities were \$1,983,000 as of June 30, 2024, compared to \$1,741,000 at the end of 2023 and \$1,454,000 as of June 30, 2023.

### **ANALYSIS OF FINANCIAL CONDITION AND FINANCIAL PERFORMANCE**

The financial condition of the Company as of June 30, 2024, and the financial performance in the current quarter ended June 30, 2024, both were similar from the corresponding prior periods, other than the Fair value adjustment on loans payable which had increased by \$103,000.

As of June 30, 2024, the Company had cash and cash equivalents, and shares of public and private companies of \$385,000 (December 31, 2023 - \$527,000 and June 30, 2023 - \$597,000) and liabilities of \$1,983,000 (December 31, 2023 - \$1,741,000 and June 30, 2023 - \$1,316,000).

## **DIRECTORS AND OFFICERS COMPENSATION**

The following table sets out all compensation payable to directors of the Corporation for their services as directors in the three months ended June 30, 2023.

<b>Name</b>	<b>Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
William Hale	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Richard Lee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Kyoungwon Na	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Mr. Falconer received \$18,000 for the quarter ended June 30, 2024 as CFO. Mr. Lee did not receive any compensation as Chairman and CEO for the quarter ended June 30, 2024.

## **RELATED PARTY TRANSACTIONS**

The following related party transactions occurred and were reflected in the consolidated financial statements for the three and six months ended June 30, 2024, and June 30, 2023, as follows:

### **REMUNERATION OF KEY PERSONNEL**

	<b>Three Months June 30,</b>	
	<b>2024</b>	<b>2023</b>
Management consulting fees	\$ 18,000	\$ 17,000

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company including the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and the Chief Executive Officer.

Included in accounts payable and accrued liabilities are consulting and directors' fees of \$83,000 and \$15,000 (December 31, 2023 - \$53,000 and \$15,000) to companies controlled by officers in common with the Company.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Company's financial statements for the three and six months ended June 30, 2024, were prepared using accounting policies consistent with IFRS. A summary of significant accounting policies under IFRS is presented in Note 3 of the consolidated financial statements of the Company for the year ended December 31, 2023.

## **RISK FACTORS AND RISK MANAGEMENT**

***SEGI shareholders and potential investors in SEGI should carefully consider the following risk factors and all the other information contained in this MD&A when evaluating SEGI and its common shares.***

An investment in the Company's shares involves a number of risks, many of which are beyond its control. The risks and uncertainties set out below are all of the known risks, which are deemed to be material to the Company's business or the results of its operations. When reviewing forward-looking statements and other information contained in this prospectus, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry-specific factors that may adversely affect the Company's future results. If any of these risks should actually occur,

the Company's business, financial condition, results of operations, cash flows and prospects could be harmed. Such risks and uncertainties are not the only ones the Company faces. Additional risks and uncertainties of which the Company is currently unaware or that are deemed immaterial may also adversely affect the Company's business, financial condition, results of operations, cash flows and prospects.

### **Liquidity and Negative Cash Flows**

The Company's cash on hand, cash equivalents, and shares of public and private companies as of June 30, 2024, was \$384,000. This amount should be adequate to continue to fund the Company's operations for the foreseeable future. If the Company had to raise capital to fund its operations or to make further investments in its businesses, it would have to sell assets and/or raise funds through the sale of additional equity. There may not be a ready market for the sale of its assets, and it may not be possible to issue additional shares, or the issue of additional shares if it were to be possible may result in significant dilution to the interests of existing shareholders.

### **Limited Diversification of Investments**

Due to the small size of the Company and the fact that it has only a limited number of investments, the Company is subject to a greater risk of a downturn in one or more of its investments. A concentration of the Company's invested funds in a limited number of businesses means that in the event any such business or industry or investment is unsuccessful or experiences a downturn, this will likely have a material adverse effect on the Company's business, results from operations, and financial condition. It also means that the Company is more exposed to business cycles than it would be if it owned a larger number of investments, which were diversified over various industries with differing business cycles in different geographic areas.

### **Industry Risks**

Each of the Company's investees is subject to the risks inherent in the industry in which it operates.

### **Currency Fluctuations**

The Company is exposed to fluctuations in the value of the currencies of the Republic of Korea, the Special Administrative Region of Hong Kong, Singapore, Canada and the United States. The Company does not use currency derivatives to hedge against adverse currency fluctuations.

### **Legal Claims and Other Contingencies**

The Company and its investee companies may become parties to lawsuits, claims and litigation arising in the ordinary course of business. Such lawsuits could result in significant costs and the outcome of such lawsuits could have a material negative impact on the Company's financial position, operating results, or the Company's ability to continue to carry on its business activities.

### **Lack of Market for the Company's Shares**

Although the Company's common shares are listed and traded on the TSX Venture Exchange, there may not be a liquid market for the shares and any market price for the shares may not reflect the underlying value of the Company's business and assets.

## ***INTERNAL CONTROLS***

### **Disclosure controls and procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

### **Internal controls over financial reporting**

Management of the Company is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. The Company as a venture issuer is not required to certify the design and evaluation of the issuer's disclosure controls and procedures.

## **International Financial Reporting Standards**

The Company's financial statements for the quarter ended June 30, 2024, and the year ended December 31, 2023, and the comparative information presented in such financial statements have been prepared in accordance with IFRS applicable to the presentation of financial statements.

## **STRATEGY AND FUTURE DIRECTION**

The Company's initial strategy and focus was to (i) identify and acquire small/medium-sized growth companies, primarily in the Republic of Korea, that possess proprietary know-how or technologies and a track record of profitable operations; (ii) assist the management of each acquired company to enhance its value; (iii) originate collaboration amongst the portfolio of acquired companies to create new opportunities for one another and leverage off each other's' capabilities and resources; and (iv) reflect the collective value derived from the performance of the acquired businesses on the share price of the Company.

SEGI may also opportunistically make investments in selected small-capitalization publicly traded companies that the Company believes are attractive investment propositions, or undervalued relative to their underlying financial fundamentals and operating performance. After making an investment into such publicly traded companies, SEGI plans to encourage and implement such measures as changes in management strategy, business diversification, cost cutting, strategic mergers & acquisitions, capital restructuring, improvements in investor relations activities, and other initiatives typically undertaken by corporate restructuring specialists, in order to seek capital appreciation. Such small-cap stocks targeted by SEGI are investment opportunities that are normally overlooked by institutional investors (i.e. private equity funds, hedge funds, special situations funds, etc.) due to their small size and relatively negligible presence in the market, making such opportunities an attractive niche for SEGI to exploit without significant competition.

During the quarter, the Company ("SQG") obtained shareholder approval for a reverse takeover transaction (the "RTO") with Crystal Planet Limited ("CPL").

The transaction qualifies as a "Reverse Takeover" ("RTO") under the policies of the TSX Venture Exchange (the "TSXV"). CPL is a private company incorporated in Hong Kong, with two wholly-owned subsidiaries—SBD Entertainment Inc. and MSteam Entertainment Co., Ltd.—that operate full-service talent agencies representing artists in the Korean entertainment industry. CPL is also involved in developing, producing, financing, and owning entertainment content projects, including theatrical motion pictures and TV dramas. The RTO will be executed entirely through share-based consideration. Before the RTO is finalized, SQG will undertake a share consolidation at a ratio of five (5) pre-consolidation common shares for every one (1) post-consolidation common share (the "Consolidation").

Upon completion of the RTO, the resulting issuer will continue the business currently conducted by CPL, as described above. The Agreement, which contains customary representations and warranties for a transaction of this nature, has been approved by the Board of Directors of SQG, CPL, and the Vendor. It is anticipated that immediately before the closing of the RTO, the Board of Directors of SQG will appoint individuals nominated by the Vendor as directors of the resulting issuer, while any remaining directors of SQG will resign.

Additionally, the Agreement stipulates that prior to or concurrent with the closing date of the RTO, SQG will complete a private placement of common shares, raising a minimum of US\$500,000.

## **SUBSEQUENT EVENTS**

On August 26, 2024, the TSXV granted an extension to the deadline for completing the proposed RTO from August 27, 2024, to November 29, 2024.

On July 12, 2024, the Company disposed the investments in SEGL's shares to unrelated parties, fulfilling one of the conditions of the share exchange agreement for the RTO.

## **OUTSTANDING SHARE DATA**

The Company has authorized an unlimited number of common shares and an unlimited number of preference shares issuable in series. As of June 30, 2024, and the date of this MD&A there were 14,889,972 outstanding common shares.

***OTHER INFORMATION***

Additional information related to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

August 28, 2024