

February 2021

Elixir News



CREATING INCOME FOR EVERYDAY PEOPLE BY USING TECHNOLOGY
TO HARVEST VOLATILITY.





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Hi, everyone.

Hi, everyone. As I write this, we are seeing evidence of spring. The days are getting longer, and it seems that the end of Covid-19 restrictions might be in sight. I look forward to the day when we can all get together socially like we used to.

We are very proud of our monthly newsletter, and many of you have expressed how much you enjoy it. Eve spent a tremendous amount of time taking it from my "raw" writing style to a "polished" document that was easy to read.

Last month, due to the tragic death of Elixir's friend, Jason Priest, we all took some time to mourn and reflect. Eve stepped away from working on the newsletter, and we put out an abbreviated version that was more in the form of the analyst "raw" research that I read each day.

We will keep with this style, and Jason Atakhanov from Setsail and our editor, Tonya, will help me make it readable. We acknowledge that this format will not be as good as what we produced in the past, but as a company, we can put Eve's valuable time into other areas to provide more shareholder value.

We value your input. If I make a point that is not clear, please call me directly at **403-926-7998** or email me at bill@elixiroftechnology.com. I don't leave my desk much these days (outside of some exercise), so I would enjoy chatting with you.

Warmest regards,
Bill and Eve McNarland
Elixir Technology Inc.
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In February, the capital markets continued on their speculative path, but we're seeing signs that the relentless speculation is cooling. On a critical note, following are my comments on the Canadian dollar versus the US dollar, as this has a material effect on most of us.

1

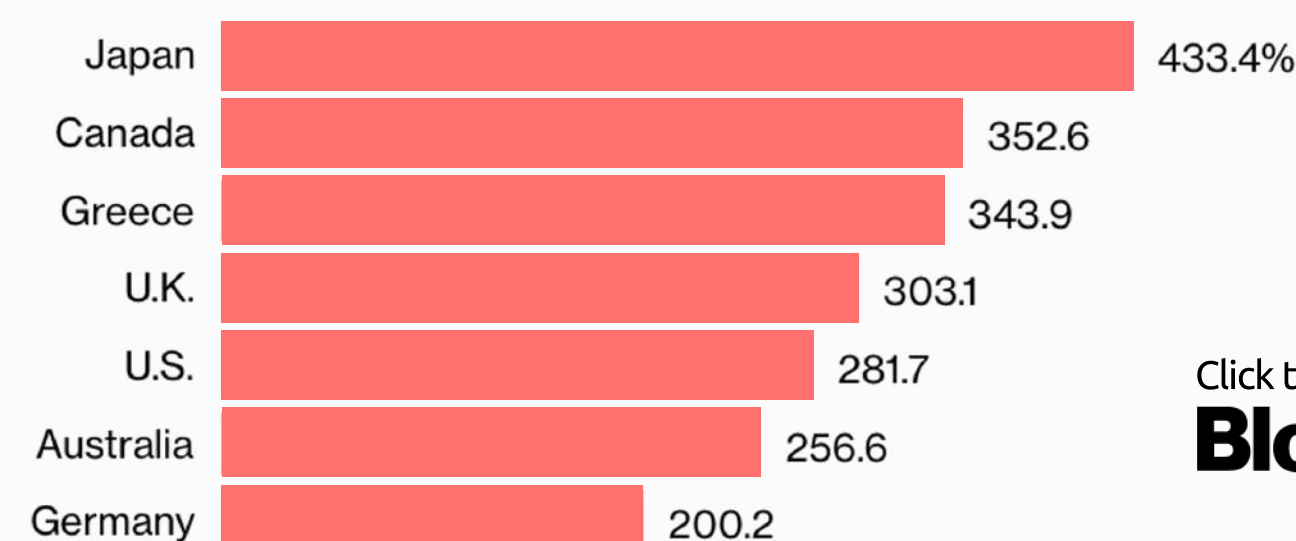
CANADIAN DOLLAR CRAZINESS

In the long run, the currency of a country should weaken if its financial condition is weakening. Compared to other countries, Canada has taken on a shockingly high debt load. I am not in a position to comment as to whether the resources were spent wisely, but the chart below shows how high Canada's debt has become compared to that of our peers. Note that Japan's debt is higher, but the Japanese government and people also have significant savings.

That's a Heavy Load

Canada has one of the largest debt burdens among developed nations

■ Debt as a % of GDP



Click to view article on
Bloomberg

SOURCE: IIF

NOTE: FIGURES INCLUDE THE DEBT OF GOVERNMENTS, HOUSEHOLDS, AND NON-FINANCIAL CORPORATIONS AT THE END OF 2020 Q3

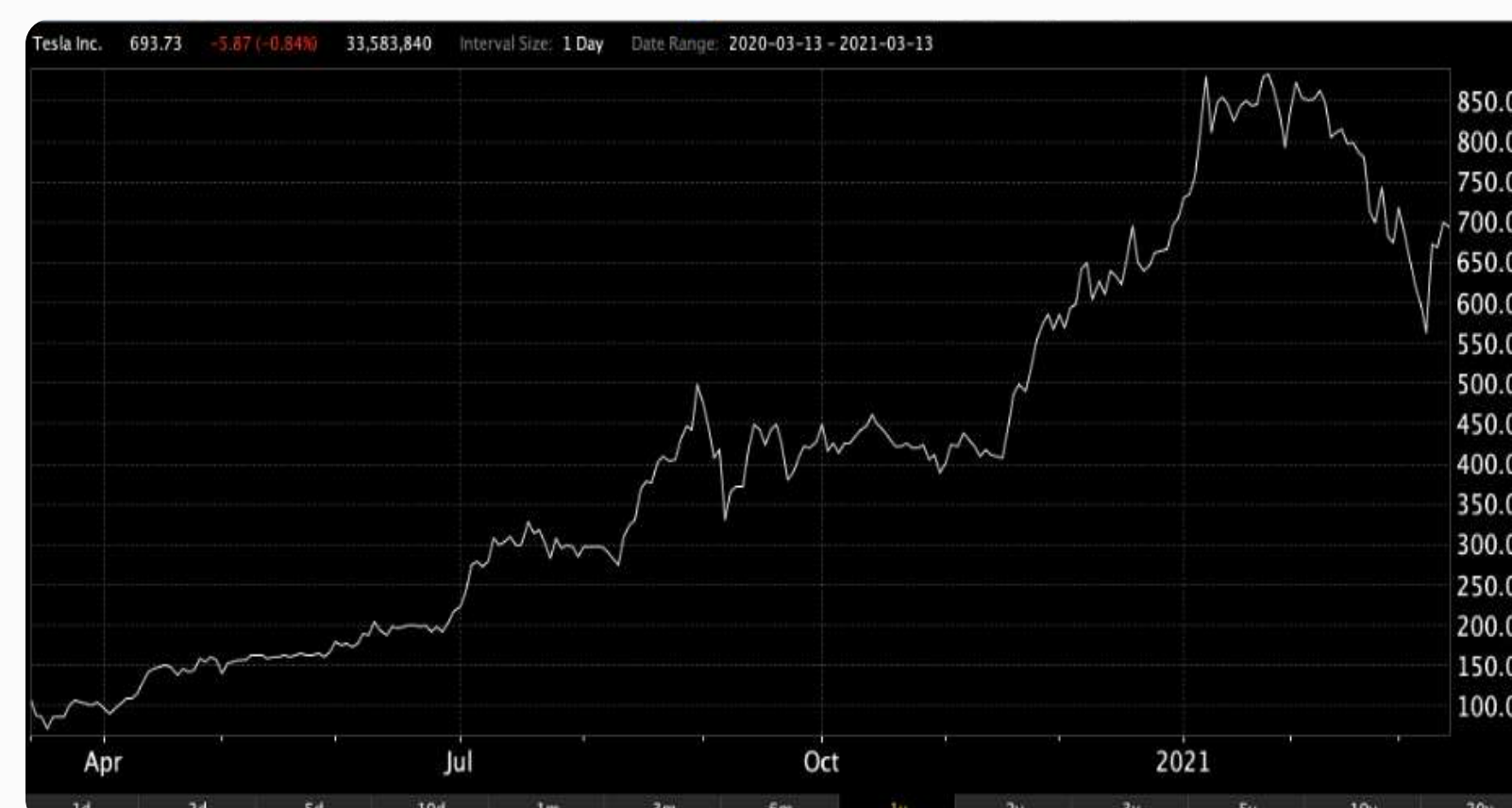
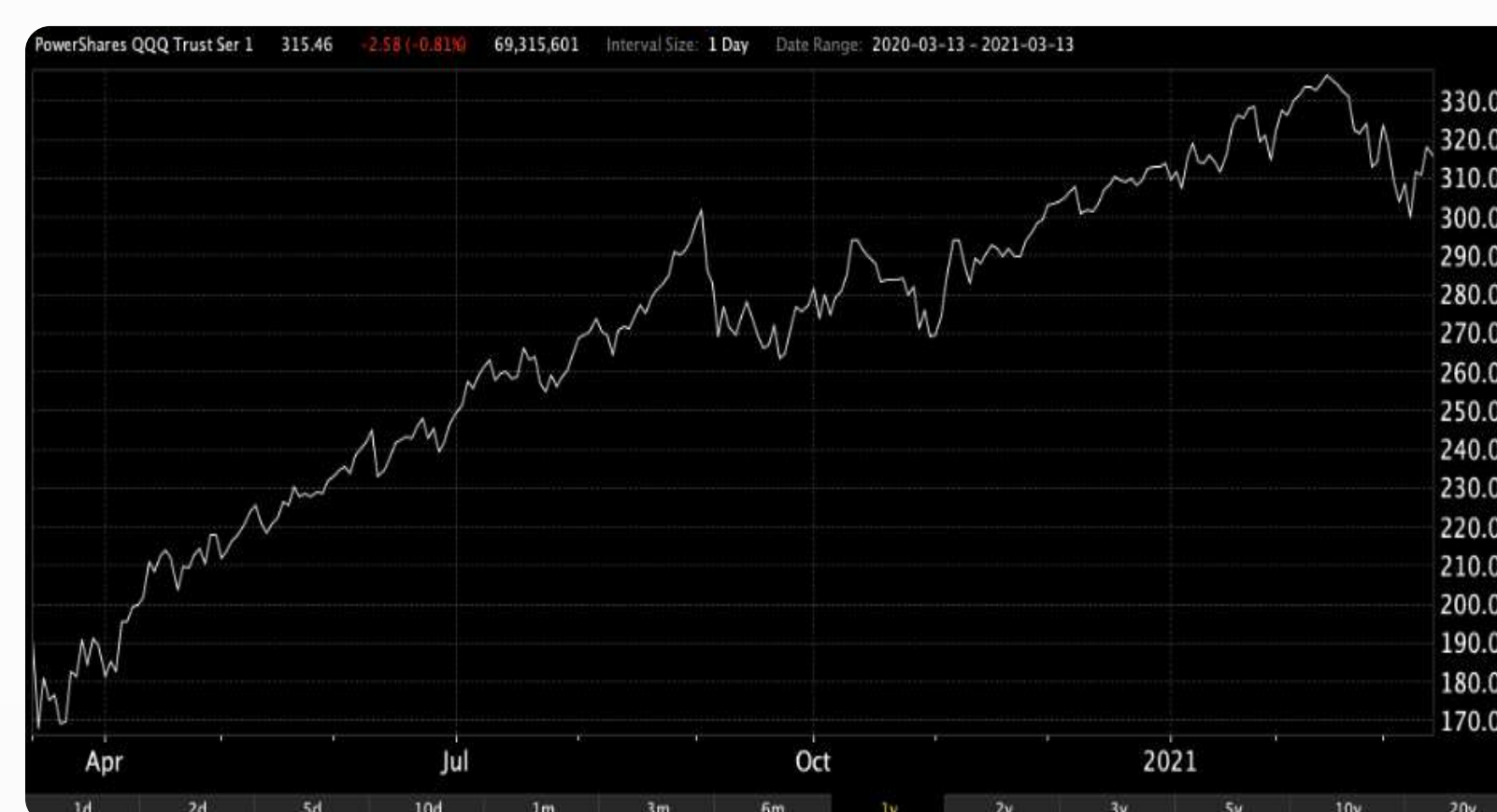
Strangely, during this period, the Canadian dollar has been strengthening compared to the US dollar—eventually, fundamentally catching up with pricing. Canada's path is down financially compared to our leading trading partner, the US is unsustainable, which will ultimately lead to a much lower Canadian dollar.

This is a great time to purchase some additional US dollars.

2

ENTHUSIASM IS SHOWING SOME CRACKS

We and others have documented the craziness in terms of capital market enthusiasm and speculation. Now we are seeing signs of diminished interest in the investments that have been leading the speculation. For example, note the chart of Tesla below and the chart of the technology-focused Nasdaq. This likely indicates exhaustion in the number of buyers; eventually, buyers have to run out. It seems like the overall opinion of the buyers has not diminished.



Corporate Finance:

The philosophical dilemma of the idea of a Bitcoin Preferred Share Offering



At our last board meeting, I presented an idea with some reservations, as I was not 100% convinced of my thesis. The beauty of an experienced board is that they can provide valuable feedback. I have tremendous respect for the board that represents Elixir's shareholders.

At the board meeting, we discussed the benefits, risks, and philosophical dilemma involving my idea. We decided to share the concept with our shareholders and seek their feedback. I will break out the idea in a Q/A format.

1 What is your idea?

I think that Elixir should consider offering some Preferred shares based on the price of Bitcoin.

2 Why would the company consider that? Overall, you were negative on Bitcoin and shared some of these thoughts in the December 2020 newsletter.

My thinking has not changed. However, I would like to consider ways to profit from the continued volatility of Bitcoin and its potential fall.

When a company issues a preferred share, we are short the underlying currency. To most people and companies, this is not relevant, as they borrow funds in their home currency. When a company or person borrows money in a currency (or Bitcoin), they are short that currency. For example, if a Canadian company issues bonds or preferred shares in Euros or US dollars, the company is short that currency. The company hopes that the currency decreases in value to pay back the bonds or preferred shares with less capital.

If the company issued preferred shares or bonds in Bitcoin, the company could pay back with less capital if Bitcoin fell in value as the company was paying back the principal.


3 Isn't it a significant conflict of interest to offer an investment in Bitcoin if we believe that Bitcoin will fall in value?

That's the dilemma. One could argue that offering Bitcoin bonds or preferred shares is similar to what the company already does in offering USD and HKD bonds and preferred shares.

1. Let's think for a moment about issuing preferred shares or bonds in HKD or USD. This is routine business for most companies. Companies issue debt in the currency that offers marketability, the lowest interest rate, and the potential for the lowest repayment of capital. The company's expectations about what happens to the currency might be right or wrong. The investor chooses the currency that is best for them. The company's responsibility is to pay back the debt or preferred shares and not advise on the currency's future value.

2. At Elixir, we are open to offering bonds and preferred shares in any primary currency, though so far we have done so only in Canadian, US, and Hong Kong dollars. We based our decision to provide only three currencies not on the currency's value but on consumer demand for bonds and preferred shares in those currencies.

3. Currently, all signs point to the USD being extremely undervalued, but the company still offers CAD, USD, and HKD, as there is demand. The company can hedge out any over- or under-exposure to currencies that happens through capital raising.



4 Companies are not expected to offer advice on which currency denomination of Bonds or Preferred shares to buy. But isn't the risk of Bitcoin failing very high, which would set up for failure those investors that buy Elixir Bitcoin Preferred shares?

- ▶ Yes, there is a clear risk that investors could lose all their money if Bitcoin is truly a bubble and falls in value. But we do not know this with 100% certainty. The investor that buys Bitcoin Preferred shares could be correct, and I could be wrong. It's the same situation every time we buy anything in the capital market—people have different views.

5 Could the investor sign some type of disclaimer, stating that Bitcoin may be worthless, and the investor has to decide separately from the investment in Elixir?

- ▶ This could be sensible. Likely, an investment in Elixir Bitcoin Preferred shares would replace an investment in some other crypto or speculative asset. I believe that if an investor wants exposure to Bitcoin, Elixir Preferred offers a good opportunity. This would be only for investors that want exposure to Bitcoin independent of their investment in Elixir.

6 But crypto is not in Elixir's mandate. How would this qualify?

- ▶ Crypto is not part of Elixir's mandate because of its speculative nature, which disqualifies it from being owned and also makes it too risky to short. The latter fact is because of the margin requirements risk. Issuing Bitcoin preferred shares or bonds has no margin risk.

7 What if Bitcoin rises to extreme values?

- ▶ Similar to any trade, we would start slowly and add a bit each month. This would provide an average cost that increases incrementally.
- ▶ We have also considered a hedging plan that would allow us to profit from the fluctuations instead of just the thesis that it may fall in value.

8 How confident are you in the thesis that Bitcoin is a bubble and will fall in value?

- ▶ The board has conflicting views and respects everyone's opinion. I believe there is more substantial confidence that Bitcoin will continue to be volatile regardless of its price direction. If the high volatility stays, it will create an opportunity to profit from a partially hedged strategy.

9 Is there a strong demand for Bitcoin-linked investments?

- ▶ It appears so. There was a robust appetite for the recently launched Bitcoin ETF in Canada.

10 Are there any material differences in securities laws for Bitcoin as compared to other securities?

- ▶ No, Bitcoin is considered a security and the same laws apply.

11 Is this a decision for shareholders, the board, or management?

- ▶ This is a decision that the board would approve for management to execute. However, the board wanted to use this newsletter article to reach out to shareholders for feedback.

12 How can I express my thoughts on this matter?

- ▶ Email me directly at bill@elixiroftechnology.com

I look forward to hearing your thoughts.