

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

Condensed Interim Consolidated Financial Statements

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

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2022 and 2021.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Spirit Blockchain Capital Inc. ("the Company") for the interim periods ended June 30, 2022 and 2021, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Harbourside CPA, have not performed a review of these interim financial statements.

August 29, 2022

SPIRIT BLOCKCHAIN CAPITAL INC. (formerly 1284696 B.C. Ltd.)
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021
(Unaudited - Expressed in Canadian dollars)

	Note	June 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		804,765	684,949
Accounts receivable		30,911	9,141
Prepaid expenses		721	-
Marketable securities	6	62,925	639,100
Digital assets	7	410,891	2,676,830
Due from related party	9	66,250	33,406
		1,376,463	4,043,426
Digital assets - Long-term	7	55,556	-
Total assets		1,432,019	4,043,426
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	455,987	278,604
Total liabilities		455,987	278,604
SHAREHOLDERS' EQUITY			
Share capital	8	13,810,835	13,810,835
Share subscriptions receivable	8	-	(8,000)
Contributed surplus		645,740	468,978
Accumulated other comprehensive (loss) income		(117,557)	682,924
Deficit		(13,362,986)	(11,189,915)
Total shareholders' equity		976,032	3,764,822
Total liabilities and shareholders' equity		1,432,019	4,043,426

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

These condensed interim consolidated financial statements are approved and authorized for issuance on behalf the Board of Directors on August 29, 2022.

/s/ Erich Perroulaz
Director

/s/ Raymond O'Neill
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SPIRIT BLOCKCHAIN CAPITAL INC. (formerly 1284696 B.C. Ltd.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2022 and 2021
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Note	Three months ended		Six months ended	
		2022	June 30, 2021	2022	June 30, 2021
		\$	\$	\$	\$
Operating expenses					
Consulting fees	9	309,163	265,250	506,995	292,250
Filing fees		7,228	-	7,228	-
General and administrative		9,334	-	9,334	-
Office expenses		22,036	10,793	28,156	12,689
Professional fees		51,553	45,506	138,911	45,506
Share-based compensation	8, 9	88,630	38,250	184,762	38,250
		(487,944)	(359,799)	(875,386)	(388,695)
Other income (expenses)					
Dividend income	6	54	-	102	-
Foreign exchange loss		(20,054)	-	(27,234)	(40)
Other income	7	12,147	-	23,669	-
Realized (loss) gain on sale of digital assets	7	(451,978)	-	(470,168)	25,766
Realized (loss) gain on sale of marketable securities	6	(244,435)	19,381	(244,435)	19,381
Change in fair value on digital assets	7	(343,444)	3,422	(367,670)	3,422
Change in fair value on marketable securities	6	(100,212)	(4,000)	(208,257)	(4,000)
		(1,147,922)	18,803	(1,293,993)	44,529
Loss before income taxes		(1,635,866)	(340,996)	(2,169,379)	(344,166)
Current income tax expense		(3,000)	-	(3,692)	-
Net loss for the period		(1,638,866)	(340,996)	(2,173,071)	(344,166)
Other comprehensive (loss) income					
Change in fair value on digital assets	7	(569,202)	(102,775)	(697,196)	241,706
Loss on foreign currency translation		(30,867)	(10,778)	(103,285)	(39,174)
Comprehensive loss for the period		(2,238,935)	(454,549)	(2,973,552)	(141,634)
Loss per common share					
Basic and diluted		(0.02)	(0.01)	(0.03)	(0.00)
Weighted average number of common shares outstanding					
Basic and diluted		85,817,000	48,247,331	85,817,000	44,737,985

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SPIRIT BLOCKCHAIN CAPITAL INC. (formerly 1284696 B.C. Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2022 and 2021
(Unaudited - Expressed in Canadian dollars)

	2022	2021
	\$	\$
Operating activities		
Net loss for the period	(2,173,071)	(344,166)
Items not affecting cash:		
Share-based compensation	184,762	38,250
Foreign exchange loss	20,191	-
Other income	(4,588)	-
Realized loss (gain) on sale of digital assets	470,168	(25,766)
Realized loss (gain) on sale of marketable securities	244,435	(19,381)
Change in fair value on digital assets	367,670	(3,422)
Change in fair value on marketable securities	208,257	4,000
Changes in non-cash working capital items		
Accounts receivable	(21,770)	(384)
Prepaid expenses	(721)	-
Due from related party	(32,844)	3,173
Accounts payable and accrued liabilities	177,712	242,931
Net cash used in operating activities	(559,799)	(104,765)
Investing activities		
Sale of marketable securities	130,932	23,492
Purchase of marketable securities	-	(79,386)
Sale of digital assets	843,830	39,516
Purchase of digital assets	(291,534)	(39,516)
Net cash provided by (used in) investing activities	683,228	(55,894)
Financing activities		
Proceeds from issuance of shares	-	3,302,500
Net cash provided by financing activities	-	3,302,500
Impact of foreign exchange on cash and cash equivalents	(3,613)	(5,463)
Increase in cash and cash equivalents	119,816	3,136,378
Cash and cash equivalents, beginning of the period	684,949	89,257
Cash and cash equivalents, end of the period	804,765	3,225,635
Supplemental cash flow information		
Interest received	9	-
Interest paid	(115)	-
Income taxes paid	(692)	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SPIRIT BLOCKCHAIN CAPITAL INC. (formerly 1284696 B.C. Ltd.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2022 and 2021
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Number of shares #	Share capital \$	Share subscriptions receivable \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity \$
Balance, December 31, 2020	41,535,001	1,258,835	(8,000)	-	114,873	(1,002,335)	363,373
Shares issued for cash	29,479,999	3,493,000	(190,500)	-	-	-	3,302,500
Shares issued for services	1,105,000	55,250	-	-	-	-	55,250
Cancellation of shares	(50,000)	(5,000)	5,000	-	-	-	-
Share-based compensation	-	-	38,250	-	-	-	38,250
Change in fair value on digital assets	-	-	-	-	241,706	-	241,706
Loss on foreign currency translation	-	-	-	-	(39,174)	-	(39,174)
Net loss for the period	-	-	-	-	-	(344,166)	(344,166)
Balance, June 30, 2021	72,070,000	4,802,085	(155,250)	-	317,405	(1,346,501)	3,617,739
Net proceeds received for subscriptions receivable	-	-	147,250	-	-	-	147,250
Removal of share capital due to acquisition	(72,070,000)	-	-	-	-	-	-
Consideration shares issued for acquisition of Spirit Blockchain Capital Inc.	72,070,000	-	-	-	-	-	-
Common shares deemed issued on reverse takeover	13,747,001	9,008,750	-	-	-	-	9,008,750
Cancellation of share (1)	(1)	-	-	-	-	-	-
Share-based compensation	-	-	-	468,978	-	-	468,978
Change in fair value on digital assets	-	-	-	-	340,617	-	340,617
Gain on foreign currency translation	-	-	-	-	24,902	-	24,902
Net loss for the period	-	-	-	-	-	(9,843,414)	(9,843,414)
Balance, December 31, 2021	85,817,000	13,810,835	(8,000)	468,978	682,924	(11,189,915)	3,764,822
Share-based compensation	-	-	8,000	176,762	-	-	184,762
Change in fair value on digital assets	-	-	-	-	(697,196)	-	(697,196)
Loss on foreign currency translation	-	-	-	-	(103,285)	-	(103,285)
Net loss for the period	-	-	-	-	-	(2,173,071)	(2,173,071)
Balance, June 30, 2022	85,817,000	13,810,835	-	645,740	(117,557)	(13,362,986)	976,032

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

Reverse takeover

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 Spirit Blockchain Holdings Inc. ("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 these condensed interim 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 these 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.

Going concern

These condensed interim consolidated financial statements (the "financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the ordinary course of business in the foreseeable future. Historically, the Company has not earned sufficient income to finance day-to-day activities through operations. The Company's ability to continue on a going concern basis is dependent upon its ability to generate future cash flows or raise equity capital or borrowings sufficient to meet current and future obligations.

As at June 30, 2022, the Company has working capital of \$920,476 (December 31, 2021 - \$3,764,822), has not yet achieved profitable operations, and has an accumulated deficit of \$13,362,986 (December 31, 2021 - \$11,189,915). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with equity financing including private placements of common shares, potential debt financing, and the generation of revenue; however, there can be no assurance that this will occur. These financial statements do not reflect adjustments would be necessary if the going concern assumption were not appropriate, which could be material.

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 financial statement, 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.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements for the three and six months ended June 30, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of the financial statements including International Accounting Standard 34 *Interim Financial Reporting*.

These financial statements were prepared using accounting policies consistent with those in the audited financial statements for the years ended December 31, 2021 and 2020.

These financial statements were approved and authorized for issue by the Board on August 29, 2022.

Basis of presentation

These financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these financial statements as if the policies have always been in effect.

Functional and presentation currency

These financial statements are presented in Canadian dollars ("CAD"), except as otherwise noted. The functional currency is the currency of the primary economic environment in which an entity operates.

The functional currency of the Company is CAD. The functional currency of the Company's wholly-owned Canadian subsidiary, Spirit Blockchain Holdings Inc., is CAD. The functional currency of the Company's wholly-owned Swiss subsidiary, Spirit Blockchain AG, is the Swiss Franc ("CHF"). References to "USD" are to United States dollars.

Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

These financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of incorporation	Percentage Ownership	Functional Currency	Principal Activity
Spirit Blockchain AG	Switzerland	100%	CHF	Subsidiary
Spirit Blockchain Holdings Inc.	Canada	100%	CAD	Holding company

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

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

b) Financial instruments

Financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.

Amortized cost – The Company's accounts payables are classified at amortized cost.

c) Reserves

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

d) Marketable securities

In assessing the classification of marketable securities as current or non-current assets, management estimates whether any marketable securities are to be sold within the next 12 months. The assessment is performed on a security-by-security basis at each reporting period. Any changes are reflected prospectively within the statement of financial position.

e) Digital assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share-based compensation

The Company grants stock options ("options") and restricted stock units ("RSUs") to its directors, employees and consultants from time to time. The Company accounts for share-based compensation associated with option and RSU grants using a fair value-based method. For directors and employees, the fair value of options and RSUs is measured at the date of grant. For consultants, the fair value of options and RSUs is measured at the fair value of the goods or services received, or the fair value of the equity instrument issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. For directors, employees and consultants, the fair value of options and RSUs granted is accrued and charged to operations over the vesting period, with the offsetting credit to share-based compensation reserve for options, and commitment to issue share for RSUs. If and when options are exercised, the applicable amounts are transferred from share-based compensation reserve to share capital. When the shares associated with RSUs are issued, the applicable fair value is transferred from reserves to share capital.

Option-based compensation awards are calculated using the Black-Scholes option pricing model while RSU's are valued at the fair value on the date of grant. For unexercised options that expire, the recorded value in share-based compensation reserve is transferred to deficit or contributed surplus.

g) Income taxes

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

h) Earnings (loss) per share

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

i) Impairment

Non-financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

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

j) Comprehensive (loss) income

Comprehensive (loss) income is the change in the Company's net assets that results from transactions, events, and circumstances from sources other than the Company's shareholders and includes items that are not included in net (loss) profit. Other comprehensive income consists of changes to unrealized gains and losses on digital assets and changes to foreign currency translation adjustments to self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as accumulated other comprehensive income. During the six months ended June 30, 2022, the Company recognized other comprehensive loss of \$800,481 (2021 - income of \$202,532), of which \$697,196 (2020 - unrealized gains of \$241,706) is related to change in fair value on digital assets, and loss of \$103,285 (2021 - \$39,174) related to foreign currency translation adjustment.

k) Foreign currency translation

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. Transactions in currencies other than the functional currency are translated into Canadian dollars on the following basis:

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

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

l) Accounting standards issued but not yet applied

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

4. 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Valuation of digital assets

Digital assets consist of cryptocurrency denominated assets included in current assets and the assets that the Company has the intent on holding more than the next 12 months for the generating of staking income stream, that are included in long-term assets (Note 7). Digital currencies are carried at their fair market value determined by the spot rate based on volume weighted average from www.coinmarketcap.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for 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.

Valuation of share-based compensation

The Company utilizes the Black-Scholes option pricing model ("Black-Scholes") 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 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.

Going concern evaluation

As discussed in Note 1, these financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these condensed interim consolidated 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 June 30, 2022.

5. REVERSE TAKEOVER TRANSACTION

Upon the closing of the Transaction on July 29, 2021, outlined in Note 1, the Company issued 72,070,000 common shares 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, Former Spirit obtained control of the Company and is considered to have acquired the Company. The Transaction constituted a reverse takeover acquisition of the Company by Former Spirit in accordance with the guidance provided in IFRS 3 *Business Combinations* ("IFRS 3") and IFRS 2 *Share-based Payments*. The Company did not qualify as a business in accordance with the definition in IFRS 3, as the significant inputs, processes, and outputs that together constitute a business did not exist in the Company at the time of acquisition, the Transaction did not constitute a business combination. As a result, it is treated as an issuance of common shares by Former Spirit for the net assets of the Company and its public listing, with Former Spirit as the continuing entity. 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.

SPIRIT BLOCKCHAIN CAPITAL INC. (formerly 1284696 B.C. Ltd.)
Notes to the Condensed Interim Consolidated Financial Statements
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5. REVERSE TAKEOVER TRANSACTION (continued)

For accounting purposes, Former 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 Former Spirit, net of transaction costs, less the fair value of net assets of the Company acquired by Former Spirit constitutes the listing expense and has been recorded in the statement of loss and comprehensive loss. These financial statements reflect the assets, liabilities, and operations of Former 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.

6. MARKETABLE SECURITIES

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	92787
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	26187
Signature Bank	52	12,008	75	30757
Silvergate Capital Corp.	260	17,935	620	116491
Voyager Digital	-	-	736	11621
Total	18,630	62,925	55,109	639,100

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6. MARKETABLE SECURITIES (continued)

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

During the three and six months ended June 30, 2022, the Company recognized an change in fair value of 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 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.

7. DIGITAL ASSETS

The Company has a brokerage 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 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

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7. DIGITAL ASSETS (continued)

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	-	-

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.

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 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	-

As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. As of June 30, 2022, the Company recorded an allowance of \$nil (December 31, 2021 - \$nil). While the Company intends to only transact with counterparties or exchanges that it believes to be credit worthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result.

8. SHARE CAPITAL

Authorized share capital:

Unlimited number of common shares without par value.

Issued and outstanding

During the six months ended June 30, 2022, the Company did not have any share capital transactions.

During the year ended December 31, 2021, the Company had the following share capital transactions:

- On January 19, 2021, 1 common share was issued to the incorporator of Spirit. The common share was subsequently cancelled on August 6, 2021 for \$nil consideration.
- On April 16, 2021, Spirit issued 13,400,000 common shares at \$0.02 per share, for total proceeds of \$268,000.
- On April 30, 2021, Spirit completed a financing of 347,000 special warrants units at \$0.05 per special warrant, for total proceeds of \$17,350. Each special warrant was converted into one common share of Spirit at no additional cost at the closing of the Transaction.
- On July 29, 2021, pursuant to the closing of the Transaction, Spirit issued to Former Spirit shareholders, pro rata to their respective holdings of Former Spirit shares, 72,070,000 common shares at a price of \$0.125 per common share in exchange for all of the issued and outstanding Former Spirit shares. This resulted in Former Spirit becoming a 100% wholly-owned subsidiary of 1284696 (Note 5).

8. SHARE CAPITAL (continued)

During the year ended December 31, 2021, the Company closed share offerings and private placements including:

- On March 10, 2021, 600,000 common shares were issued at a price of \$0.05 per share for gross proceeds of \$30,000
- On April 8, 2021, 400,000 common shares were issued at a price of \$0.05 per share for gross proceeds of \$20,000
- On May 27, 2021, 320,000 common shares were issued at a price of \$0.05 per share for gross proceeds of \$16,000
- On May 31, 2021, the Company issued 1,105,000 common shares to directors and consultants of the Company for services provided at a fair value of \$0.05 per common share for total value of \$55,250.
- On June 15, 2021, 1,239,999 common shares were issued at a price of \$0.05 per share for gross proceeds of \$62,000
- On June 30, 2021, the Company issued 850,000 common shares with a fair value of \$106,250 at a price of \$0.125 per common share for gross proceeds of \$60,000 and \$8,000 remained outstanding for collection as at December 31, 2021 and was subsequently recognized as share-based compensation during the six months ended June 30, 2022. The remaining \$38,250 was recognized as share-based compensation during the year ended December 31, 2021.
- On June 30, 2021, the Company issued 26,070,000 common shares with a price of \$0.125 per common share for gross proceeds of \$3,285,750
- Of \$8,000 share subscriptions receivable outstanding for collection as at December 31, 2020, the Company received net proceeds of \$3,000 and wrote off \$5,000 following the cancellation of 50,000 shares issued at \$0.10 per share.

Stock options

During the six months ended June 30, 2022, the Company did not grant any stock options. During the year ended December 31, 2021, the Company issued 6,298,000 options to directors, officers and consultants of the Company, with an exercise price of \$0.125 per common share and an expiration date of July 31, 2026, vesting in three equal tranches annually on July 31, 2022, 2023 and 2024. The options were valued using the Black-Scholes option pricing model with the following assumptions:

	July 31, 2021
Risk-free interest rate	0.83%
Expected life	5 years
Expected volatility*	120.00%
Forfeiture rate	0.00%
Dividend rate	0.00%

*Expected volatility has been estimated based on volatility of common share prices of a selection of comparable publicly traded companies.

Of the 6,298,000 options, 1,766,666 were subsequently cancelled following the termination of certain consultants. During the three and six months ended June 30, 2022, the Company recorded \$45,362 and \$90,226, respectively (2021 - \$nil and \$nil, respectively) of share-based compensation expense related to options granted by the Company.

The following is a summary of the Company's stock options for six months ended June 30, 2022 and year ended December 31, 2021:

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2020	-	-
Granted	6,298,000	0.125
Cancelled	(1,766,666)	0.125
Balance, December 31, 2021 and June 30, 2022	4,531,334	0.125

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8. SHARE CAPITAL (continued)

As at June 30, 2022, the Company had the following options outstanding:

Expiry Date	Number of options	Weighted average exercise price
	#	\$
July 31, 2026	4,531,334	0.125
Balance, June 30, 2022	4,531,334	0.125
Weighted average contractual life remaining (years)		4.09

Restricted share units

During the six months ended June 30, 2022, the Company did not grant any restricted share units ("RSUs"). Each RSU is comprised of one common share of the Company. During the year ended December 31, 2021, the Company granted 3,149,000 RSUs to directors, officers and consultants of the Company at a price of \$0.125, vesting in equal instalments on the July 31, 2022, 2023 and 2024. Of the 3,149,000 RSUs, 883,334 were subsequently cancelled following the termination of certain consultants. The fair value of the RSU is the market price at the date of grant of \$0.125. During the three and six months ended June 30, 2022, the Company recorded share-based compensation expense of \$43,268 and \$86,536, respectively (2021 - \$nil and \$nil) related to the vesting of these RSUs. As at June 30, 2022 and December 31, 2021, all RSUs remain outstanding and are unvested.

The following is a summary of the Company's RSUs for six months ended June 30, 2022 and year ended December 31, 2021:

	Number of RSUs	Weighted average exercise price
	#	\$
Balance, December 31, 2020	-	-
Granted	3,149,000	0.125
Cancelled	(883,334)	0.125
Balance, December 31, 2021 and June 30, 2022	2,265,666	0.125

As at June 30, 2022, the Company had the following RSUs outstanding:

Expiry Date	Number of RSUs	Weighted average exercise price
	#	\$
July 31, 2026	2,265,666	0.125
Balance, December 31, 2021 and June 30, 2022	2,265,666	0.125
Weighted average contractual life remaining (years)		4.09

9. 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 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, respectively). 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.

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9. RELATED PARTY TRANSACTIONS (continued)

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		Six months ended	
	2022	June 30, 2021	2022	June 30, 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

10. 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.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's cash and cash equivalents and marketable securities are measured at level 1.

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, and \$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 exposed to market risk through its marketable securities, a 10% decrease in market prices would result in decrease of approximately \$6,300 to the Company's marketable securities.

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 and accrued liabilities	(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.

11. CAPITAL MANAGEMENT

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations and the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in either CAD or CHF 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.

12. 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.