

SPIRIT BLOCKCHAIN CAPITAL INC.

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Spirit Blockchain Capital, Inc.

Opinion

We have audited the consolidated financial statements of Spirit Blockchain Capital, Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred significant operating losses since inception and has an accumulated deficit of \$14,582,380 as at December 31, 2022. For the year ended December 31, 2022, the Company incurred a net loss and comprehensive loss of \$4,134,738. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on July 31, 2022.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brian Rusywick.

/s/ Reliant CPA PC

April 28, 2023

Newport Beach, CA, USA

SPIRIT BLOCKCHAIN CAPITAL INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2022	December 31, 2021
		\$	\$
ASSETS			
Current			
Cash		269,206	684,949
Amounts receivable		35,745	9,141
Prepaid expenses		720	-
Investments held for trading	6	26,274	639,100
Digital assets	7	259,755	2,676,830
Due from related party	9	65,781	33,406
		657,481	4,043,426
Non-current portion of digital assets	7	81,444	-
Total assets		738,925	4,043,426
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	646,691	278,604
Total liabilities		646,691	278,604
SHAREHOLDERS' EQUITY			
Share capital	8(a)	13,923,358	13,810,835
Share subscriptions receivable	8(a)	-	(8,000)
Contributed surplus		810,605	468,978
Accumulated other comprehensive income (loss)		(59,349)	682,924
Deficit		(14,582,380)	(11,189,915)
Total shareholders' equity		92,234	3,764,822
Total liabilities and shareholders' equity		738,925	4,043,426

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ Lewis Bateman
Director

/s/ Raymond O'Neill
Director

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

SPIRIT BLOCKCHAIN CAPITAL INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of shares)

	Note	Years ended December 31,	
		2022	2021
		\$	\$
Operating expenses			
Consulting fees	9	1,048,682	584,385
Filing fees		20,053	12,478
General and administrative		86,447	27,557
Professional fees		398,372	306,733
Share-based compensation	9	454,150	507,228
		2,007,704	1,438,381
Other income (expenses)			
Change in fair value of digital assets	7	(407,958)	(71,857)
Change in fair value of investments held for trading	6	(260,637)	59,990
Dividend income	6	215	-
Foreign exchange		(23,182)	(30,514)
Other income	7, 9	10,460	-
Realized gains (losses) on sales of digital assets	7	(482,783)	18,903
Realized gains (losses) on sales of investments held for trading	6	(217,531)	19,381
Transaction cost	5	-	(8,744,460)
		(1,381,416)	(8,748,557)
Loss before tax		(3,389,120)	(10,186,938)
Income tax expense		(3,345)	(642)
Net loss		(3,392,465)	(10,187,580)
Other comprehensive income (loss)			
Change in fair value of digital assets	7	(697,196)	582,323
Change in foreign currency translation		(45,077)	(14,272)
Comprehensive loss		(4,134,738)	(9,619,529)
Net loss per share:			
Basic and diluted		(0.04)	(0.18)
Weighted average number of common shares:			
Basic and diluted		86,083,355	57,384,233

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

SPIRIT BLOCKCHAIN CAPITAL INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2022	2021
	\$	\$
Operating activities:		
Net loss for the year	(3,392,465)	(10,187,580)
Items not affecting cash:		
Share issued for consulting fees	-	55,250
Share-based compensation	454,150	507,228
Change in fair value of digital assets	407,958	71,857
Change in fair value of investments held for trading	260,637	(59,990)
Foreign exchange	17,888	-
Digital assets received in other income	(10,093)	-
Realized losses (gains) on sales of digital assets	482,783	(18,903)
Realized losses (gains) on sales of investments held for trading	217,531	(19,381)
Transaction cost	-	8,744,460
Changes in non-cash working capital items:		
Amounts receivable	(26,604)	(3,808)
Prepaid expenses	(720)	3,173
Due from related party	(32,375)	(33,406)
Accounts payable and accrued liabilities	376,416	265,349
Net cash used in operating activities	(1,244,894)	(675,751)
Investing activities:		
Proceeds from reverse takeover transaction	-	282,012
Proceeds from sales of digital assets	962,979	58,843
Proceeds from sales of investments held for trading	144,410	23,492
Purchase of digital assets	(290,612)	(1,907,661)
Purchase of investments held for trading	-	(583,221)
Net cash provided by (used in) investing activities	816,777	(2,126,535)
Financing activities:		
Proceeds from issuance of shares	-	3,409,250
Proceeds received for subscriptions receivable	-	3,000
Net cash provided by financing activities	-	3,412,250
Effect of exchange rate on changes in cash	12,374	(14,272)
Change in cash	(415,743)	595,692
Cash, beginning of year	684,949	89,257
Cash, end of year	269,206	684,949
Supplemental cash flow information:		
Interest received	9	-
Interest paid	(115)	(735)
Income taxes paid	(345)	(650)

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

SPIRIT BLOCKCHAIN CAPITAL INC.**Consolidated Statements of Changes in Shareholders' Equity**

(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	(46,250)	-	-	-	3,446,750
Shares issued for services	1,105,000	55,250	-	-	-	-	55,250
Proceeds received for subscriptions receivable	-	-	3,000	-	-	-	3,000
Cancellation of shares	(50,001)	(5,000)	5,000	-	-	-	-
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
Share-based compensation	-	-	38,250	468,978	-	-	507,228
Change in fair value of digital assets	-	-	-	-	582,323	-	582,323
Change in foreign currency translation	-	-	-	-	(14,272)	-	(14,272)
Net loss for the year	-	-	-	-	-	(10,187,580)	(10,187,580)
Balance, December 31, 2021	85,817,000	13,810,835	(8,000)	468,978	682,924	(11,189,915)	3,764,822
Shares issued on conversion of RSUs	900,182	112,523	-	(112,523)	-	-	-
Settlement of share subscriptions receivable	-	-	8,000	-	-	-	8,000
Share-based compensation	-	-	-	454,150	-	-	454,150
Change in fair value of digital assets	-	-	-	-	(697,196)	-	(697,196)
Change in foreign currency translation	-	-	-	-	(45,077)	-	(45,077)
Net loss for the year	-	-	-	-	-	(3,392,465)	(3,392,465)
Balance, December 31, 2022	86,717,182	13,923,358	-	810,605	(59,349)	(14,582,380)	92,234

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

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Spirit Blockchain Capital Inc. (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 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’s registered and records office is located at Suite 1570, 505 Burrard Street Vancouver, BC, V7X 1M5. On September 14, 2022, the shares of the Company began trading on the Canadian Securities Exchange (the “CSE”) under the symbol “SPIR”.

a) 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 consolidated financial statements for the years ended December 31, 2022 and 2021 (the “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.

b) Going concern

These 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 December 31, 2022, the Company has working capital of \$10,790 (December 31, 2021 - \$3,764,822), has not yet achieved profitable operations, and has an accumulated deficit of \$14,582,380 (December 31, 2021 - \$11,189,915). These factors indicate the existence of 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.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on April 28, 2023.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of presentation

These financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income, and expense as set out in the accounting policies below.

c) 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. References to "US\$" or "USD" are to United States dollars and references to "CHF" are to Swiss francs.

d) 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.

A summary of the Company's subsidiaries included in these financial statements as at December 31, 2022 is as follows:

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

e) Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

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.

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets carried at FVTPL are initially recorded at fair value and transaction cost 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 cost. 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 liability 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 cash and accounts payables and accrued liabilities are classified at amortized cost.

Fair value hierarchy

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:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's cash, investments held for trading and digital assets are measured at level 1.

The carrying value of amounts receivable, due from related parties and accounts payable and accrued liabilities are approximate their respective fair values because of their short-term nature.

c) Investments held for trading

Investments held for trading are investments in equity instruments and are carried at FVTPL. In assessing the classification of investments held for trading 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.

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Digital assets

Digital assets consist of cryptocurrency denominated assets and are classified as intangible assets. The current portion of digital assets are those which the Company expects to realize within the next twelve months. The non-current portion of digital assets are those which the Company intends to hold long-term for the generation of staking income. Staking income is generated from the issuance to the Company of new digital assets which are awarded by the blockchain network where the Company holds those respective digital assets.

Digital assets are measured using the revaluation model, as prescribed by IAS 38 *Intangible Assets*. Initial recognition of digital assets is at fair value, which is the transaction price to purchase the digital asset.

Upon revaluation, if a digital asset's carrying amount is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity under the heading of accumulated other comprehensive income (loss). However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If a digital asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that digital asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of accumulated other comprehensive income (loss).

The cumulative revaluation surplus associated with a digital asset which has been included in equity is transferred directly to retained earnings when the surplus is realized. The whole surplus is realized on the retirement or disposal of the asset.

Transfers from accumulated other comprehensive income to deficit are not made through profit or loss.

The Company recognizes realized recoveries in profit or loss when the disposal of a digital asset occurs at a price that exceeds its respective carrying amount but is below its initial purchase price.

e) Reserves

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

f) Share-based compensation

The Company grants stock 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.

Options are valued by 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Comprehensive income (loss)

Comprehensive income (loss) 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 profit (loss).

Other comprehensive income (loss) 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 (loss) measures net earnings for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income (loss) are accumulated in a separate component of shareholders' equity as accumulated other comprehensive income (loss).

j) 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, 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 profit and loss.

k) 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.

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

5. REVERSE TAKEOVER TRANSACTION

Upon the closing of the Transaction on July 29, 2021, Spirit 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 Spirit and is considered to have acquired Spirit. The Transaction constituted a reverse takeover acquisition 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 in 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.

SPIRIT BLOCKCHAIN CAPITAL INC.**Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars, except where noted)

5. REVERSE TAKEOVER TRANSACTION (continued)

For accounting purposes, Former Spirit is treated as the accounting parent (legal subsidiary) and Spirit as the accounting subsidiary (legal parent). The fair value of the consideration paid by Former Spirit, net of transaction cost, less the fair value of net assets of Spirit 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 Spirit from July 29, 2021.

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

Purchase price:	
Fair value of 72,070,000 shares at \$0.125 per common 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.

6. 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

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6. INVESTMENTS HELD FOR TRADING (continued)

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 of 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 statements of financial position.

7. 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		2,676,830

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7. DIGITAL ASSETS (continued)

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		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		-

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.

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7. DIGITAL ASSETS (continued)

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	-

8. SHARE CAPITAL

Authorized share capital: Unlimited number of common shares without par value.

a) Issued and outstanding

During the year ended December 31, 2022, the Company issued 900,812 shares following the conversion of 900,812 restricted share units. As a result, \$112,523 was transferred from contributed surplus to share capital.

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 at \$0.05 per 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 Spirit (Note 5).
- The Company issued a total of 3,664,999 common shares at a price of \$0.05 per share, of which 2,559,999 common shares were issued for \$128,000; and 1,105,000 common shares were issued to directors and consultants of the Company for services provided for total value of \$55,250.
- The Company issued a total of 26,920,000 common shares at a price of \$0.125 per share for \$3,365,000, of which \$8,000 remained outstanding as at December 31, 2021 and was subsequently net off against accounts payable and accrued liabilities during the year ended December 31, 2022.
- 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.

b) Stock options

On July 31, 2022, the Company granted 1,810,667 stock options to directors, officers, and consultants of the Company, with an exercise price of \$0.125 per common share and expiration date of July 31, 2026. The options vest over a period of 2 years with one-thirds vested upon the date of grant and then every one year until fully vested. Of the 1,810,667 stock options, 320,000 were cancelled following the termination of a consultant during the year ended December 31, 2022.

SPIRIT BLOCKCHAIN CAPITAL INC.**Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars, except where noted)

8. SHARE CAPITAL (continued)

A summary of the assumptions used in the Black-Scholes option pricing model to determine the fair value of the stock options issued on July 31, 2022 is as follows:

Share price	\$0.125
Exercise price	\$0.125
Risk-free interest rate	1.00%
Expected life	4 years
Expected volatility ⁽¹⁾	120.00%
Dividend rate	0.00%

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

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. Of the 6,298,000 options, 1,766,666 and 620,867 were cancelled during the years ended December 31, 2022 and 2021, respectively, following the termination of certain consultants.

A summary of the assumptions used in the Black-Scholes option pricing model to determine the fair value of the stock options issued on July 31, 2021 is as follows:

Share price	\$0.125
Exercise price	\$0.125
Risk-free interest rate	0.83%
Expected life	5 years
Expected volatility ⁽¹⁾	120.00%
Dividend rate	0.00%

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

During the year ended December 31, 2022, the Company recorded \$276,663 (2021 - \$286,448) of share-based compensation expense related to options granted by the Company.

A summary of the Company's stock option activity is as follows:

	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	4,531,334	0.125
Granted	1,810,667	0.125
Cancelled	(940,867)	0.125
Balance, December 31, 2022	5,401,134	0.125

As at December 31, 2022, the Company had 5,401,134 stock options outstanding (December 31, 2021 - 4,531,334) with the weighted average exercise price of \$0.125 that expire on July 31, 2026. As at December 31, 2022, the weighted average remaining life of these options was 3.58 years.

c) Restricted share units

On July 31, 2022, the Company granted 905,333 RSUs to directors, officers, and consultants of the Company at a price of \$0.125 and expire on July 31, 2026. Each RSU is comprised of one common share of the Company. Of the granted RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date. The fair value of the RSUs is the market price at the date of grant of \$0.125. Of the 905,333 RSUs, 160,000 were cancelled following the termination of a consultant during the year ended December 31, 2022.

SPIRIT BLOCKCHAIN CAPITAL INC.**Notes to the Consolidated Financial Statements**

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8. SHARE CAPITAL (continued)

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. The fair value of the RSU is the market price at the date of grant of \$0.125. Of the 3,149,000 RSUs, 310,434 and 883,334 were cancelled during the years ended December 31, 2022 and 2021, respectively, following the termination of certain consultants.

During the year ended December 31, 2022, the Company recorded share-based compensation expense of \$177,487 (2021 - \$182,530) related to the vesting of the RSUs.

During the year ended December 31, 2022, 900,812 shares were issued following the vest of 900,812 restricted share units. As a result, \$112,523 was transferred from contributed surplus to share capital.

A summary of the Company's RSU activity is as follows:

	Number of RSUs	Weighted average grant price
	#	\$
Non-vested balance, December 31, 2020	-	-
Granted	3,149,000	0.125
Cancelled	(883,334)	0.125
Non-vested balance, December 31, 2021	2,265,666	0.125
Granted	905,333	0.125
Vested	(900,182)	0.125
Cancelled	(470,434)	0.125
Non-vested balance, December 31, 2022	1,800,383	0.125

As at December 31, 2022, the Company had 1,800,383 RSUs outstanding (December 31, 2021 - 2,265,666) with the weighted average grant price of \$0.125 that expire on July 31, 2026. As at December 31, 2022, the weighted average remaining life of these RSUs was 3.58 years.

9. RELATED PARTY TRANSACTIONS

Key management includes the personnel having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

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

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9. RELATED PARTY TRANSACTIONS (continued)

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 \$0.065 per share.

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 related parties 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

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Financial instrument classification**

The Company's financial instruments consist of cash, amounts 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 investments held for trading at fair value through profit and loss, and amounts 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 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, amounts 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 \$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.

SPIRIT BLOCKCHAIN CAPITAL INC.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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,	December 31,
	2022	2021
	\$	\$
Cash	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.

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.

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12. INCOME TAXES

The Company has non-capital loss carry forward of approximately \$12,188,000 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities. The non-capital losses have an expiry date range of 2038 to 2042. The Company's Swiss subsidiary has operated at a loss since inception and therefore pays a fixed annual tax charge of CHF500.

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
	\$	\$
Loss for the year	(3,222,063)	(9,960,955)
Expected income tax recoverable at statutory rate	(869,957)	(2,689,458)
Non-deductible expenditures and non-taxable revenues	113,818	2,637,460
Impact of foreign tax rates	137,246	-
Impact of foreign exchange rate changes	(28,046)	-
Non-deductible portion of capital item	63,236	-
Adjustments due to change in statutory tax rates, prior year returns, and other	(1,981,000)	-
Change in unrecognized deferred tax assets	2,656,000	65,000
Tax impact of other comprehensive income	(88,823)	-
Other	(1,865)	(13,002)
	609	-
Current income tax	682	-
Deferred tax	-	-

The Company recognizes tax benefits for losses or other deductible amounts where it is probable that the Company will be able to utilize deferred tax assets.

A summary of the Company's significant components of unrecognized deferred tax assets is as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Non-capital losses	-	13,000
Marketable securities	-	(13,000)
Unrecognized deferred tax assets	-	-
Net deferred tax asset	-	-

A summary of the significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2022	Expiry date range	December 31, 2021	Expiry date range
	\$		\$	
Allowable capital losses	155,000	No expiry date	-	-
Non-capital losses	12,188,000	2038 to 2042	1,430,000	2038 to 2041
Digital assets	286,000	No expiry date	-	-
Marketable securities	113,000	No expiry date	1,531,000	No expiry date

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(Expressed in Canadian dollars, except where noted)

13. 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 \$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 CSE.

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.