

SPIRIT BLOCKCHAIN CAPITAL INC.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(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, 2023 and 2022

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, 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 interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Spirit Blockchain Capital Inc. for the interim periods ended June 30, 2023 and 2022, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Reliant CPA PC, have not performed a review of these unaudited condensed interim consolidated financial statements.

August 29, 2023

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

	Note	June 30, 2023	December 31, 2022
		\$	\$
ASSETS			
Current			
Cash		25,232	269,206
Accounts receivable		40,001	35,745
Prepaid expenses		-	720
Investments held for trading	4	-	26,274
Digital assets	5	47,904	259,755
Due from related party	8	112,816	65,781
		225,953	657,481
Investments	6	574,445	-
Non-current portion of digital assets	5	66,952	81,444
Total assets		867,350	738,925
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	839,395	646,691
Total liabilities		839,395	646,691
SHAREHOLDERS' EQUITY			
Share capital	7(b)	14,319,458	13,923,358
Contributed surplus		1,111,821	810,605
Accumulated other comprehensive loss		(52,475)	(59,349)
Deficit		(15,350,849)	(14,582,380)
Total shareholders' equity		27,955	92,234
Total liabilities and shareholders' equity		867,350	738,925

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

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 condensed interim consolidated financial statements.

SPIRIT BLOCKCHAIN CAPITAL INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars, except number of shares)

	Note	Three months ended		Six months ended	
		2023	June 30, 2022	2023	June 30, 2022
		\$	\$	\$	\$
Operating expenses					
Consulting fees	8	94,000	309,163	310,334	514,995
Filing fees		4,500	7,228	6,750	7,228
General and administrative		40,395	31,370	60,692	37,490
Professional fees		121,446	51,553	160,090	138,911
Share-based compensation	8	231,473	88,630	301,216	176,762
		491,814	487,944	839,082	875,386
Other income (expenses)					
Change in fair value of digital assets	5	(14,808)	(343,444)	49,591	(367,670)
Change in fair value of investments held for trading	4	-	(100,212)	-	(208,257)
Dividend income	4	-	54	49	102
Foreign exchange gain (loss)		24	(20,054)	(17,113)	(27,234)
Other income	5	1,189	12,147	4,337	23,669
Realized gain (loss) on digital assets	5	1,139	(451,978)	24,290	(470,168)
Realized gain (loss) on sales of investments held for trading	4	-	(244,435)	8,869	(244,435)
		(12,456)	(1,147,922)	70,023	(1,293,993)
Loss before tax		(504,270)	(1,635,866)	(769,059)	(2,169,379)
Income tax recovery (expense)		-	(3,000)	590	(3,692)
Net loss		(504,270)	(1,638,866)	(768,469)	(2,173,071)
Other comprehensive income (loss)					
Change in fair value of digital assets	5	-	(569,202)	5,607	(697,196)
Change in foreign currency translation		(1,419)	(30,867)	1,267	(103,285)
Comprehensive loss		(505,689)	(2,238,935)	(761,595)	(2,973,552)
Net loss per share:					
Basic and diluted		(0.01)	(0.02)	(0.01)	(0.03)
Weighted average number of common shares:					
Basic and diluted		94,558,256	85,817,000	92,719,042	85,817,000

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

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

	Six months ended	
	2023	June 30, 2022
	\$	\$
Operating activities:		
Net loss for the period	(768,469)	(2,173,071)
Items not affecting cash:		
Share-based compensation	301,216	176,762
Change in fair value of digital assets	(49,591)	367,670
Change in fair value of investments held for trading	-	208,257
Foreign exchange loss	33	20,191
Other income	(3,873)	(4,588)
Realized (gains) losses on digital assets	(24,290)	470,168
Realized (gains) losses on sales of investments held for trading	(8,869)	244,435
Changes in non-cash working capital items:		
Amounts receivable	(4,256)	(21,770)
Prepaid expenses	720	(721)
Due from related party	(47,035)	(32,844)
Accounts payable and accrued liabilities	318,804	185,712
Cash used in operating activities	(285,610)	(559,799)
Investing activities:		
Proceeds from sales of digital assets	297,556	843,830
Proceeds from sales of investments held for trading	35,110	130,932
Purchase of digital assets	-	(291,534)
Payment for investment in InvestDEFY	(34,445)	-
Payment for investment in Pixel	(270,000)	-
Cash provided by investing activities	28,221	683,228
Effect of exchange rate on changes in cash	13,415	(3,613)
Change in cash	(243,974)	119,816
Cash, beginning of period	269,206	684,949
Cash, end of period	25,232	804,765
Supplemental cash flow information:		
Fair value of shares issued for debt settlement	126,100	-
Fair value of shares issued for investment in InvestDEFY	270,000	-
Cash interest paid	-	(115)
Cash income tax recovery (paid)	590	(692)

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

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

(Unaudited - Expressed in Canadian dollars, except number of shares)

	Number of shares	Share capital	Share subscriptions receivable	Contributed surplus	Accumulated other comprehensive (loss)	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	85,817,000	13,810,835	(8,000)	468,978	682,924	(11,189,915)	3,764,822
Settlements of subscriptions receivable	-	-	8,000	-	-	-	8,000
Share-based compensation	-	-	-	176,762	-	-	176,762
Unrealized loss on digital assets	-	-	-	-	(697,196)	-	(697,196)
Change in 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
Shares issued on conversion of RSUs	900,182	112,523	-	(112,523)	-	-	-
Share-based compensation	-	-	-	277,388	-	-	277,388
Change in foreign currency translation	-	-	-	-	58,208	-	58,208
Net loss for the period	-	-	-	-	-	(1,219,394)	(1,219,394)
Balance, December 31, 2022	86,717,182	13,923,358	-	810,605	(59,349)	(14,582,380)	92,234
Shares issued for debt settlement	2,441,074	126,100	-	-	-	-	126,100
Shares issued for investment in InvestDEFY	5,400,000	270,000	-	-	-	-	270,000
Share-based compensation	-	-	-	301,216	-	-	301,216
Change in fair value of digital assets	-	-	-	-	5,607	-	5,607
Change in foreign currency translation	-	-	-	-	1,267	-	1,267
Net loss for the period	-	-	-	-	-	(768,469)	(768,469)
Balance, June 30, 2023	94,558,256	14,319,458	-	1,111,821	(52,475)	(15,350,849)	27,955

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

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Unaudited - 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".

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023 and 2022 ("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, 2023, the Company has working capital deficiency of \$613,442 (December 31, 2022 - working capital surplus of \$10,790), has not yet achieved profitable operations, and has an accumulated deficit of \$15,350,849 (December 31, 2022 - \$14,582,380). 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 August 29, 2023.

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited financial statements for the years ended December 31, 2022 and 2021 (the "Annual Financial Statements"), which include the information necessary or useful to understanding the Company's business and financial statement presentation.

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 and listed in Note 1(d) below. References to "US\$" or "USD" are to United States dollars and references to "CHF" are to Swiss francs.

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

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

2. BASIS OF PREPARATION (continued)**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 June 30, 2023 is as follows:

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

e) Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments and estimates based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these judgments and estimates which may cause a material adjustment to the carrying amounts of assets and liabilities. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 4 to the Annual Financial Statements.

f) Reclassification

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

3. SIGNIFICANT ACCOUNTING POLICIES

In the preparation of these financial statements, the Company used the same accounting policies as those applied and disclosed in Note 3 to the Annual Financial Statements, except for the following:

Investments

The Company classifies as and measures investments at fair value through profit or loss ("FVTPL"). As investments comprise investments in private company equity securities, the Company uses cost as an appropriate estimate of fair value as insufficient information is available to determine fair value.

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

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

4. INVESTMENTS HELD FOR TRADING

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

	June 30, 2023			December 31, 2022		
	Shares held	Fair value	Cost	Shares held	Fair value	Cost
	#	\$	\$	#	\$	\$
Coinbase Global Inc.	-	-	-	203	9,730	50,897
Hut 8 Mining Corp.	-	-	-	1,984	2,301	12,317
Signature Bank	-	-	-	52	8,115	16,481
Silvergate Capital Corp.	-	-	-	260	6,128	26,619
				2,499	26,274	106,314

During the three and six months ended June 30, 2023, the Company recognized a loss on change in fair value on investments held for trading of \$nil and \$nil, respectively (2022 - \$100,212 and \$208,257, respectively).

During the three and six months ended June 30, 2023, the Company recognized realized gains on sales of investments held for trading of \$nil and \$8,869, respectively (2022 - loss of \$244,435 and \$244,435, respectively); and received dividend income of \$nil and \$49, respectively (2022 - \$54 and \$102, respectively).

5. DIGITAL ASSETS

The Company has a brokerage account with Crypto Finance AG in Zurich, Switzerland, Bitcoin Suisse AG in Grafenauweg, Switzerland and a 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 Company's digital assets is as follows:

	June 30, 2023			December 31, 2022		
	Units held	Fair value	Cost	Units held	Fair value	Cost
	#	\$	\$	#	\$	\$
Current						
Chainlink	391.736	3,272	4,963	391.736	2,955	4,963
Ethereum	16.207	41,483	35,285	66.888	108,419	171,705
Sushiswap	1,692.130	1,546	20,236	1,692.130	2,118	20,236
USD Coin	1,210.733	1,603	1,223	107,991.310	146,263	109,081
		47,904	61,707		259,755	305,985
Non-current						
Avalanche	-	-	-	2,077.295	30,667	48,224
Cardano	19,955.615	7,937	20,000	19,654.867	6,562	20,000
Cosmos	1,354.451	17,291	37,500	1,280.087	16,211	37,500
Ethereum	8.140	21,806	20,000	8.140	13,194	20,000
Polkadot	2,790.117	19,917	47,500	2,537.104	14,810	47,500
		66,952	125,000		81,444	173,224
Total		114,856	186,707		341,199	479,209

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

5. DIGITAL ASSETS (continued)

During the three and six months ended June 30, 2023, the Company recorded a loss on change in fair value of digital assets of \$14,808 and a gain of \$49,591, respectively (2022 - loss of \$343,444 and \$367,670, respectively), through profit or loss; gain of \$nil and \$5,607, respectively (2022 - loss of \$569,202 and \$697,196, respectively), through other comprehensive income; and recognized a realized gain on sale of digital assets of \$1,139 and \$24,290, respectively (2022 - loss of \$451,978 and \$470,168, respectively).

The non-current portion consists of the digital assets are used for staking rewards. During the three and six months ended June 30, 2023, the Company was granted staking rewards by the blockchain networks in which it participates. The staking rewards were recognized as other income in profit or loss.

A summary of the Company's staking rewards is as follows:

	Three months ended		Six months ended	
	2023	June 30, 2022	2023	June 30, 2022
Avalanche	\$ -	\$ -	\$ 296	\$ -
Cardano	75	163	153	267
Cosmos	90	779	1,306	1,557
Polkadot	1,024	1,293	2,118	2,436
	1,189	2,235	3,873	4,260

6. INVESTMENTS

a) Investment in InvestDEFY

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\$400,000.

In consideration for the purchase of the InvestDEFY Shares the Company agreed to the following terms:

- to pay cash consideration of US\$200,000 (paid \$24,999 (US\$17,946)); and
- to issue 5,400,000 common shares with the fair value of US\$200,000 (issued on February 6, 2023 - Note 7(b)).

Under the terms of the subscription agreement, the InvestDEFY Shares yield a variable dividend starting July 31, 2023, payable semi-annually until conversion or repurchase, subject to a 7.5% per annum floor, and targeting 10% or more per annum. The InvestDEFY Shares 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 March 14, 2023, the Company signed a side letter agreement with InvestDEFY, to pay the outstanding cash consideration of \$245,001 (US\$182,054) between March 15, 2023 and July 31, 2023 (the "Payment Term"). During the Payment Term, for each weekday that the outstanding cash consideration remains payable, the Company assigns 1% of its July 31, 2023 dividend back to InvestDEFY. As at June 30, 2023, the outstanding cash consideration remained unpaid.

The investment in InvestDEFY is a strategic investment and as a result, is classified as non-current in the statements of financial position. As at the approval date of these financial statements, the Notes are currently due on demand as the Company anticipates completing a private placement prior to December 31, 2023, and the lenders have not expressed intent to demand repayment.

The Company does not serve in an advisory role or appoint a representative to the board of directors of InvestDEFY.

As at June 30, 2023, the investment was measured at cost as management concluded that there is insufficient information available to determine a more reliable fair value. Management has no contrary information that the performance of the investee is significantly different from the date of its initial investment, that there have been any changes in InvestDEFY's operations or the market for its products, or the economy in which it operates. Management did not note any indicators that the investment in InvestDEFY may be impaired.

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

6. INVESTMENTS (continued)

b) Investment in Pixel

On February 7, 2023, the Company entered into a share purchase agreement with Pixel (Cayman) Limited ("Pixel"), whereby the Company agreed to purchase 40,000 common shares of Pixel for a purchase price of US\$50,000.

In consideration for the purchase of the Pixel common shares the Company has agreed to the following terms:

- first instalment of US\$25,000 payable on February 7, 2023 (paid \$25,000 (US\$18,145));
- 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 (not yet paid); and
- a top-up instalment subject to certain conditions payable on the closing date of Pixel Equity Investment.

The investment in Pixel is a strategic investment and as a result, is classified as non-current in the statements of financial position. As at the approval date of these financial statements, the Notes are currently due on demand as the Company anticipates completing a private placement prior to December 31, 2023, and the lenders have not expressed intent to demand repayment.

The Company does not serve in an advisory role or appoint a representative to the board of directors of Pixel.

As at June 30, 2023, the investment was measured at cost as management concluded that there is insufficient information available to determine a more reliable fair value. Management has no contrary information that the performance of the investee is significantly different from the date of its initial investment, that there have been any changes in Pixel's operations or the market for its products, or the economy in which it operates. Management did not note any indicators that the investment in Pixel may be impaired.

7. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued and outstanding

During the six months ended June 30, 2023, the Company had the following share capital transactions:

- On January 25, 2023, the Company settled consulting fees of \$126,100 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 issued 5,400,000 common shares at of \$0.05 per share for \$270,000 as part of the consideration for the investment in InvestDEFY (Note 6(a)).

During the year ended December 31, 2022, the Company issued 900,182 shares following the conversion of 900,182 restricted share units ("RSU"). As a result, \$112,523 was transferred from contributed surplus to share capital.

c) 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 two years with one-third vested upon the grant date and every anniversary thereafter until fully vested.

During the six months ended June 30, 2023, the Company cancelled 3,600,756 unvested stock options following the termination of certain consultants.

During the six months ended June 30, 2023, the Company granted 333,333 stock options to an officer of the Company, with an exercise price of \$0.05 per common share and expiration date of November 1, 2027. The options vest over a period of three years with one-third vested every anniversary until fully vested.

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

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

During the three and six months ended June 30, 2023, the Company recorded \$160,039 and \$201,267, respectively (2022 - \$45,362 and \$90,226, respectively), of share-based compensation expense related to the net number of options by the Company.

A summary of the Company's Black-Scholes option pricing model assumptions to determine the fair value of the stock options issued is as follows:

	2023	2022
Share price	\$0.04	\$0.125
Exercise price	\$0.05	\$0.125
Risk-free interest rate	3.54%	1.00%
Expected life	5 years	4 years
Expected volatility ⁽¹⁾	120.00%	120.00%
Dividend rate	0.00%	0.00%

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

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

	Number of options	Weighted average exercise price
	#	\$
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
Granted	333,333	0.050
Cancelled	(3,600,756)	0.125
Balance, June 30, 2023	2,133,711	0.113

A summary of the Company's stock options outstanding and exercisable as at June 30, 2023 is as follows:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
July 31, 2026	1,800,378	1,800,378	0.125	3.09
November 1, 2027	333,333	-	0.050	4.34
	2,133,711	1,800,378	0.113	3.28

d) 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 expiring on July 31, 2024. Each RSU is comprised of one common share of the Company. Of the granted RSUs, one third vest on the grant date, one third vests one year from the grant date, and one third vests two years from the grant date. The fair value of the RSUs at the grant date was \$0.125.

During the six months ended June 30, 2023, the Company granted 166,667 RSUs to consultants of the Company at a price of \$0.035 and expiring on November 1, 2025. Each RSU is comprised of one common share of the Company. The granted RSUs vest in three tranches on November 1, 2023, November 1, 2024, and November 1, 2025. The fair value of the RSUs at the grant date was \$0.035.

During the six months ended June 30, 2023, the Company cancelled 1,056,828 unvested RSUs following the termination of certain consultants.

During the three and six months ended June 30, 2023, the Company recorded share-based compensation expense of \$71,434 and \$99,949, respectively (2022 - \$43,268 and \$86,536, respectively), related to the net number of the RSUs.

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

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

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

	Number of RSUs	Weighted average grant price
	#	\$
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
Granted	166,667	0.125
Cancelled	(1,056,828)	0.125
Non-vested balance, June 30, 2023	910,222	0.125

A summary of the Company's RSUs outstanding as at June 30, 2023 is as follows:

Expiry date	Number of RSUs outstanding	Weighted average fair value	Weighted average remaining life
	#	\$	Years
July 31, 2024	743,555	0.125	1.09
November 1, 2025	166,667	0.035	2.34
	910,222	0.125	0.89

8. 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.

A summary of the Company's related party transactions in profit or loss is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consulting fees	15,000	75,000	120,000	150,000
Share-based compensation	42,202	27,383	55,671	54,613
	57,202	102,383	175,671	204,613

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

For the three and six months ended June 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars, except where noted)

8. RELATED PARTY TRANSACTIONS (continued)

A summary of the Company's amounts due from and to related parties is as follows:

	June 30, 2023	December 31, 2022
	\$	\$
Due from related party	112,816	65,781
Accounts payable and accrued liabilities	(70,500)	(75,010)
	42,316	(9,229)

Accounts payable and accrued liabilities as at June 30, 2023 totalling \$70,500 (December 31, 2022 - \$75,010) were owed to certain officers. Interest is not charged on outstanding balances and there are no specified terms of repayment.

The amounts to and from key management personnel has no interest charged on outstanding balances and there are no specific terms of repayment.

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

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 and digital assets are measured at level 1. The Company's investments are measured at level 3.

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.

The Company's financial instruments consist of cash, amounts receivable (excluding GST and VAT receivable), due from related party, investments and accounts payable and accrued liabilities. The Company classifies its cash at fair value through profit or loss, amounts receivable (excluding GST and VAT receivable) and due from related party at amortized cost and investments as fair value through other comprehensive income. 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 June 30, 2023, the Company held \$25,232 (December 31, 2022 - \$269,206) in cash, and \$nil (December 31, 2022 - \$26,274) 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 June 30, 2023, the Company expects to recover the full amount of such assets.

SPIRIT BLOCKCHAIN CAPITAL INC.

Notes to the Condensed Interim Consolidated Financial Statements

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9. 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 June 30, 2023, the Company's cash balance of \$25,232 (December 31, 2022 - \$269,206) will not be sufficient to meet its obligations related to its accounts payable and accrued liabilities balance of \$839,395 (December 31, 2022 - \$646,691). Therefore, the Company is exposed to liquidity risk and will be required to raise additional capital in the future to fund its operations.

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.

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

	June 30, 2023	December 31, 2022
	\$	\$
Cash	15,254	145,365
Investments held for trading	-	23,972
Digital assets	47,904	259,755
Non-current portion of digital assets	66,952	81,444
Accounts payable and accrued liabilities	-	(688)
	130,110	509,848

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 \$14,300.

10. 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.

SPIRIT BLOCKCHAIN CAPITAL INC.

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11. SUBSEQUENT EVENTS

On July 5, 2023, the Company completed a non-brokered unit private placement of 2,200,000 units at \$0.025 per unit for gross proceeds of \$55,000. Each unit comprises one common share and one-half warrant, each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.18 for a period of 24 months.

On July 5, 2023, the Company completed a non-brokered private placement of convertible debentures for gross proceeds of \$220,000. The convertible debentures are unsecured, bear interest at 7.5% per annum, payable semi-annually and mature 3 years after the date of issue on July 5, 2026 ("Maturity date"). Each convertible debenture is convertible into common shares at a price of \$0.18 per share during the period of 18 months after the date of issue and \$0.24 per share afterwards until the Maturity Date.

On July 31, 2023, the Company and Troon Technologies ("Troon") entered into an agreement for the acquisition of Troon. Pursuant to the agreement, the Company will acquire 10% of the outstanding shares of Troon at the aggregate price of US\$350,000 or in the form of common shares of the Company's. Following the initial acquisition, the Company commits to purchasing the remaining 90% of Troon's outstanding shares over the period of 3 years with 30% by July 31, 2024, 30% by July 31, 2025 and 30% by July 31, 2026. The pricing for each tranche of the additional share acquisition will be determined based on the effective growth rate of the ongoing business developed by Troon, with a minimum growth rate of 20% per year.