

SPIRIT BLOCKCHAIN CAPITAL INC.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2024 and 2023

(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, 2024 and 2023

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 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, 2024 and 2023, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

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

August 29, 2024

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

	Note	June 30, 2024	December 31, 2023
		\$	\$
ASSETS			
Current			
Cash		65,057	375,491
Amounts receivable		79,384	48,804
Loans receivable	5	128,841	488,672
Digital assets	6	67,639	39,024
Due from related parties	11	139,670	138,303
Prepaid expenses		2,823	-
		483,414	1,090,294
Non-current portion of digital assets	6	67,535	48,725
Investments	7	68,435	-
Convertible notes receivable	8	143,657	-
Total assets		763,041	1,139,019
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	662,097	776,391
Convertible debentures	9	1,036,324	961,339
Derivative liability	9(b)	153,003	153,003
		1,851,424	1,890,733
Non-current portion of convertible debentures	9	590,424	250,004
Total liabilities		2,441,848	2,140,737
SHAREHOLDERS' DEFICIENCY			
Share capital	10(b)	14,476,504	14,397,583
Contributed surplus		1,366,903	1,193,487
Accumulated other comprehensive loss		(3,778)	(43,844)
Deficit		(17,518,436)	(16,548,944)
Total shareholders' deficiency		(1,678,807)	(1,001,718)
Total liabilities and shareholders' deficiency		763,041	1,139,019

Nature of operations and going concern (Note 1)

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 June 30,		Six months ended June 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Operating expenses					
Consulting fees	11	362,345	94,000	706,432	310,334
Filing fees		1,794	4,500	6,469	6,750
General and administrative		58,760	40,395	114,118	60,692
Professional fees		71,047	121,446	67,378	160,090
Share-based compensation	11	4,932	231,473	9,864	301,216
		498,878	491,814	904,261	839,082
Other income (expenses)					
Accretion expense		(23,222)	-	(37,842)	-
Change in fair value of digital assets	6	(7,194)	(14,808)	3,819	49,591
Dividend income		-	-	-	49
Foreign exchange gain (loss)		1,250	24	2,865	(17,113)
Interest expense		(39,314)	-	(70,036)	-
Other income	6,8	6,366	1,189	11,993	4,337
Realized gain on sale of digital assets	6	33,408	1,139	23,970	24,290
Realized gain on sales of investments held for trading		-	-	-	8,869
		(28,706)	(12,456)	(65,231)	70,023
Loss before income tax recovery		(527,584)	(504,270)	(969,492)	(769,059)
Income tax recovery		-	-	-	590
Net loss		(527,584)	(504,270)	(969,492)	(768,469)
Other comprehensive income (loss)					
Change in fair value of digital assets	6	-	-	51,436	5,607
Change in foreign currency translation		(2,771)	(1,419)	(11,370)	1,267
Net loss and comprehensive loss		(530,355)	(505,689)	(929,426)	(761,595)
Net loss per common share:					
Basic and diluted		(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares:					
Basic and diluted		104,936,112	94,558,256	103,884,463	92,719,042

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	
	2024	June 30, 2023
	\$	\$
Operating activities:		
Net loss for the period	(969,492)	(768,469)
Adjustments for:		
Share-based compensation	9,864	301,216
Accretion expense	37,842	-
Change in fair value of digital assets	(3,819)	(49,591)
Foreign exchange (gain) loss	(3,611)	33
Interest expense	70,036	-
Other income	(11,993)	(3,873)
Realized gain on sale of digital assets	(23,970)	(24,290)
Realized gain on sales of investments held for trading	-	(8,869)
Changes in non-cash working capital items:		
Amounts receivable	(30,580)	(4,256)
Due from related parties	(1,367)	(47,035)
Prepaid expenses	(2,823)	720
Accounts payable and accrued liabilities	(87,504)	318,804
Cash used in operating activities	(1,017,417)	(285,610)
Investing activities:		
Loan receivable provided to Troon	(50,000)	-
Convertible notes receivable provided to CoinChange	(133,310)	-
Proceeds from repayment of loan receivable to InvestDEFY	133,310	-
Proceeds from sales of investments held for trading	-	35,110
Proceeds from sales of digital assets	285,245	297,556
Payment for investment in CryptoSlam	(68,435)	-
Payment for investment in InvestDEFY	-	(34,445)
Payment for investment in Pixel	-	(270,000)
Cash provided by investing activities	166,810	28,221
Financing activities:		
Proceeds from issuance of units in private placement	110,000	-
Proceeds from issuance of convertible debentures	440,000	-
Cash provided by financing activities	550,000	-
Effect of exchange rate on changes in cash	(9,827)	13,415
Change in cash	(310,434)	(243,974)
Cash, beginning of the period	375,491	269,206
Cash, end of the period	65,057	25,232
Supplemental cash flow information:		
Cash dividends received	-	-
Cash interest paid	-	-
Cash income tax recovery	-	590
Fair value of common shares issued for debt settlement	-	126,100
Fair value of common shares issued for investment in InvestDEFY	-	270,000
Fair value of digital assets received as repayment of loan receivable to InvestDEFY	262,769	-
Fair value of services received as repayment of loan receivable to Troon	8,876	-

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' Deficiency

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

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$
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
Units issued in private placement	2,472,300	47,876	20,739	-	-	68,615
Shares issued for debt settlement	1,430,556	51,250	-	-	-	51,250
Adjustment to fair value of shares issued for debt settlement	-	(57,001)	-	-	-	(57,001)
Shares issued for investment in InvestDEFY	4,275,000	171,000	-	-	-	171,000
Adjustment to fair value of shares issued for investment in InvestDEFY	-	(135,000)	-	-	-	(135,000)
Fair value of conversion feature of convertible debentures	-	-	36,968	-	-	36,968
Share-based compensation	-	-	23,959	-	-	23,959
Change in fair value of digital assets	-	-	-	(5,607)	-	(5,607)
Change in foreign currency translation	-	-	-	14,238	-	14,238
Net loss for the period	-	-	-	-	(1,198,095)	(1,198,095)
Balance, December 31, 2023	102,736,112	14,397,583	1,193,487	(43,844)	(16,548,944)	(1,001,718)
Units issued in private placement	2,200,000	78,921	31,079	-	-	110,000
Fair value of conversion feature of convertible debentures	-	-	132,473	-	-	132,473
Share-based compensation	-	-	9,864	-	-	9,864
Change in fair value of digital assets	-	-	-	51,436	-	51,436
Change in foreign currency translation	-	-	-	(11,370)	-	(11,370)
Net loss for the period	-	-	-	-	(969,492)	(969,492)
Balance, June 30, 2024	104,936,112	14,476,504	1,366,903	(3,778)	(17,518,436)	(1,678,807)

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, 2024 and 2023
(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 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, British Columbia, V7X 1M5. On September 14, 2022, the Company common shares 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, 2024 and 2023 ("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, 2024, the Company has working capital deficiency of \$1,368,010 (December 31, 2023 - \$800,439), has not yet achieved profitable operations, and has an accumulated deficit of \$17,518,436 (December 31, 2023 - \$16,548,944). 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, 2024.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") 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, 2023 and 2022 (the "Annual Financial Statements").

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 Accounting Standards for each type of asset, liability, income, and expense as set out in the accounting policies below. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars ("CAD"), which is the functional and presentation currency of the Company. 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.

SPIRIT BLOCKCHAIN CAPITAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

2. BASIS OF PREPARATION (continued)

A summary of the Company's subsidiaries included in these financial statements as at June 30, 2024 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

3. MATERIAL ACCOUNTING POLICIES

In the preparation of these financial statements, the Company used the same accounting policies as those applied and disclosed in the notes to the Annual Financial Statements.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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 revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

In the preparation of these financial statements, the Company used the same accounting estimates and judgments as those applied and disclosed in the notes to the Annual Financial Statements.

5. LOANS RECEIVABLE

a) Loan to InvestDEFY

On December 5, 2023, the Company completed a non-brokered private placement of convertible debentures for gross proceeds of \$1,054,463, comprised of \$54,463 in cash and \$1,000,000 in 1,066,973.230 EOS tokens (Note 9(b)). Upon completion of the private placement, all 1,066,973.230 EOS tokens with fair value of \$1,076,469 were loaned to InvestDEFY Technologies Inc. ("InvestDEFY"), a non-arm's length party and the loan is repayable in either cash or digital assets. The loan bears interest at 7.5% per annum and is payable on demand.

During the year ended December 31, 2023, InvestDEFY made loan repayments of \$128,566 in the form of 95,250 USD Coins, and cash of \$548,478.

During the six months ended June 30, 2024, InvestDEFY made loan repayments of \$404,825 in the form of 263,343.132 EOS tokens and cash of \$133,310.

As at June 30, 2024, the loan receivable was fully repaid.

b) Loan to Troon

On December 15, 2023, the Company advanced \$83,620 to Troon Technologies Canada Inc. ("Troon"), a non-arm's length party. The loan bears interest at 7.5% per annum and is payable on demand.

During the six months ended June 30, 2024, the Company advanced an additional \$50,000 and was provided services valued at \$8,876 in exchange for repayment of the loan.

As at June 30, 2024, the loan receivable accrued interest of \$3,870 (December 31, 2023 - \$227) and had a balance of \$128,841 (December 31, 2023 - \$83,847) outstanding for collection.

SPIRIT BLOCKCHAIN CAPITAL INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2024 and 2023**

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

6. DIGITAL ASSETS

The Company has a brokerage account with Crypto Finance AG in Zurich, Switzerland, Bitcoin Suisse AG in Grafenauweg, Switzerland and a multi-signature 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, 2024			December 31, 2023		
	Units held	Fair value	Cost	Units held	Fair value	Cost
	#	\$	\$	#	\$	\$
Current						
Ethereum	0.707	42,370	2,107	0.707	2,135	2,036
Sushiswap	1,692.130	1,938	27,697	1,692.130	2,803	26,764
USD Coin	4,123.415	23,331	5,705	25,727.884	34,086	34,029
		67,639	35,509		39,024	62,829
Non-current						
Cardano	20,334.585	10,916	33,740	20,222.004	15,895	26,452
Polkadot	3,139.303	56,619	80,133	3,029.243	32,830	62,824
		67,535	113,873		48,725	89,276
		135,174	149,382		87,749	152,105

During the three and six months ended June 30, 2024, the Company recorded a loss on change in fair value of digital assets of \$7,194 and a gain of \$3,819, respectively (2023 - loss of \$14,808 and a gain of \$49,591, respectively) through profit or loss; a gain of \$nil and \$51,436 (2023 - \$nil and \$5,607) through other comprehensive income; and a realized gain on sale of digital assets of \$33,408 and \$23,970 (2023 - \$1,139 and \$24,290).

The non-current portion of digital assets comprises of digital assets that are used for staking rewards that the Company received from blockchain networks in which it participates. The receipt of staking rewards were recognized as other income in profit or loss.

A summary of the Company's staking rewards received included in other income is as follows:

	Three months ended		Six months ended	
	2024	June 30, 2023	2024	June 30, 2023
	\$	\$	\$	\$
Avalanche	-	-	-	296
Cardano	53	75	96	153
Cosmos	-	90	-	1,306
Polkadot	537	1,024	1,290	2,118
	590	1,189	1,386	3,873

7. INVESTMENTS

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

	InvestDEFY	Pixel	CryptoSlam	Total
	\$	\$	\$	\$
Balance, December 31, 2022	-	-	-	-
Additions	330,999	25,000	-	355,999
Change in fair value	(330,999)	(25,000)	-	(355,999)
Balance, December 31, 2023	-	-	-	-
Addition	-	-	68,435	68,435
Balance, June 30, 2024	-	-	68,435	68,435

SPIRIT BLOCKCHAIN CAPITAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

7. INVESTMENTS (continued)

a) Investment in InvestDEFY

On February 6, 2023, the Company entered into a subscription agreement with InvestDEFY, whereby it subscribed for 645,162 Class B voting shares of InvestDEFY ("InvestDEFY Shares").

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) on September 26, 2023); and
- to issue a total of 9,675,000 common shares of the Company (delivered 5,400,000 common shares on February 6, 2023 at \$0.025 for a fair value of \$135,000, and 4,275,000 common shares on October 20, 2023 at \$0.04 for a fair value of \$171,000).

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.

As at December 31, 2023, InvestDEFY had not provided any updates on its business activities nor any information with respect to future financing rounds. Due to the absence of a market to sell the shares and the inability to reliably measure the fair value of the investment, the Company assessed the fair value at \$nil and recorded a loss on change in fair value of \$330,999 for the year ended December 31, 2023.

As at June 30, 2024 and December 31, 2023, the carrying value of the investment in InvestDEFY was \$nil.

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 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; and
- A top-up instalment subject to certain conditions payable on the closing date of Pixel Equity Investment.

As at December 31, 2023, Pixel had not provided any updates on its business activities nor any information with respect to future financing rounds. Due to the absence of a market to sell the shares and the inability to reliably measure the fair value of the investment, the Company ceased pursuing the investment in Pixel and assessed the fair value at \$nil recorded a loss on change in fair value of \$25,000 for the year ended December 31, 2023.

As at June 30, 2024 and December 31, 2023, the carrying value of the investment in Pixel was \$nil.

c) Investment in CryptoSlam

On March 7, 2024, the Company entered into a simple agreement for future equity ("SAFE") with CryptoSlam Inc. ("CryptoSlam") with an expiration date of December 31, 2024. Pursuant to the SAFE, the Company invested \$67,595 (US\$50,000 - the "Purchase Amount") to support CryptoSlam's innovation program. The investment in CryptoSlam is measured at cost, which approximates fair value.

In the event of a CryptoSlam's equity financing before the expiration or termination of the SAFE, CryptoSlam will automatically issue to the Company the number of preferred shares equal to the Purchase Amount divided by the lower of:

- the price per preferred share issued in the equity financing; and
- the price per preferred share equal to CryptoSlam's post-money valuation capitalization divided by CryptoSlam's total number of common shares issued and outstanding immediately prior to the equity financing.

SPIRIT BLOCKCHAIN CAPITAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2024 and 2023
(Unaudited - Expressed in Canadian dollars, except where noted)

7. INVESTMENTS (continued)

In the event of a CryptoSlam's liquidation before the expiration or termination of the SAFE, the Company will receive an amount equal to the greater of:

- the Purchase Amount; and
- the amount payable on the number of ordinary shares equal to the Purchase Amount divided by the liquidity price (equal to CryptoSlam's post-money valuation cap divided by CryptoSlam's total number of shares issued and outstanding immediately prior to the liquidation event).

In the event of CryptoSlam's dissolution before the expiration or termination of the SAFE, the Company will receive the Purchase Amount.

As at June 30, 2024, the SAFE has not been converted due to no triggering events taking place since the issuance of the SAFE and had a balance of \$68,435 (December 31, 2023 - \$nil).

8. CONVERTIBLE NOTES RECEIVABLE

On December 5, 2023, the Company acquired unsecured, 10% convertible notes receivable with a principal amount of \$133,310 (US\$100,000 - the "Notes"), convertible into common shares of CoinChange Financials Inc. ("CoinChange"). The Notes mature on December 5, 2026 ("Maturity Date") and accrue interest at 10% per annum. The outstanding principal amount of the Notes plus all accrued and unpaid interest becomes due and payable in cash on December 5, 2026.

The Company has the option to convert the principal amount into common shares of CoinChange if CoinChange completes one of the following:

- a financing for aggregate gross proceeds for at least US\$5,000,000 - excluding conversion of the Notes and CoinChange's other debts (a "Qualified Financing")
- an initial public offering of its common shares on a recognized stock exchange in Canada with net proceeds of US\$50,000,000 (an "IPO")
- a consolidation or merger of CoinChange with or into any other corporation resulting in a surviving entity in which shareholders of CoinChange continue to hold a majority of voting power; or any transaction or series of transactions to which CoinChange is a party resulting in more than 50% of CoinChange's voting power is maintained; or a sale, lease, exclusive license or other disposition of all or substantially all of CoinChange's assets (collectively referred to as "Sale of Corporation").

In the event of a Qualified Financing, the Notes plus any unpaid accrued interest will automatically convert into highest-ranking common share of CoinChange at a conversion price equal to the lesser of:

- 80% of the price per share paid by investors participating in the Qualified Financing; and
- US\$25,000,000 divided by the number of all issued and outstanding shares of CoinChange immediately prior to the Qualified Financing, calculated on a fully-diluted basis.

In the event of a Qualified IPO or Sale of Corporation, the Company has the option to convert the Notes plus any unpaid accrued interest into highest-ranking common share of CoinChange at a conversion price equal to US\$25,000,000 divided by the number of all issued and outstanding shares of CoinChange, calculated on a fully-diluted basis, on the conversion date.

If the Notes have not been converted pursuant to any of the events above, the Company has the option to convert the Notes plus any unpaid accrued interest into highest-ranking common share of CoinChange at a conversion price equal to US\$25,000,000 divided by the number of all issued and outstanding shares of CoinChange, calculated on a fully-diluted basis, on the conversion date, which must be at least 10 days prior to the Maturity Date.

The Notes are measured at fair value through profit or loss ("FVTPL"). As at June 30, 2024, the Notes have not been converted due to no triggering events taking place since the issuance of the Notes and had a balance of \$143,657 (December 31, 2023 - \$nil). During the three and six months ended June 30, 2024, the Company recorded a foreign exchange gain of \$1,404 and \$3,610, respectively (2023 - \$nil and \$nil, respectively) and accrued interest income of \$3,411 and \$6,737, respectively (2023 - \$nil and \$nil, respectively).

SPIRIT BLOCKCHAIN CAPITAL INC.
Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - Expressed in Canadian dollars, except where noted)

9. CONVERTIBLE DEBENTURES

A summary of the Company's convertible debentures are as follows:

	Liability component
	\$
Balance, December 31, 2022	-
Issued - First Tranche	191,854
Issued - Second Tranche	45,641
Issued - EOS Tranche	950,969
Interest expense	15,506
Accretion expense	7,373
Balance, December 31, 2023	1,211,343
Issued - Third Tranche	307,527
Interest expense	70,036
Accretion expense	37,842
Balance, June 30, 2024	1,626,748
Current	1,036,324
Non-current	590,424

a) First Tranche

On July 5, 2023, the Company completed a non-brokered private placement (the "First Tranche") 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 three years after the date of issue on July 5, 2026. Each convertible debenture is convertible into common shares at a price of \$0.18 per common share during the period of 18 months after the date of issue and \$0.24 per common share afterwards until July 5, 2026. The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, fair value of \$191,854 was allocated to the liability component and \$28,146 was allocated to the equity component representing the conversion feature.

During the three and six months ended June 30, 2024, the Company recorded an accretion expense of \$2,167 and \$4,271, respectively (2023 - \$nil and \$nil, respectively) and an interest expense of \$4,114 and \$8,227, respectively (2023 - \$nil and \$nil, respectively) on the First Tranche.

b) Second Tranche and EOS Tranche

On December 5, 2023, the Company completed a non-brokered private placement of convertible debentures for total fair value of \$1,054,463, of which \$54,463 was received in cash proceeds (the "Second Tranche") and \$1,000,000 in EOS tokens (the "EOS Tranche").

The Second Tranche matures three years from the date of issuance on December 5, 2026 and bear interest at 7.5% per annum payable semi-annually. The Second Tranche is convertible into common shares at a price of \$0.18 per common share during the 18 months after the date of issue and \$0.24 per common share afterwards until December 5, 2026. In the event of an acquisition of the Company ("Change of Control"), the Second Tranche will be repaid in full plus any accrued and unpaid interest. The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, fair value of \$45,641 was allocated to the liability component and \$8,822 was allocated to the equity component representing the conversion feature.

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9. CONVERTIBLE DEBENTURES (continued)

The EOS Tranche bears interest at 10% per annum payable on maturity date of December 5, 2024, which will be reduced to 7.5% in the event of Change of Control. The EOS Tranche is convertible into common shares of the Company as follows:

- At the option of the holders before December 5, 2024 at (i) the lesser of \$0.18 per common share and (ii) the weighted average price of the Company's common shares for the 30 days immediately prior to the date of conversion ("Conversion Price"); or
- Automatically upon the Company's completion of a \$10,000,000 financing, at the lower of \$0.18 per common share and 75% of the price per common share in such financing; or
- In the event of a Change of Control:
 - The EOS Tranche will be repaid in the amount of 105% of the principal amount plus unpaid interest; or
 - If the Company is acquired by an existing reporting issuer or the Change of Control results in a new successor issuer, the EOS Tranche will be replaced by new notes of such existing reporting issuer or new successor issuer, in the amount of 105% of principal amount of the EOS Tranche; or
 - The EOS Tranche will be converted into common shares of the Company at the Conversion Price.

The fair value of the derivative liability was determined to be \$49,031. As a result, fair value of \$950,969 was allocated to the liability component.

As at December 31, 2023, the EOS Tranche's derivative liability had a fair value of \$153,003. As a result, the Company recorded change in fair value of derivative liability of \$103,972. As at June 30, 2024, fair value of the EOS Tranche's derivative liability approximates the fair value as at December 31, 2023.

During the three and six months ended June 30, 2024, the Company recorded an accretion expense of \$12,715 and \$24,962, respectively (2023 - \$nil and \$nil, respectively) and an interest expense of \$26,973 and \$53,310, respectively (2023 - \$nil and \$nil, respectively) on the combined Second Tranche and EOS Tranche.

c) Third Tranche

On March 28, 2024, the Company completed a non-brokered private placement (the "Third Tranche") of convertible debentures for gross proceeds of \$440,000. The convertible debentures are unsecured, bear interest at 7.5% per annum, payable semi-annually and mature three years after the date of issue on March 28, 2027. Each convertible debenture is convertible into common shares at a price of \$0.18 per common share during the period of 18 months after the date of issue and \$0.24 per common share afterwards until March 28, 2027. The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, fair value of \$307,527 was allocated to the liability component and \$132,473 was allocated to the equity component representing the conversion feature.

During the three and six months ended June 30, 2024, the Company recorded an accretion expense of \$8,340 and \$8,609, respectively (2023 - \$nil and \$nil, respectively) and an interest expense of \$8,227 and \$8,499, respectively (2023 - \$nil and \$nil, respectively) on the Third Tranche.

10. 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, 2024, the Company had the following share capital transaction:

- On March 28, 2024, the Company completed a non-brokered unit private placement of 2,200,000 units at \$0.05 per unit for gross proceeds of \$110,000. Each unit consists of 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. Proceeds were allocated using the proportionate value method. The closing price of one common share on March 28, 2024 was \$0.07, as a result, \$78,921 was allocated to share capital and \$31,079 was allocated to contributed surplus.

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10. SHARE CAPITAL (continued)

During the year ended December 31, 2023, the Company had the following share capital transactions:

- On January 19, 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 common shares were issued at \$0.02 per common share for a total fair value of \$48,821. As a result, the Company recorded gain on settlement of debts of \$77,279.
- On February 6, 2023, the Company issued 5,400,000 common shares at \$0.025 per common share for total value of \$135,000 as part of the consideration for the investment in InvestDEFY (Note 7(a)).
- 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 consists of 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. Proceeds were allocated using the proportionate value method, as a result, \$38,220 was allocated to share capital and \$16,780 was allocated to contributed surplus.
- On October 20, 2023, the Company issued 4,275,000 common shares at \$0.04 per common share for total value of \$171,000 as part of the consideration for the investment in InvestDEFY (Note 7(a)).
- On November 17, 2023, the Company settled consulting fees of \$36,500 by cash payment in the amount of \$18,250 and issuing 405,556 common shares at \$0.05 per common share for total fair value of \$20,278 to a former consultant of the Company. As a result, the Company recorded a loss on settlement of debt of \$2,028.
- On November 17, 2023, the Company issued an aggregate of 1,025,000 common shares at a price of \$0.05 per common share for total value of \$51,250 to certain directors of the Company (the "Shares for Debt"). The Shares for Services have been issued in lieu of cash payments for services rendered pursuant to consulting agreements whereby these individuals provided various management services to the Company (Note 11).
- On December 5, 2023, the Company completed a non-brokered unit private placement of 272,300 units at \$0.05 per unit for gross proceeds of \$13,615. Each unit consists of 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. Proceeds were allocated using the proportionate value method. As a result, \$9,656 was allocated to share capital and \$3,959 was allocated to contributed surplus.

c) Stock options

During the year ended December 31, 2023, the Company cancelled 3,600,756 unvested stock options.

During the year ended December 31, 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.

During the three and six months ended June 30, 2024, the Company recorded share-based compensation expense of \$651 and \$1,302, respectively (2023 - \$160,039 and \$201,267, respectively).

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

	Number of options	Weighted average exercise price
	#	\$
Balance, December 31, 2022	5,401,134	0.125
Granted	333,333	0.050
Cancelled	(3,600,756)	0.125
Balance, June 30, 2024 and December 31, 2023	2,133,711	0.113

A summary of the Company's stock options outstanding and exercisable as at June 30, 2024 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	2.08
November 1, 2027	333,333	111,111	0.050	3.34
	2,133,711	1,911,489	0.113	2.28

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10. SHARE CAPITAL (continued)

A summary of the Company's weighted average inputs used in Black-Scholes option pricing model to determine the fair value of the stock options granted during the year ended December 31, 2023 is as follows:

Share price	\$0.04
Exercise price	\$0.05
Expected life	5.00 years
Risk-free interest rate	3.54%
Expected volatility ⁽¹⁾	120.00%
Expected annual dividend yield	0.00%

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

d) Restricted share units

During the year ended December 31, 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 per RSU.

During the year ended December 31, 2023, the Company cancelled 1,056,828 unvested RSUs following the termination of certain consultants.

During the three and six months ended June 30, 2024, the Company recorded share-based compensation expense of \$4,281 and \$8,562, respectively (2023 - \$71,434 and \$99,949, respectively) related to the previously issued RSUs.

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

	Number of RSUs	Weighted average grant price
	#	\$
Non-vested balance, December 31, 2022	1,800,383	0.125
Granted	166,667	0.035
Cancelled	(1,056,828)	0.125
Non-vested Balance, June 30, 2024 and December 31, 2023	910,222	0.109

A summary of the Company's RSUs outstanding as at June 30, 2024 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	0.08
November 1, 2025	166,667	0.035	1.34
	910,222	0.109	0.31

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10. SHARE CAPITAL (continued)

e) Share purchase warrants

A summary of Company's warrant activity is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2022	-	-
Issued	1,236,150	0.18
Balance, December 31, 2023	1,236,150	0.18
Issued	1,100,000	0.18
Balance, June 30, 2024	2,336,150	0.18

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for the share purchase warrants issued during the six months ended June 30, 2024, and the year ended December 31, 2023, is as follows:

	2024	2023
Share price	\$0.07	\$0.02
Exercise price	\$0.18	\$0.18
Expected life	2 years	2.00 years
Risk-free interest rate	4.17%	4.61%
Expected volatility	207.68%	274.74%
Expected annual dividend yield	0.00%	0.00%

A summary of the Company's outstanding warrants as at June 30, 2024, is as follows:

Expiry date	Number of warrants outstanding	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
July 5, 2025	1,100,000	0.18	1.01
December 5, 2025	136,150	0.18	1.43
March 28, 2026	1,100,000	0.18	1.74
	2,336,150	0.18	1.38

11. 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,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Consulting fees	272,000	15,000	564,500	120,000
Share-based compensation	3,486	42,202	6,973	55,671
	275,486	57,202	571,473	175,671

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11. RELATED PARTY TRANSACTIONS (continued)

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

	June 30, 2024	December 31, 2023
	\$	\$
Due from related parties	139,670	138,303
Accounts payable and accrued liabilities	(269,913)	(166,675)
	(130,243)	(28,372)

The amounts above relate to certain officers, bear no interest and have no specified terms of repayment.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at June 30, 2024 and December 31, 2023, the carrying value of cash, due from related parties and accounts payable and accrued liabilities approximate their respective fair values because of their short-term nature.

The Company's financial instruments consist of cash, loans receivable, convertible notes receivable, investments, due from related parties, accounts payable and accrued liabilities and convertible debentures. The Company classifies its cash, loans receivable, accounts payable and accrued liabilities, convertible debentures, and due from related parties at amortized cost, and investments and convertible notes receivable as fair value through profit or loss.

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, loans receivable, due from related parties, investments and convertible notes receivable 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, 2024, the Company held \$65,057 (December 31, 2023 - \$375,491) in cash, \$128,841 (December 31, 2023 - \$488,672) in loans receivable, \$139,670 (December 31, 2023 - \$138,303) in due from related parties, \$68,435 (December 31, 2023 - \$nil) in investments in private companies and \$143,657 (December 31, 2023 - \$nil) in convertible notes receivable.

The Company's credit risk is predominantly related to cash balances held in financial institutions, loans receivable, convertible notes 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, 2024, the Company expects to recover the full amount of such assets.

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 as well as convertible debentures 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 shares or debt as required.

As at June 30, 2024, the Company's cash balance of \$65,057 (December 31, 2023 - \$375,491) will not be sufficient to meet its current obligations related to its accounts payable and accrued liabilities balance of \$662,097 (December 31, 2023 - \$776,391) and convertible debentures of \$1,036,324 (December 31, 2023 - \$961,339). Therefore, the Company is exposed to liquidity risk and will be required to raise additional capital in the future to fund its operations.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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 has exposure as at June 30, 2024 to interest rate risk through its convertible debentures, which have interest rates between 7.5% to 10% per annum.

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,	December 31,
	2024	2023
	\$	\$
Cash	146	721
<u>Accounts payable and accrued liabilities</u>	(575)	-
	(428)	721

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 \$21.

13. 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. There have not been changes to the Company's capital management policy during the three and six months ended June 30, 2024.