



**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
MARCH 31, 2022 AND 2021  
(Unaudited - Expressed in Canadian  
Dollars)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying interim condensed consolidated financial statements of Cypherpunk Holdings Inc. were prepared by management in accordance with International Financial Reporting Standards. The most significant of these standards have been set out in the note 2 of these interim condensed consolidated financial statements. Any applicable changes in accounting policies have also been disclosed in these financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate control over its financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at March 31, 2022.

## **CONCLUSION RELATING TO DISCLOSURE CONTROLS AND PROCEDURES**

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officers, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at March 31, 2022.

## **NOTICE TO READER**

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

The accompanying interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

**CYPHERPUNK HOLDINGS INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	March 31, 2022	September 30, 2021
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (note 4)	\$ 3,103,143	\$ 876,757
Receivables and prepaid expenses (note 5)	117,212	242,129
Convertible loan receivable (note 6)	-	256,112
Bitcoin loan receivable (note 7)	5,690,513	11,019
	<u>8,910,868</u>	<u>1,386,017</u>
Cryptocurrencies (note 8)	3,378,063	20,334,429
Cryptocurrencies pledged as collateral (note 8 and 12)	15,331,716	4,021,203
Investments (note 9)	5,511,983	4,620,462
Other assets (note 10)	1,118,335	868,750
	<u>\$ 34,250,965</u>	<u>\$ 31,230,861</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 11 and 16)	\$ 200,852	\$ 321,514
Loan payable (note 12)	-	1,185,806
	<u>200,852</u>	<u>1,507,320</u>
Deferred tax liability (note 20)	1,882,000	1,882,000
	<u>2,082,852</u>	<u>3,389,320</u>
<b>Shareholders' Equity</b>		
Capital stock (note 13)	18,572,547	18,559,920
Reserves	16,873,366	15,895,629
Accumulated other comprehensive income	9,599,636	7,803,853
Retained deficit	(12,877,436)	(14,417,861)
	<u>32,168,113</u>	<u>27,841,541</u>
	<u>\$ 34,250,965</u>	<u>\$ 31,230,861</u>

Nature of operations and going concern (note 1)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Rubsun Ho"

Director

(Signed) "Peter Tutlys"

Director

**CYPHERPUNK HOLDINGS INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Three Months Ended March 31		Six Months Ended March 31	
	2022	2021	2022	2021
<b>Income (loss)</b>				
Other income	\$ 200,364	\$ 13,282	\$ 229,802	\$ 14,775
Dividend income (note 9)	192,363	-	208,699	-
Unrealized gain (loss) on investments (note 9)	(4,386,673)	(36,420)	329,263	(631,930)
Realized gain (loss) on investments (note 9)	3,637,399	(3,910)	3,524,279	(3,910)
	<u>(356,547)</u>	<u>(27,048)</u>	<u>4,292,043</u>	<u>(621,065)</u>
<b>Expenses</b>				
Stock-based compensation (notes 14)	424,273	26,841	980,364	26,841
General and administrative	89,762	109,772	185,872	127,207
Professional fees (note 16)	81,634	8,744	122,842	21,244
Consulting fees (note 16)	149,770	50,667	309,594	99,250
Foreign exchange loss	698,164	239,991	726,284	574,702
Amortization (note 10)	58,815	-	123,815	-
Rent and administrative services (note 16)	-	12,678	-	25,944
Director fees (note 16)	15,000	7,500	30,000	15,000
	<u>1,517,418</u>	<u>456,193</u>	<u>2,478,771</u>	<u>890,188</u>
<b>Income (loss) for the period</b>	<b>(1,873,965)</b>	<b>(483,241)</b>	<b>1,813,272</b>	<b>(1,511,253)</b>
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified to profit or loss	272,541	10,537,139	2,006,177	17,159,135
<b>Total comprehensive income</b>	<b>\$ (1,601,424)</b>	<b>\$ 10,053,898</b>	<b>\$ 3,819,449</b>	<b>\$ 15,647,882</b>
<b>Earnings (loss) per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>160,070,718</b>	<b>1,218,145,224</b>	<b>160,055,883</b>	<b>105,447,078</b>

**CYPHERPUNK HOLDINGS INC.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**(EXPRESSED IN CANADIAN DOLLARS)**

	Common Shares	Capital Stock	Reserves	Accumulated Other Comprehensive Income	Retained Deficit	Total
<b>Balance, December 31, 2020</b>	<b>100,416,482</b>	<b>\$ 8,566,725</b>	<b>\$ 12,151,175</b>	<b>\$ 5,748,069</b>	<b>\$ (14,670,712)</b>	<b>\$ 11,795,257</b>
Units issued for cash in private placement (note 13)	49,279,236	12,980,121	-	-	-	12,980,121
Share issuance costs (note 13)	-	(934,167)	-	-	-	(934,167)
Issuance of warrants (note 15)	-	(3,286,005)	3,286,005	-	-	-
Issuance of broker warrants (13)	-	(455,542)	455,542	-	-	-
Warrants exercised (note 15)	3,925,000	392,500	-	-	-	392,500
Fair value of warrants exercised	-	103,227	(103,227)	-	-	-
Options exercised	6,350,000	635,000	-	-	-	635,000
Fair value of options exercised	-	558,061	(558,061)	-	-	-
Stock-based compensation (note 14)	-	-	664,195	-	-	664,195
Net loss for the period	-	-	-	-	(146,485)	(146,485)
Unrealized gain on cryptocurrencies	-	-	-	5,039,879	-	5,039,879
Realized gain (loss) on cryptocurrencies	-	-	-	83,905	(83,905)	-
Items that may be reclassified to profit or loss	-	-	-	(3,068,000)	-	(3,068,000)
<b>Balance, September 30, 2021</b>	<b>159,970,718</b>	<b>\$ 18,559,920</b>	<b>\$ 15,895,629</b>	<b>\$ 7,803,853</b>	<b>\$ (14,901,102)</b>	<b>\$ 27,358,300</b>
Warrants exercised	100,000	10,000	-	-	-	10,000
Fair value of warrants exercised	-	2,627	(2,627)	-	-	-
Stock-based compensation (note 14)	-	-	980,364	-	-	980,364
Net income for the period	-	-	-	-	1,813,272	1,813,272
Unrealized gain on cryptocurrencies	-	-	-	2,006,177	-	2,006,177
Realized gain (loss) on cryptocurrencies	-	-	-	(210,394)	210,394	-
<b>Balance, March 31, 2022</b>	<b>160,070,718</b>	<b>\$ 18,572,547</b>	<b>\$ 16,873,366</b>	<b>\$ 9,599,636</b>	<b>\$ (12,877,436)</b>	<b>\$ 32,168,113</b>

**CYPHERPUNK HOLDINGS INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Three Months Ended March 31		Six Months Ended March 31	
	2022	2021	2022	2021
<b>Cash and cash equivalents (used in) provided by:</b>				
<b>Operating activities</b>				
Income (loss) for the period	\$ (1,873,965)	\$ (483,241)	\$ 1,813,272	\$ (1,511,253)
<b>Adjustments for:</b>				
Unrealized (gain) loss on cryptocurrencies (Note 8)			-	
Unrealized gain on investments	4,386,673	36,420	(329,263)	631,930
Realized (gain) loss on investments	(3,524,279)	3,910	(3,524,279)	3,910
Stock-based compensation	424,273	26,841	980,364	26,841
Interest	22,690	-	22,690	-
Foreign exchange loss	698,164	227,423	726,284	555,530
Other non-cash income	-	(5,045)	-	(5,045)
Amortization	58,815	-	123,815	-
<b>Net change in non-cash working capital items:</b>				
Receivables and prepaid expenses	(19,487)	(20,064)	124,917	(24,022)
Accounts payable and accrued liabilities	(155,729)	106,581	(120,662)	51,824
<b>Cash used in operating activities</b>	<b>17,155</b>	<b>(107,175)</b>	<b>(182,862)</b>	<b>(270,285)</b>
<b>Financing activities</b>				
Private placements, net of issuance costs	-	12,058,392	-	12,058,392
Exercise of options and warrants	-	567,500	10,000	582,500
Loan payable	(1,163,383)	-	(1,185,806)	-
Advance from shareholder	-	(150,000)	-	-
<b>Cash provided by financing activities</b>	<b>(1,163,383)</b>	<b>12,475,892</b>	<b>(1,175,806)</b>	<b>12,640,892</b>
<b>Investing activities</b>				
Purchase of intangibles	-	(519,536)	-	(519,536)
Purchase of cryptocurrencies	-	(3,164,838)	(763,617)	(3,164,838)
Proceeds from sale of cryptocurrencies	-	-	1,010,861	1,406,809
Purchase of assets	-	-	(368,827)	-
Purchase of investments	(1,844,268)	-	(1,844,268)	-
Sale of investments	5,077,446	40,090	5,550,906	40,090
<b>Cash used in investing activities</b>	<b>3,233,178</b>	<b>(3,644,284)</b>	<b>3,585,054</b>	<b>(2,237,475)</b>
<b>Change in cash and cash equivalents</b>	<b>2,085,642</b>	<b>8,724,433</b>	<b>2,226,386</b>	<b>10,133,132</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,017,501</b>	<b>1,894,078</b>	<b>876,757</b>	<b>485,379</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,103,143</b>	<b>\$10,618,511</b>	<b>\$ 3,103,143</b>	<b>\$10,618,511</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Cypherpunk Holdings Inc. (the "Company" or "Cypherpunk") is a publicly listed company incorporated in Canada under the legislation of the Province of Ontario. The registered office of the Company is located at 217 Queen St W #401, Toronto, ON M5V 0R2. Since February 4, 2019, the Company's common shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol "HODL".

The Company's business plan is based on its investment thesis that there will be increasing demand for technologies and cryptocurrencies with strong privacy, self-sovereignty, and digital property rights (the "Thesis"). Cypherpunk executes its Thesis through three lines of effort: (1) Treasury management and diversified yield generation - a core holding of crypto currencies supported with risk management strategies to reduce volatility, and lending, staking and liquidity provisioning to generate yield; (2) Private equity focused on early stage companies in the privacy, gaming, DeFi and blockchain sectors; and (3) Active investments to generate yield including IPv4 leasing and bitcoin mining. The Company's cryptocurrencies and related investments may be subject to significant fluctuations in value and are subject to risks unique to the asset class and different from traditional financial assets (note 19). Additionally, certain assets are held in cryptocurrency exchanges or with custodians that are limited in oversight by regulatory authorities.

**Basis of Presentation**

The interim condensed consolidated financial statements have been prepared and presented on a going concern basis. The Company has sufficient cash and cash equivalents and other assets to support its operations for the next twelve months from the date of the issuance of the interim condensed consolidated financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee.

These interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2021 which includes the information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as note 2 in the audited consolidated financial statements for the year ended September 30, 2021 and have been consistently applied in the preparation of these interim condensed consolidated financial statements. These policies have been consistently applied to all the years presented, except for the accounting for cryptocurrencies (note 3).

On May 30, 2022, the Board of Directors approved the interim condensed consolidated financial statements for the six months ended March 31, 2022 and 2021.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**Principles of Consolidation**

The interim condensed consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are no longer consolidated on the date control ceases.

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary located in Netherlands, Khan Resources B.V. (“KRBV”). Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the interim condensed consolidated financial statements.

**Basis of Measurement**

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and cryptocurrencies that are measured at fair value. In addition, the interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow disclosure.

**Functional and Presentation Currency**

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard IAS 21. The functional currency of the parent company Cypherpunk is the Canadian dollar and the functional currency of the wholly owned subsidiary KRBV is the Euro. The presentation currency for the Company is the Canadian dollar.

Foreign currency transactions are translated into the functional currency of the respective entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in profit or loss.

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of the statement of financial position; (ii) income and expense items are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

### **Cryptocurrencies**

The Company's cryptocurrencies are primarily traded in active markets and are purchased to hold as a store of value and for the long term, this is supported by the Company's risk management strategies to reduce volatility, and lending, staking and liquidity provisioning to generate yield. As a result, the Company has determined that its holdings of cryptocurrencies should be accounted for under IAS 38, as the Company is expected to access future economic benefits of its cryptocurrencies through future sale, or by exchanging the cryptocurrency asset for goods or services. The Company has elected to use the revaluation model for its cryptocurrencies, which is to measure the assets at fair value with reference to the principal market on the date of revaluation less any subsequent amortisation and impairment losses.

The net increase in fair value over the initial cost of the cryptocurrencies is recorded in other comprehensive income (loss). The accumulated other comprehensive income is transferred directly to deficit upon de-recognition (i.e., sale or exchange for another cryptocurrency). IAS 38 does not allow the amounts in accumulated other comprehensive income to be transferred to profit or loss. However, if the cryptocurrency's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in the consolidated statements of comprehensive income. However, IAS 38 permits the decrease to be recognised in other comprehensive income (loss) to the extent of any credit balance in accumulated other comprehensive income in respect of that asset. The decrease recognised in other comprehensive income (loss) reduces the amount accumulated in equity under the heading of accumulated other comprehensive income. The Company has determined that its cryptocurrency holdings of Bitcoin and Ethereum are traded in active markets and based on quoted prices at the end of each reporting period end as of 24:00 UTC.

### **Cash and Cash Equivalents**

This category consists of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

### **Financial Instruments**

*Initial recognition and measurement (financial assets and financial liabilities)* - The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument. Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

*Financial assets – subsequent classification and measurement* - Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how financial assets should be classified and measured: (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset. The Company's financial assets include cash and cash equivalents, due from related party, and investments.

Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

financial asset that does not meet the SPPI criterion is always measured at FVTPL. Cash and cash equivalents and due from related party are measured at amortized cost.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income ("OCI"), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income ("FVOCI"). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. The Company classifies all investments in equity instruments as FVTPL.

*Reclassification* - Financial assets are only reclassified between measurement categories, when and only when, the Company's business model for managing them changes. This is a significant event and thus is expected to be uncommon. There were no reclassifications across its measurement categories for the years presented.

*Impairment of financial assets* - All of the Company's financial assets are subject to an impairment test at each reporting date. It also includes any off balance sheet loan commitments and financial guarantees. At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

*Financial liabilities* – Financial liabilities are subsequently measured at amortized cost using the effective interest method or FVTPL. Financial liabilities include accounts payable and loan payable and are measured at amortized cost.

*Derecognition* – The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

### **Provisions**

A provision is recognized on the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**Income Tax**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting year, and any adjustment to tax payable in respect of previous years. Deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the consolidated statements of financial position.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized, or the liability settled, based on tax rates (and tax regulations) enacted or substantively enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.

**Income**

Revenues are earned primarily from the Company's investments and include interest and dividend income. The Company also earns lease income from its other assets (IP addresses) and income from its cryptocurrency mining assets ("Mining Assets").

Interest, lease, and cryptocurrency mining income are recognized at the time persuasive evidence of an agreement exists, the amount is fixed and determinable, and its collection is reasonably assured. These amounts are recognized as other income in the consolidated statements of comprehensive income.

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL). Dividends are recognised when the right to receive payment is established.

**Leases**

The Company leases certain of its intangible assets, these rental arrangements are made for fixed periods of one month to twelve months but may have extension options. Lease terms are negotiated on an individual basis and may contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The Company is a lessor to unrelated third parties for certain of its intangible assets to provide customers access to the use of the asset over a period of one month to up to twelve months. The lease payment under the non-cancellable lease period is approximately \$60,000 U.S. dollars for the next twelve months.

### **Stock-based Compensation**

The Company has a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to profit or loss over the tranche's vesting period by increasing reserves based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The reserves resulting from stock-based payment are transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

### **Capital Stock**

Capital stock is classified as equity. Incremental costs directly relating to the issuance of new common shares are shown as a deduction net of tax from the proceeds.

### **Unit Offerings**

The Company accounts for unit offering financing using the relative fair value method. Under this method, the fair values of the shares and share purchase warrants are determined separately and prorated to the actual proceeds received. The fair value of shares is determined using the share price at the issue date. The fair value of share purchase warrants is measured using the Black-Scholes valuation model at the issue date.

### **Earnings (Loss) per Share**

Basic earnings (loss) per share amounts are calculated by dividing net income (loss) for the year by the basic weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income (loss) by the weighted average number of shares outstanding during the period plus the weighted average number of diluted shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of March 31, 2022 and 2021.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**Segmental Reporting**

The Company has a single operating segment, and therefore one reportable segment.

**Other Assets**

*Internet Protocol (IP) Addresses* - The Company's intangible assets acquired are measured at cost of acquisition on initial recognition which includes the purchase price and related acquisition costs. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for the intangible assets with a finite useful life are reviewed at least at each financial year-end. The IP addresses acquired by the Company from a third party (note 10) are amortized on a straight-line basis over 5 years from the acquisition date.

*Cryptocurrency Mining Assets* - The Company's Mining Assets acquired are measured at cost of acquisition on initial recognition which includes the purchase price and related acquisition costs. Subsequent to initial recognition, Mining Assets are carried at cost less accumulated amortization and accumulated impairment losses. The Mining Assets are amortized over their useful economic life and assessed for impairment at each financial year-end. The Mining Assets were acquired by the Company from a third party (note 10) are amortized on a straight-line basis over 5 years from the acquisition date.

**Cryptocurrencies Posted as Collateral**

The Company may be required in a borrow transaction to post collateral to satisfy the terms of the borrowing arrangement. Collateral pledged under the Company's borrowing arrangements, where the Company no longer has the ability to control the collateral pledged, is derecognized from cryptocurrencies, and reclassified as Cryptocurrencies posted as collateral as right to receive the cryptocurrency. These assets are recorded at fair value and monitored for impairment with changes in the fair value recorded in other comprehensive income

**Convertible Loan Receivable**

The Company lends cryptocurrencies to counterparties which can be structured as fixed term loans, of less than one year. Cryptocurrencies lent are derecognized and reclassified on the consolidated statements of financial position to indicate that such assets are subject to lending arrangements with the Company's counterparties and are recorded at fair value and monitored for impairment with changes in the fair value of the receivable recorded in other comprehensive income.

**New Accounting Standards**

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB issued amendments to IFRS 9, Financial Instruments (IFRS 9), IAS 39, Financial Instruments:

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

Recognition and Measurement (“IAS 39”), IFRS 7, Financial Instruments: Disclosures (IFRS 7), IFRS 4, Insurance Contracts (IFRS 4) and IFRS 16, Leases (“IFRS 16”) as a result of Phase 2 of the IASB’s Interest Rate Benchmark Reform project. The amendments address issues arising in connection with reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The amendments were effective January 1, 2021. As at March 31, 2022, these amendments did not affect the Company’s interim condensed consolidated financial statements.

**Amendments to IAS 12 – Income Taxes**

In May 2021, the IASB issued amendments to IAS 12, Income Taxes (“IAS 12”). The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. The amendments are applied to transactions that occur on or after the beginning of the earliest comparative period presented. The Company does not expect these amendments to have a material effect on its interim condensed consolidated financial statements.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of interim condensed consolidated financial statements in compliance with IFRS requires the Company’s management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company’s assets, liabilities, income, and expenses. Significant estimates and assumptions include fair value of the Level 2 and Level 3 investments and the estimated useful economic life of the IP addresses. Actual results and outcomes may differ from management’s estimates and assumptions due to risks and uncertainties. To the extent that there are material differences between these estimates and actual results, the Company’s interim condensed consolidated financial statements will be affected. The Company based its estimates on historical experience and on various other assumptions that are believed to be reasonable; the result of which forms the basis for making judgments about the carrying values of assets and liabilities, as well as reported amounts during the reported periods.

**Critical Judgements**

*Accounting for cryptocurrencies* - The Company accounts for its cryptocurrencies as Intangible assets which are recorded at fair value using the revaluation model under IAS 38 with changes in fair value recorded in other comprehensive income. There was significant judgment applied by the Company in making this assessment as accounting for cryptocurrencies depends on the nature of the asset, the use of the asset including the expected timeline or use, and how the asset is held. This judgement included consideration of the operations, strategy, and intent of management. The Company classifies its cryptocurrency holdings as noncurrent and as an intangible asset, based on the Company’s overall strategy to hold a portfolio of asset tokens from an approved product list in order to buy/sell to risk-manage long positions. The Company also assessed the industry and what would appropriately reflect the operations of the Company. With the guidance under IFRS, there was significant judgment by management in determining the accounting for cryptocurrencies as well as the classification. As the Company’s operations mature

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

together with the industry, the accounting and classification of cryptocurrencies continue to be sources of critical judgment and estimation.

*Valuation techniques of certain investments (Level 2 and Level 3)* - The fair value of investments is measured using an income or market approach (note 17). The determination of the fair value requires significant judgement by the Company and include the use of the milestone method analysis and other valuation techniques.

*COVID19 impact* - Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The impact of COVID19 on the Company has been negligible, however, the duration and future impact of the COVID19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company, or on its ability to raise capital to fund operations, in future periods.

#### **Significant Estimates**

*Valuation of Level 2 and Level 3 investments* – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 17.

The directors have determined that they do not control any of the Company's investments, primarily as in all cases the Company's interest in the equity of these companies are less than 5% and the Company is not exposed, and has no right, to variable returns from these companies.

*Intangible assets* - Intangible assets are capitalized if they are expected to have future economic benefits and are expected to be economically recoverable. Purchased intangibles are valued on acquisition using established methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangibles would generate net cash flows. The valuations and lives of intangible assets are based on management's best estimates of future performance and periods over which value from intangible assets will be derived. Intangible assets are assessed for impairment indicators at each reporting date or earlier if events and circumstances indicate. There were no impairment indicators for the Company's intangible assets at March 31, 2022. The Company estimates the useful life of the IP addresses to be at least five years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations and competitor actions.

*Mining Assets* – Mining Assets are capitalized if they are expected to have future economic benefits and are expected to be economically recoverable. The Mining Assets are valued on acquisition at cost and amortized over their estimated useful economic lives. The valuations and lives of Mining Assets are based on management's best estimates of future performance and periods over which value from Mining Assets will be derived. The Mining Assets are assessed for impairment indicators at each reporting date or earlier if events and circumstances indicate. There were no impairment

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

indicators for the Company's Mining Assets at March 31, 2022. The Company estimates the useful life of the Mining Assets to be at least five years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than five years, depending on technical innovations, maintenance, and competitor actions.

**4. CASH AND CASH EQUIVALENTS**

The balance consists of funds in cash and banks immediately available for their use in the Company's operations. There were no restricted balances at March 31, 2022 and September 31, 2021.

	<b>December 31, 2021</b>	September 30, 2021
Cash in banks	\$ <b>3,103,143</b>	\$ 876,757
	<b>\$ 3,103,143</b>	\$ 876,757

**5. RECEIVABLES AND PREPAID EXPENSES**

The balances are comprised as follows:

	<b>March 31, 2022</b>	September 30, 2021
Due from related party	\$ -	\$ 155,246
Prepaid expenses	<b>39,677</b>	32,790
Harmonized sales tax	<b>77,535</b>	54,093
	<b>\$ 117,212</b>	\$ 242,129

During the year ended September 30 2021, the Company advanced \$155,246 (2020 - \$nil) to a director of the Company. The amount was fully repaid subsequent to year end.

**6. CONVERTIBLE LOAN RECEIVABLE**

On December 29, 2020, the Company granted a convertible loan of 100,000 Euros (\$158,763) extended in Bitcoin using an agreed upon exchange rate, to NGRAVE.IO ("NGRAVE"), a third party limited liability company located in Antwerpen, Belgium. NGRAVE is a digital asset and blockchain security provider that owns ZERO, a fully offline hardware wallet.

The loan is subject to an annual interest rate on the principal of 5% and is payable on December 29, 2021; at which time, the loan and accrued interest will be converted into common stock of NGRAVE at a price per share equal to 95% of the price per share paid by the investors in a qualified equity financing. The convertible loan receivable is treated as an intangible asset consistent with the Company's cryptocurrency holdings. On December 29, 2021, the loan was converted to common shares of NGRAVE in accordance with the terms of the agreement and the loan was reclassified to investments.



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

The activity of the loan receivable for the six months ended March 31, 2022 and the year ended September 30, 2021 is as follows:

<b>Balance at September 30, 2020</b>	<b>\$</b>	<b>-</b>
Loan advanced		158,763
Accrued interest		11,364
Change in value of convertible loan receivable		100,871
Foreign exchange		(14,886)
<b>Balance at September 30, 2021</b>	<b>\$</b>	<b>256,112</b>
Change in value of convertible loan receivable		(96,188)
Reclassification to investments		(159,924)
<b>Balance at March 31, 2022</b>	<b>\$</b>	<b>-</b>

**7. BITCOIN LOAN RECEIVABLE**

In June 2021, the Company entered into a master loan agreement with Genesis Global Capital, LLC (“Genesis”) pursuant to which Cypherpunk may lend U.S. Dollars or digital currency to Genesis. On June 28, 2021, the Company loaned 100 Bitcoins to Genesis (the “Bitcoin Loan”). The Bitcoin Loan bears interest at 2.5% per annum, payable monthly in Bitcoin, there is no maturity date and Cypherpunk has the option to demand immediate payment of a portion or the entirety of the Bitcoin Loan balance at any time. The principal value of the Bitcoin Loan was repaid prior to September 30, 2021.

In October 2021, the Company loaned 100 Bitcoins to Genesis (the “Second Bitcoin Loan”), 35 Bitcoin were loaned from the Bitcoin the Company had pledged as collateral on its loan from Genesis (note 12). The Second Bitcoin Loan bears interest at 1% per annum, payable monthly in Bitcoin, there is no maturity date and Cypherpunk has the option to demand immediate payment of a portion or the entirety of the Bitcoin Loan balance at any time. The principal value of the Bitcoin Loan was repaid in October 2021.

In November 2021, the Company entered into a master loan agreement with LedgerPrime Digital Asset Opportunities Master Fund LP (“LedgerPrime”) pursuant to which Cypherpunk may lend U.S. Dollars or digital currency to LedgerPrime. In November 2021, the Company loaned 100 Bitcoins to the LedgerPrime (the “LedgerPrime Bitcoin Loan”). The LedgerPrime Bitcoin Loan bears interest at 3% per annum, payable monthly in Bitcoin, there is no maturity date and Cypherpunk has the option to demand immediate payment of a portion or the entirety of the LedgerPrime Loan balance at any time.

The activity of the Bitcoin loan receivable account for the six months ended March 31, 2022 and year ended September 30, 2021 is as follows:

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

<b>Balance at September 30, 2020</b>	<b>\$ -</b>
Loan granted to Genesis	4,248,340
Loan repaid	(5,196,943)
Interest income	22,690
Realized gain reported to retained deficit	936,932
<b>Balance at September 30, 2021</b>	<b>\$ 11,019</b>
Loan granted to Genesis	5,492,578
Loan repaid by Genesis	(5,503,597)
Loan granted to LedgerPrime	5,404,475
Foreign exchange gain	68,022
Realized gain reported to retained deficit	218,016
<b>Balance at March 31, 2022</b>	<b>\$ 5,690,513</b>

**8. CRYPTOCURRENCIES AND CRYPTOCURRENCIES POSTED AS COLLATERAL**

Cryptocurrencies are digital assets that are typically part of a decentralized system of recording transactions, new digital assets are issued based on reliance on cryptography to secure its transactions, to control the creation of additional digital assets, and to verify the transfer of assets.

The balance of cryptocurrencies at cost and at market value, including the Bitcoin posted as collateral, at March 31, 2022 and September 30, 2021 (note 12), is as follows:

	Quantity	Cost (USD) (a)	Cost (a)	Market Value
Bitcoin	410.75	\$ 10,482,009	\$ 13,098,319	\$ 22,736,337
Ethereum	361.61	827,641	1,034,221	1,663,956
<b>Balance at March 31, 2022</b>		<b>\$ 11,309,651</b>	<b>\$ 14,132,539</b>	<b>\$ 24,400,293</b>
	Quantity	Cost (USD) (a)	Cost (a)	Market Value
Bitcoin	401.58	\$ 9,859,313	\$ 12,584,095	\$ 22,395,970
Ethereum	511.89	999,669	1,229,923	1,959,662
<b>Balance at September 30, 2021</b>		<b>\$ 10,858,982</b>	<b>\$ 13,814,018</b>	<b>\$ 24,355,632</b>

(a) The cost is determined as the historical weighted average cost of the cryptocurrencies acquisitions and disposals.

The activity of the Company's cryptocurrencies, excluding the Bitcoin posted as collateral (note 12), for the six months ended March 31, 2022 and the year ended September 30, 2021 is as follows:

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

<b>Balance at September 30, 2020</b>	<b>3,926,801</b>
Cash purchases	10,555,359
Disposals of cryptocurrencies for cash	(1,131,508)
Dividend and interest income	147,340
Coin for coin transactions	92,024
NGRAVE Loan	(70,378)
Loan to Genesis	(7,047,778)
Loan repaid by Genesis	5,196,943
Cryptocurrencies posted as collateral	(3,289,578)
Change in fair value	11,955,204
<b>Balance at September 30, 2021</b>	<b>\$ 20,334,429</b>
Cash purchases	763,617
Cash sales	(1,010,861)
Loan to Genesis	(3,574,520)
Loan repaid by Genesis	5,426,857
Loan to LedgerPrime	(5,404,475)
Investments paid for with cryptocurrencies	(492,716)
Investment income received in cryptocurrencies	284,840
Foreign exchange (gain) loss	(542,163)
Cryptocurrencies posted as collateral	(13,901,998)
Change in fair value	1,495,050
<b>Balance at March 31, 2022</b>	<b>\$ 3,378,063</b>

The activity of the Company's cryptocurrencies posted as collateral (note 12) for the six months ended March 31, 2022 and year ended September 30, 2021, is as follows:

<b>Balance at September 30, 2020</b>	<b>\$ -</b>
Cryptocurrencies post as collateral	4,349,002
Foreign exchange gain	48,667
Change in fair value	(376,466)
<b>Balance at September 30, 2021</b>	<b>\$ 4,021,203</b>
Cryptocurrencies transferred to Bitcoin loan receivable	(1,929,077)
Cryptocurrencies posted as collateral	13,901,998
Foreign exchange gain	(244,059)
Change in fair value	(418,348)
<b>Balance at March 31, 2022</b>	<b>\$ 15,331,716</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

**9. INVESTMENTS**

The Company's investments in equity instruments are classified as FVTPL and are carried at fair value. The detail is as follows:

	Quantity	March 31, 2022	Quantity	September 30, 2021
168 Trading Ltd. (a)	-	\$ 650,353	-	-
Animoca Brands Corporation Limited (b)	500,000	2,060,080	2,000,000	\$ 3,023,460
Chia Network Inc. (c)	19,860	540,841	19,860	551,999
GOAT Gaming Pte Ltd. (d)	176,470	251,583	-	-
ISLA Digital Strategies SP (e)	-	315,542	-	-
Lucy Labs Flagship Offshore Fund SPC (f)	-	626,148	-	-
NGRAVE.IO (g)	138,966	152,544	-	-
Panxora Management Corporation (H)	-	343,347	-	-
Sixty-Six Capital Inc. - Shares (i)	-	-	3,642,000	\$ 473,460
Streetside Development, LLC	1,429	126,516	1,429	126,516
zkSNACKS Limited - Shares (j)	4,500	445,028	4,500	445,027
		<b>\$ 5,511,983</b>		<b>\$ 4,620,462</b>

- (a) During the six months ended March 31, 2022, the Company invested \$635,776 (US\$500,000) in two funds managed by 168 Trading Limited, a Gibraltar based Private Fund trading cryptocurrency and related derivatives.
- (b) During the three months ended September 30, 2021, the Company purchased 2,000,000 shares of Animoca Brands Corporation Limited ("Animoca") (2021 – nil) for a total cost of \$2,000,242 (2021 – \$nil). During the six months ended March 31, 2022, the Company recognized an unrealized gain of \$4,868,708 (2021 - \$nil) in the interim condensed consolidated statements of comprehensive income.
- (c) During the year ended September 30, 2021, pursuant to the Company's Simple Agreement for Future Equity ("SAFE") investment in Chia Network Inc. ("Chia"), the Company received 19,806 shares of Series B Stock priced at US\$15.15 per share. The Company also exercised its participation rights and acquired 600 common shares of Chia at a price of US\$21.21. The Company recognized an unrealized loss of \$3,281 (2021 - \$18,210) in the consolidated statements of comprehensive income.
- (d) During the six months ended March 31, 2022 the Company acquired a 176,470 subscription shares of GOAT Gaming Pte Ltd. for consideration of US\$200,000 priced at US\$1.13333 per subscription share.
- (e) During the six months ended March 31, 2022, the Company invested \$319,722 (US\$250,000) in 2,455.5354 Class B common shares of the AB Digital Strategies Fund managed by UK FCA-regulated Isla Capital.
- (f) During the six months ended March 31, 2022, the Company invested \$636,075 (US\$500,000) in Lucy Labs Flagship Offshore Fund Crypto Rising tide portfolio.
- (g) During the six months ended March 31, 2022, the Company's convertible loan to NGRAVE (note 7) was converted into common shares of NGRAVE pursuant to its convertible loan agreement. The Company received 138,966 NGRAVE common shares at a deemed price of EUR 0.7936.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

- (h) During the six months ended March 31, 2022 the Company invested 6 Bitcoin with Panxora Management Corporation (“Panxora”), a portfolio management and advisory company, authorizing Panxora to trade the Company’s account with the goal of reducing return volatility.
- (i) During the six months ended March 31, 2022, the Company sold 3,642,000 (2021 - nil) of Sixty Six Capital Inc. (“Sixty Six”) to hold nil shares and recognized a realized loss of \$113,129 (2021 – \$nil) in the interim condensed consolidated statements of comprehensive income.
- (j) During the six months ended December 31, 2021, the Company acquired 4,500 shares in zkSNACKS Limited for \$337,500 U.S. Dollars resulting in a 4.5% stake in the company. There was no change in the ownership interest in 2021. During the year ended September 30, 2021, the Company received 2.7 Bitcoin with a value of \$121,574 as a dividend from zkSNACKS Limited which has been recorded in the consolidated statements of comprehensive income.

The activity of investments for the six months ended March 31, 2022 and the year ended September 31, 2021, is as follows:

<b>Balance at September 30, 2020</b>	<b>2,412,463</b>
Cash purchases	2,016,301
Proceeds from sales	(44,000)
Net unrealized gain on investments	246,893
Foreign exchange	(11,195)
<b>Balance at September 30, 2021</b>	<b>\$ 4,620,462</b>
Cash purchases	1,844,268
Purchases using cryptocurrencies	476,500
Reclassification from current assets	256,112
Proceeds from sales	(5,550,906)
Realized gain on sale of investments	3,524,269
Net unrealized gain on investments	325,594
Foreign exchange	15,683
<b>Balance at March 31, 2022</b>	<b>\$ 5,511,983</b>

**10. OTHER ASSETS**

The balances are comprised as follows:

	<b>March 31, 2022</b>	September 30, 2021
Intangible assets (a)	<b>\$ 770,645</b>	\$ 864,025
Cryptocurrency mining assets (b)	<b>347,689</b>	-
Non-current prepaid insurance	-	4,725
	<b>\$ 1,118,335</b>	<b>\$ 868,750</b>

- (a) Intangible assets of \$770,645 represents the acquisition cost of 24,576 IPv4 addresses purchased by the Company during the year ended September 30, 2021 from third parties for cash consideration of \$938,582, net of accumulated amortization of \$169,241. The intangible

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

assets are being amortized over the estimated economic useful life of 5 years.

- (b) Cryptocurrency mining assets of \$347,689 represents the acquisition cost of 25 Bitmain S19J Pro miners (the “Equipment”) purchased by the Company during the year ended September 30, 2021 from a third party for cash consideration of \$376,819, net of accumulated amortization of \$29,130. The Equipment is being amortized over the estimated economic useful life of 5 years. The Equipment has been leased to MineOn LLC, which will host and operate the machines in Iowa, USA for Cypherpunk pursuant to a managed mining and profit sharing agreement.

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The balances are comprised as follows:

	<b>March 31, 2022</b>	September 30, 2021
Trade accounts payable	\$ 123,651	\$ 188,314
Accrued liabilities	77,201	126,764
Due to Laramide Resources Ltd. (Note 16)	-	6,436
	<b>\$ 200,852</b>	<b>\$ 321,514</b>

**12. LOAN PAYABLE**

In August 2021, the Company entered into a master digital loan agreement (the “Agreement”) with Genesis pursuant to which the Company may borrow up to \$1,700,000 U.S. Dollars (\$2,159,000) from Genesis (the “Genesis Loan”). The Genesis Loan bears interest at 10.5% per annum, payable monthly in cash, there is no maturity date, and the Company has the option to repay a portion or the entirety of the Genesis Loan balance at any time. At March 31, 2022 there were 37 Bitcoins as collateral for the Genesis Loan which are held with Genesis to satisfy the margin requirement in accordance with the terms of the Agreement. The amount is recognized as cryptocurrencies posted as collateral of \$2,162,627 on the statements of financial position as at March 31, 2022 (note 8).

The activity of the loan payable for the six months ended March 31, 2022 and the year ended September 30, 2021 is as follows:

<b>Balance at September 30, 2020</b>	<b>\$ -</b>
Loan received	2,156,950
Partial repayment	(993,567)
Accrued interest	22,423
<b>Balance at September 30, 2021</b>	<b>\$ 1,185,806</b>
Accrued interest	(22,423)
Repayment	(1,163,383)
<b>Balance at December 31, 2021</b>	<b>\$ -</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**13. CAPITAL STOCK**

**a) AUTHORIZED**

Unlimited common shares

**b) ISSUED**

<b>Common Shares</b>	<b>Number of</b>	<b>Stated Value</b>
<b>Balance at September 30, 2020</b>	<b>100,266,482</b>	<b>\$ 8,547,784</b>
Units issued for cash in private placement	49,279,236	12,980,121
Share issuance costs	-	(934,167)
Issuance of warrants	-	(3,286,005)
Issuance of broker warrants	-	(455,542)
Warrants exercised	4,075,000	407,500
Fair value of warrants exercised	-	107,168
Options exercised	6,350,000	635,000
Fair value of options exercised	-	558,061
<b>Balance at September 30, 2021</b>	<b>159,970,718</b>	<b>\$ 18,559,920</b>
Warrants exercised	100,000	10,000
Fair value of warrants exercised	-	2,627
<b>Balance at March 31, 2022</b>	<b>160,070,718</b>	<b>\$ 18,572,547</b>

On October 27, 2021, 100,000 shares were issued in connection with warrants exercised for \$10,000. The original fair value of the warrants was \$2,627 which amount was transferred from reserves to capital stock.

On March 24, 2021, the Company closed a private placement for aggregate gross proceeds of \$10,000,000 through the issuance of 29,411,766 units at a price of \$0.34 per unit. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of \$0.395 for a period of 3 years from the date of issuance. Using the relative fair value method, \$2,443,637 was attributed to the warrants (note 15). The Company incurred in \$878,823 of issue costs in addition to the issuance of 2,058,824 broker warrants valued at \$455,542 in connection with the private placement.

On January 15, 2021, the Company closed a private placement for aggregate gross proceeds of \$2,980,121 through the issuance of 19,867,470 units at a price of \$0.15 per unit. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of \$0.25 for a period of 2 years from the date of issuance. Using the relative fair value method, \$842,368 was attributed to the warrants (note 15). The Company incurred in \$55,344 of issue costs in connection with the private placement.

On August 27, 2020, the Company closed a private placement for aggregate gross proceeds of \$505,000 through the issuance of 10,100,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one-half

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

common share purchase warrant. Each full warrant entitles his holder to acquire one common share at an exercise price of \$0.10 for a period of 24 months from the date of issuance. Using the relative fair value method, \$132,664 was attributed to the warrants (note 15). The Company incurred in \$11,766 of issue costs in connection with the private placement.

**14. STOCK-BASED COMPENSATION**

The Company has a stock option plan (the "Plan") in place under which it is authorized to grant options to acquire shares of the Company to directors, officers, consultants, and other key employees of the Company. The number of common shares subject to options granted under the Plan is limited to 10% in the aggregate, of the number of issued and outstanding common shares of the Company at the date of the grant of the option. The exercise price of any option granted under the Plan may not be less than the fair market value of the common shares at the time the option is granted, less any permitted discount. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed five years. The plan does not require any vesting period and the board of directors may specify a vesting period on a grant by grant basis.

On November 11, 2021, the Company issued 2,000,000 options to a director and an officer to buy common shares at an exercise price of \$0.24 per common share and expiring on November 11, 2026. The stock options vest 25% on each six month anniversary of the grant date, fully vesting on November 11, 2023. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.24, dividend yield 0%, expected volatility based on historical volatility of 207.72%, a risk free interest rate of 1.56%, and an expected life of 5 years. The fair value of the options was estimated at \$470,600 of which \$147,131 was recognized in the consolidated statement of comprehensive income for the six months ended March 31, 2022.

On October 7, 2021, the Company issued 1,000,000 options to a director to buy common shares at an exercise price of \$0.20 per common share and expiring on October 7, 2026. The stock options vest 25% on each six month anniversary of the grant date, fully vesting on October 7, 2023. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.20, dividend yield 0%, expected volatility based on historical volatility of 207.17%, a risk free interest rate of 1.49%, and an expected life of 5 years. The fair value of the options was estimated at \$196,000 of which \$97,462 was recognized in the consolidated statement of comprehensive income for the six months ended March 31, 2022.

On July 7, 2021, the Company issued 8,900,000 options to directors, officers, and consultants to buy common shares at an exercise price of \$0.165 per common share and expiring on July 7, 2026. The stock options vest 25% on each six month anniversary of the grant date, fully vesting on July 7, 2023. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.165, dividend yield 0%, expected volatility based on historical volatility of 206.18%, a risk free interest rate of 0.78%, and an expected life of 5 years. The fair value of the options was estimated at \$1,438,094 of which \$581,529.47 was recognized in the consolidated statement of comprehensive income for the six months ended March 31, 2022.

On June 14, 2021, the Company issued 500,000 options to a former officer to buy common shares at an exercise price of \$0.19 per common share and expiring on June 14, 2026. The stock options vest at issue date. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.165, dividend yield 0%, expected volatility based on historical volatility of 205.89%, a risk free interest rate of 0.97%, and



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

an expected life of 5 years. The fair value of the options was estimated at \$80,659 and was recognized in the consolidated statement of comprehensive income for the three months ended June 30, 2021.

On April 9, 2021, the Company issued 1,500,000 options to an officer to buy common shares at an exercise price of \$0.30 per common share and expiring on April 9, 2026. The stock options vest at 1/3 on the issue date, 1/3 on the first anniversary of the issue date and 1/3 on the second anniversary of the issue date. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.25, dividend yield 0%, expected volatility based on historical volatility of 204.96%, a risk free interest rate of 0.93%, and an expected life of 5 years. The fair value of the options was estimated at \$366,213 of which \$91,302, representing the pro rata value of options that had vest during the period, was recognized in the interim condensed consolidated statement of comprehensive income for the six months ended March 31, 2022.

On December 1, 2020, the Company issued 250,000 options to a consultant to buy common shares at an exercise price of \$0.12 per common share and expiring on December 1, 2025. The stock options vest at issue date. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price \$0.11, dividend yield 0%, expected volatility based on historical volatility of 203.04%, a risk free interest rate of 0.41%, and an expected life of 5 years. The fair value of the options was estimated at \$26,841 and was recognized in the interim condensed consolidated statement of comprehensive income for the three months ended December 31, 2020.

The activity of outstanding stock options for three months ended March 31, 2022 and the year ended September 30 2021, is as follows:

	March 31, 2022	Weighted average exercise price	September 30, 2021	Weighted average exercise price
Beginning balance	12,650,000	\$0.18	7,850,000	\$0.10
Granted	3,000,000	\$0.23	11,150,000	\$0.18
Cancelled	(1,600,000)	-\$0.18	-	-
Exercised	-	\$0.00	(6,350,000)	\$0.10
<b>Ending balance - outstanding</b>	<b>14,050,000</b>	<b>\$0.18</b>	<b>12,650,000</b>	<b>\$0.18</b>

During the six months ended March 31, 2022, 1,600,000 options expired due to the termination of an agreement with a consultant to the Company. The unvested portion of the options, totalling \$74,489, was recognized in the interim condensed consolidated statement of comprehensive income during the six month period ended March 31, 2022.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

The detail of outstanding options at March 31, 2022 and September 30 2021, is as follows:

	March 31, 2022	Exercisable	Exercise Price	September 30, 2021	Exercise Price
February 12, 2024	900,000	900,000	\$0.07	900,000	\$0.07
August 28, 2025	600,000	600,000	\$0.10	600,000	\$0.10
December 1, 2025	250,000	250,000	\$0.12	250,000	\$0.12
April 9, 2026	1,500,000	500,000	\$0.30	1,500,000	\$0.30
June 14, 2026	-	-	\$0.19	500,000	\$0.19
July 7, 2026	7,800,000	2,225,000	\$0.17	8,900,000	\$0.17
October 7, 2026	1,000,000	-	\$0.20	-	\$0.20
November 11, 2026	2,000,000	-	\$0.24	-	\$0.24
<b>Ending balance - outstanding</b>	<b>14,050,000</b>	<b>4,475,000</b>		<b>12,650,000</b>	

At March 31, 2022, 3,375,000 options were exercisable at a weighted average price of \$0.145 per share (September 30, 2021 – 2,750,000 at \$0.145). The weighted average life of the outstanding options is 4.1 years (September 30, 2021 – 4.5 years).

**15. WARRANTS**

In connection with the private placement completed on March 24, 2021 (note 13), the Company issued 14,705,883 warrants exercisable within 36 months at a price of \$0.395 per share. The warrants were assigned a fair value of \$2,443,637 using the Black-Scholes option pricing model with the following assumptions: share price \$0.285, dividend yield 0%, expected volatility, based on historical volatility 152.75%, a risk-free interest rate of 0.49% and an expected life of 3 years.

In connection with the private placement completed on March 24, 2021 (note 13), the Company issued 2,058,824 broker warrants exercisable within 36 months at a price of \$0.425 per share. The warrants were assigned a fair value of \$455,542 using the Black-Scholes option pricing model with the following assumptions: share price \$0.285, dividend yield 0%, expected volatility, based on historical volatility 152.75%, a risk-free interest rate of 0.49% and an expected life of 3 years.

In connection with the private placement completed on January 15, 2021 (note 13), the Company issued 9,933,735 warrants exercisable within 24 months at a price of \$0.25 per share. The warrants were assigned a fair value of \$842,368 using the Black-Scholes option pricing model with the following assumptions: share price \$0.25, dividend yield 0%, expected volatility, based on historical volatility 173.47%, a risk-free interest rate of 0.15% and an expected life of 2 years.

In connection with the private placement completed on August 27, 2020 (note 13), the Company issued 5,050,000 warrants exercisable within 24 months at a price of \$0.10 per share. The warrants were assigned a fair value of \$132,664 using the Black-Scholes option pricing model with the following assumptions: share price \$0.09, dividend yield 0%, expected volatility, based on historical volatility 162.2%, a risk-free interest rate of 0.29% and an expected

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

life of 2 years.

The continuity of outstanding stock options for six months ended March 31, 2022 and the year ended September 30 2021, is as follows:

	March 31, 2022	Weighted average exercise price	September 30, 2021	Weighted average exercise price
Beginning balance	27,673,442	\$0.33	5,050,000	\$0.10
Issued	-	-	9,933,735	\$0.25
Issued	-	-	14,705,883	\$0.40
Issued	-	-	2,058,824	\$0.43
Exercised	(100,000)	\$0.10	(4,075,000)	\$0.10
<b>Ending balance</b>	<b>27,573,442</b>	<b>\$0.33</b>	27,673,442	\$0.33

The detail of outstanding warrants at March 31, 2022 and September 30, 2021 is as follows:

Expiry date	March 31, 2022	September 30, 2021	Exercise Price
August 27, 2022	875,000	5,050,000	\$0.100
January 15, 2023	9,933,735	-	\$0.250
March 24, 2024	14,705,883	-	\$0.395
March 24, 2024	2,058,824	-	\$0.425
	<b>27,573,442</b>	5,050,000	

The weighted average life of the outstanding warrants is 1.5 years (September 30, 2021 – 2.0 years).

**16. RELATED PARTY DISCLOSURES**

The Company's related parties include its subsidiary, key management personnel and any entity related to key management personnel that has transactions with the Company. Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly.

During the six months ended March 31, 2022, the Company paid \$36,000 (2021 - \$36,000) for consulting services provided by a director and officer of the Company and \$4,932 for certain expenses paid for by behalf of the Company. On September 30, 2021, \$155,246 (note 11) was due from the director for stock options exercised (2020 - \$nil), which was repaid subsequent to year end on October 1, 2021. At March 31, 2022 there is \$nil (2021 - \$20,340) of accounts payable to this related party.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

During the six months ended March 31, 2022, the Company paid \$30,000 (2021 - \$nil) for consulting services provided by an officer of the Company and \$180 for certain expenses paid for by behalf of the Company. At March 31, 2022 there is \$nil (2020 - \$nil) of accounts payable to this related party.

During the six months ended March 31, 2022, the Company paid \$27,557 (2021 - \$nil) for consulting services provided by a former officer of the Company. At March 31, 2022 there is \$nil (2020 - \$nil) of accounts payable to this related party.

During the six months ended March 31, 2022, the Company paid \$36,000 (2021 - \$36,000) for consulting services provided by a director and officer of the Company. At March 31, 2022 there is \$nil of accounts payable to this related party (2021 - \$nil).

During the six months ended March 31, 2022, the Company paid \$47,667 (2021 - \$nil) for consulting services provided by a director and officer of the Company. At March 31, 2022 there is \$10,000 of accounts payable to this related party (2021 - \$nil).

During the six months ended March 31, 2022, the Company paid \$105,000 (2021 - \$nil) for consulting services provided by an officer of the Company. At March 31, 2022 there is \$nil of accounts payable to this related party (2021 - \$nil).

During the six months ended March 31, 2022, \$10,765 (2021 - \$65,984) was charged for legal services by a firm of which an officer of the Company is a partner. At March 31, 2022 there is \$4,633 of accounts payable to this related party (2021 - \$6,000).

During the year ended September 30, 2021, the Company purchased an investment in Animoca (note 9). Prior to the acquisition, a director and officer of the Company owned 9,300,000 ordinary shares of Animoca representing 0.6% of the issued and outstanding shares of Animoca at March 31, 2022.

**Key Management Compensation**

Key management includes the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, and directors of the Company.

The compensation payable to current and former key management is shown below:

Period ended March 31,	2022	2021
Consulting fees	\$ 298,166	\$ 93,000
Director fees	30,000	15,000
Stock-based compensation	841,667	26,841
	<b>\$ 1,169,833</b>	<b>\$ 134,841</b>

At March 31, 2022, included in accounts payable and accrued liabilities is \$23,750 (2021 - \$15,000) owed relating to director fees.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**17. FAIR VALUE**

The fair value of the Company's loan payable and cash and cash equivalents are not materially different from the carrying values given the short term nature.

**Recurring fair value measurements (financial and non-financial assets)**

(i) Fair value hierarchy

The Company records certain financial instruments or assets on a recurring fair value basis as follows:

<b>Recurring fair value measurements - March 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through FVTPL</b>			
Listed equity investments	\$ -	\$ -	\$ -
Equity investment	-	2,060,080	-
Other equity investments	-	-	3,451,903
<b>Non financial assets at fair value through other comprehensive income</b>			
Convertible loan receivable	-	-	-
Cryptocurrencies	-	3,378,063	-
Cryptocurrencies loaned posted as collateral	-	21,022,229	-
	<b>\$ -</b>	<b>\$ 26,460,373</b>	<b>\$ 3,451,903</b>

<b>Recurring fair value measurements - September 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets at fair value through FVTPL</b>			
Listed equity investments	\$ 473,460	\$ -	\$ -
Equity investment	-	3,023,460	-
Other equity investments	-	-	1,123,542
<b>Non financial assets at fair value through other comprehensive income</b>			
Convertible loan receivable	256,112	-	-
Cryptocurrencies	-	20,334,429	-
Cryptocurrencies posted as collateral	-	4,021,203	-
	<b>\$ 729,572</b>	<b>\$ 27,379,092</b>	<b>\$ 1,123,542</b>

The Company defines its fair value hierarchy as follows:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (e.g., other public markets) is

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Company exercised significant due diligence and judgement and determined that this presence and availability of this market was the most advantageous market and utilised the pricing available in the market as an estimate of the fair value of the investment. In addition, The Company's cryptocurrencies, convertible loan, and assets held as collateral are classified as Level 2 determined by taking the price from [www.coinmarketcap.com](http://www.coinmarketcap.com) as of 24:00 UTC.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) *Valuation techniques used to determine fair values:*

Specific valuation techniques used to fair value financial instruments, specifically those that are not quoted in an active market. These are development stage companies, as such the Company utilised a market approach:

- a) The use of quoted market prices in active or other public markets
- b) The use of most recent transactions of similar instruments
- c) Changes in expected technical milestones of the investee
- d) Changes in management, strategy, litigation matters or other internal matters
- e) Significant changes in the results of the investee compared with the budget, plan, or milestone

(iii) *Transfers between levels 2 and 3*

There were no transfers between levels 2 and 3 during the six months ended March 31, 2022 and 2021.

(iv) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements (see above for valuation techniques adopted):

Description	Fair Value		Unobservable	Range of inputs
	March 31, 2022	September 30, 2021	Inputs	March 31, 2022
Unlisted equity investments	\$ 3,451,903	\$ 1,123,542	Timeline for milestones	N/A

(vi) *Valuation processes*

The Investment Committee includes a team that performs the valuations of all items required for financial reporting purposes, including level 3 fair values. This team collaborates with the chief financial officer (“CFO”) and the audit committee (“AC”). Discussions of valuation processes and results are held between the CFO, AC, and the valuation

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

team at least once every six months which is in-line with the Company's reporting requirements. The main Level 3 inputs derived and evaluated by the Company's team are the timeline for expected milestones and assessment of the technical matter relating to the technology.

The Company performed a sensitivity analysis on the carrying value of its Level 3 assets and noted that a 20% decrease would result in a \$690,380 decrease in fair value.

**18. CONTINGENT LIABILITIES**

Netherlands Preliminary Tax Assessment - On February 15, 2017 the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's subsidiary KRBV for an amount payable of 3.3 million euros (CAD\$5 million). This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had filed its 2016 tax return and as such are based on incomplete information. The 2016 tax return has since been filed. It is management's opinion that the assessed amount payable of 3.3 million euros (CAD\$5 million) continues to be an over assessment. The Netherlands Tax Authority has again issued a preliminary assessment and the Company has filed a notice of objection to this assessment. Management believes that this issue will be resolved when the Netherlands tax authority has completed a review of all the facts. As a result, no provision has been made for this reassessment in these interim condensed consolidated financial statements.

Disputed Claim for Unpaid Services – During the year ending September 30, 2021, the Company received a claim for unpaid services of 83,731 euros (the "Claim") from a Netherlands based company that had been engaged to provide administrative services to KRBV (the "Engagement"). The Engagement was terminated by the Company on July 29, 2020. The Company has accrued 50,000 euros (\$73,980) for the Claim in these interim condensed consolidated financial statements.

**19. FINANCIAL RISK FACTORS**

**Capital Management**

The Company manages and adjusts its capital structure, based on the funds available to the Company, in order to support the investment in cryptocurrencies and blockchain companies. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital to be its capital stock, warrant, and stock option components of shareholders' equity.

To effectively manage the Company's capital requirements, the management has in place a planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient working capital and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and short-term investments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

relative size of the Company, is reasonable. The Company is not subject to capital restrictions other than described in note 12.

There were no changes in the Company's approach to capital management during the six months ended March 31, 2022.

**Safeguarding of Cryptocurrency Assets**

The Company retains one third-party custodian (the "Custodian") to safeguard its cryptocurrency assets; Coinbase Custody Trust Company, LLC ("Coinbase") to hold the Company's Bitcoin, Ethereum and USD Coin cryptocurrency assets. The Custodian is responsible for holding and safeguarding the Company's cryptocurrency assets and has not appointed a sub-custodian to hold certain cryptocurrency assets.

Coinbase, located at 200 Park Avenue South, Suite 1208, New York, NY 10003, is regulated by the New York Department of Financial Services (NYDFS) and operates as an independently capitalized entity. Coinbase is a fiduciary under § 100 of the New York Banking Law and is licensed to custody its clients' digital assets in trust on their behalf. As a New York state-chartered trust, Coinbase is held to the same fiduciary standards as national banks and is a qualified custodian for purposes of § 206(4)-2(d)(6) of the Advisers Act, commonly called the custody role.

Cypherpunk is not aware of anything with regards to the Coinbase's operations that would adversely affect the Company's operations and there are no known security breaches or other similar incidents involving the custodian as a result of which the Company's cryptocurrency assets have been lost or stolen. Coinbase holds 100% of the Company's bitcoin holdings and carries an annually renewed commercial crime policy, with Coinbase Global Inc., Coinbase's parent company, as the named insured. In the event of a bankruptcy or insolvency Cypherpunk will enforce its rights under the Custodial Services Agreement through Arbitration under the laws of the State of New York, and will be in contact with Coinbase's Regulator, the New York State Department of Financial Services, as well as Coinbase's named insurer.

The due diligence Cypherpunk performed on Coinbase included confirmation that an annual SOC 1 audit report pertaining to internal controls over financial reporting, as well as an annual SOC 2 audit report pertaining to controls related to operations and compliance were completed by Coinbase, a review of negative news related to Coinbase, and a review of online training and tutorials offered by Coinbase.

The Company utilizes several trading platforms to purchase and sell its cryptocurrency assets and derivatives.

Gemini Trust Company LLC ("Gemini") is utilized to purchase and sell Bitcoin and Ethereum cryptocurrency assets. Gemini is responsible for receiving deposits of US dollars, or cryptocurrency, and enabling trades on an order book-based exchange. The Company has a policy to not store Cryptocurrency assets on the Platform for extended periods of time, and assets are stored on Gemini only for as long as is practically required to execute trades. Furthermore, the Company has a policy to not leave in excess of \$2,000,000 U.S. Dollars of assets on Gemini at any given time. This limit is subject to change based on management's risk assessment of Gemini.



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

Gemini, located at 315 Park Avenue South, 18th Floor, NY, USA, is regulated by the New York Department of Financial Services (NYDFS) and operates as fiduciary under § 100 of the New York Banking Law and is licensed to custody its clients' digital assets in trust on their behalf. As a New York state-chartered trust, Gemini is held to the same fiduciary standards as national banks and is a qualified custodian for purposes of § 206(4)-2(d)(6) of the Advisers Act, commonly called the custody role.

Cypherpunk is not aware of anything with regards to the Gemini's operations that would adversely affect the Company's operations and there are no known security breaches or other similar incidents involving the custodian as a result of which crypto assets have been lost or stolen. The due diligence Cypherpunk performed on Gemini included receiving confirmation that an annual SOC1 audit report pertaining to internal controls over financial reporting as well as an annual SOC 2 audit report pertaining to controls related to operations and compliance were completed by Gemini. A review of negative news related to Gemini and a review of online training and tutorials offered by Gemini were also completed.

Cypherpunk Holdings Inc. (the "Company") utilizes the third-party trading platform, B2C2 OTC Ltd. ("B2C2") as an over-the-counter desk for derivatives. B2C2 is used to purchase and sell Bitcoin and Ethereum cryptocurrency assets and is used as a cryptocurrency liquidity provider. B2C2 is responsible for providing liquidity for over-the-counter derivatives. The Company has a policy to not store Cryptocurrency assets on B2C2 for extended periods of time, and assets are stored on B2C2 only for as long as is practically required to execute trades. Acquired by Japanese financial group SBI in 2020, B2C2 OTC Ltd. remains a standalone company, headquartered in the UK, with offices in the US and Japan. B2C2 OTC Ltd., located at 86-90 Paul Street, London, United Kingdom, is authorized and regulated by the UK's Financial Conduct Authority (FRN 810834). B2C2 is not related to the Company. The Company is not aware of anything with regards to B2C2's operations that would adversely affect their ability to obtain an unqualified audit opinion on its audited financial statements.

Cypherpunk Holdings Inc. (the "Company") utilizes the third-party trading platform, Wintermute Asia Pte. Ltd. ("Wintermute") as an over-the-counter desk for derivatives. Wintermute Trading Ltd (registered company number 10882520) and Wintermute Asia Pte. Ltd. (registered company number 202108542H) are proprietary trading firms providing liquidity in various crypto assets and, in the case of Wintermute Asia Pte. Ltd, certain derivatives referencing crypto assets. Wintermute Trading Limited is registered with the Financial Conduct Authority ("FCA") as a Cryptoasset firm and complies with the Money Laundering, Terrorist Financing and Transfer for Funds (Information on the Payer) Regulations 2017 as amended. The Company is not aware of anything with regards to Wintermute's operations that would adversely affect their ability to obtain an unqualified audit opinion on its audited financial statements. Wintermute is not related to the Company. The Company is not aware of any security breaches or other similar events involving Wintermute as a result of which crypto assets have been lost or stolen.

Cypherpunk Holdings Inc. (the "Company") utilizes the third-party trading platform, LedgerPrime Digital Asset Opportunities Fund, LLC ("LedgerPrime") as an over-the-counter desk for derivatives. LedgerPrime Digital Asset Opportunities Fund, LLC, located at 152 Madison Ave, New York, NY 10016, United States, is regulated by and registered with the U.S. Securities and Exchange Commission (SEC). The Company is not aware of anything with regards to LedgerPrime's operations that would adversely affect their ability to obtain an unqualified audit opinion on its audited financial statements. LedgerPrime is not related to the Company. The Company is not aware of any security breaches or other similar events involving LedgerPrime as a result of which crypto assets have been lost or stolen.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

Cypherpunk Holdings Inc. (the “Company”) utilizes the third-party trading platform, GGC International Limited (“Genesis”) as an over-the-counter desk for derivatives. Genesis is a wholly owned subsidiary of Digital Currency Group Inc. Genesis is used to purchase and sell Bitcoin and Ethereum cryptocurrency assets and is used as a cryptocurrency liquidity provider. Genesis is responsible for providing liquidity for over-the-counter derivatives. The Company has a policy to not store Cryptocurrency assets on Genesis for extended periods of time, and assets are stored on Genesis only for as long as is practically required to execute trades. Genesis is not related to the Company. The Company is not aware of anything with regards to Genesis’s operations that would adversely affect their ability to obtain an unqualified audit opinion on its audited financial statements. The Company is not aware of any security breaches or other similar events involving Genesis as a result of which crypto assets have been lost or stolen.

**Risk Disclosures**

Exposure to credit, interest rate, cryptocurrency and currency related risks arises in the normal course of the Company’s business.

**Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Company has performed internal due diligence procedures. The Company deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, cryptocurrency exchanges engage in the practice of commingling their clients’ assets in exchange wallets. When cryptoassets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions, or the existence of period end balances represented by exchanges.

As at March 31, 2022, the Company holds \$3,103,143 in cash and cash equivalents at high credit quality financial institutions, \$ 3,378,063 in cryptocurrencies and \$5,690,513 in cryptocurrencies loaned at custodians regulated by the New York Department of Financial Services and \$2,162,627 of cryptocurrencies posted as collateral pursuant to a loan payable. The Company’s due diligence procedures around exchanges and custodians utilized throughout the period include, but are not limited to, internal control procedures around on-boarding new exchanges or custodians which includes review of the exchanges or custodians anti-money laundering (“AML”) and know-your-client (“KYC”) policies by the Company’s chief investment officer, constant review of market information specifically regarding the exchanges or custodians security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing weekly asset management reports to ensure limits are being followed and having a fail-over plan to move cash and cryptocurrencies held on an exchange or with a custodian in instances where risk exposure significantly changes.

There is no significant credit risk with respect of receivables.

**Interest Rate Risk**

The Company has no exposure to interest rate risk since there are no outstanding debts or other payables subject to

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

interest charges at the end of the reported periods.

**Cryptocurrencies Risk**

Cryptocurrencies are measured at fair value less cost to sell. Cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts. The profitability of the Company is related to the current and future market price of cryptocurrencies; in addition, the Company may not be able to liquidate its inventory of cryptocurrencies at its desired price if necessary. Investing in cryptocurrencies is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends.

Cryptocurrencies have a limited history; their fair values have historically been volatile, and the value of cryptocurrencies held by the Company could decline rapidly. A decline in the market prices of cryptocurrencies could negatively impact the Company's future operations. Historical performance of cryptocurrencies is not indicative of their future performance.

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from cryptocurrency software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency. This process is vulnerable to hacking and malware and could lead to theft of the Company's digital wallets and the loss of the Company's cryptocurrency.

Cryptocurrencies are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, which could have an adverse effect on the Company.

The cryptocurrency exchanges on which the Company may trade on are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets. Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Company to recover money or cryptocurrencies being held on the exchange. Further, the Company may be unable to recover cryptocurrencies awaiting transmission into or out of the exchange, all of which could adversely affect an investment of the Company. Additionally, to the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading are involved in fraud or experience security failures or other operational issues, such digital asset exchanges' failures may result in loss or less favorable prices of cryptocurrencies, or may adversely affect the Company, its operations, and its investments.

Furthermore, crypto-exchanges engage in commingling their client's assets in exchange wallets. When crypto-assets are commingled transactions are not recorded on the applicable blockchain ledger but are only recorded by the

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

exchange. Therefore, there is a risk around the occurrence of transactions or existence of period end balances represented by exchanges.

**Loss of access risk**

The loss of access to the private keys associated with the Company's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed, or otherwise compromised and no backup is accessible the Company may be unable to access the cryptocurrency.

**Irrevocability of transactions**

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation.

**Hard fork and air drop risks**

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Company, it is expected that the Company would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free.

The Company may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Company may not have any systems in place to monitor or participate in hard forks or airdrops.

**Market Risk**

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's investments are susceptible to other market risk arising from uncertainties about future prices of the instruments. The Company moderates this risk through the various investment strategies within the parameters of the Company's investment guidelines.

As of March 31, 2022, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Company's investments, with all other variables held constant, is \$551,198.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Six Months Ended March 31, 2022 and 2021**

---

**Foreign Currency Risk**

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currencies giving rise to this risk are primarily the U.S. dollar and the Euro, the balance of net monetary assets in such currencies as of March 31, 2022 is \$3,299,358 (2021 – \$2,620,462). Sensitivity to a plus or minus 10% change in the foreign exchange rates would result in a foreign exchange gain/loss of \$329,936 (2021 - \$262,462).

**Liquidity Risk**

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable as well as the risk of not being able to liquidate assets at reasonable prices. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2022, the Company had cash and cash equivalents balance of \$ \$3,103,143 (2021 - \$876757) to settle accounts payable and accrued liabilities of \$200,852 (2021 - \$1,507,320). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

**20. INCOME TAX**

As at September 30, 2021, the Company has not recognized a deferred tax asset in respect of Canadian non-capital loss carryforwards of approximately \$1,487,000 expiring between 2037 and 2040. The net deferred tax assets which originated during the current period have also not been recognized in the interim condensed consolidated financial statements.

**21. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment being investment in cryptocurrencies and blockchain technology.