



**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
JUNE, 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 June 30, 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 June 30, 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)**

	June 30, 2022	September 30, 2021
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (note 4)	\$ 10,685,300	\$ 876,757
Receivables and prepaid expenses (note 5)	130,219	242,129
Convertible loan receivable (note 6)	-	256,112
Treasury management investments	33,363	-
Bitcoin loan receivable (note 7)	-	11,019
	<u>10,848,882</u>	<u>1,386,017</u>
Cryptocurrencies (note 8)	8,022,512	20,334,429
Cryptocurrencies pledged as collateral (note 8 and 12)	-	4,021,203
Investments (note 9)	3,254,346	4,620,462
Other assets (note 10)	1,051,420	868,750
	<u>\$ 23,177,160</u>	<u>\$ 31,230,861</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 11 and 16)	\$ 296,799	\$ 321,514
Loan payable (note 12)	-	1,185,806
	<u>296,799</u>	<u>1,507,320</u>
Deferred tax liability (note 20)	1,882,000	1,882,000
	<u>2,178,799</u>	<u>3,389,320</u>
<b>Shareholders' Equity</b>		
Capital stock (note 13)	18,572,547	18,559,920
Reserves	17,186,178	15,895,629
Accumulated other comprehensive income	9,145,321	7,803,853
Retained deficit	(23,905,684)	(14,417,861)
	<u>20,998,362</u>	<u>27,841,541</u>
	<u>\$ 23,177,160</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 June 30		Nine Months Ended June 30	
	2022	2021	2022	2021
<b>Income (loss)</b>				
Other income	\$ 376,559	\$ 25,007	\$ 606,361	\$ 39,782
Dividend income (note 9)	-	135,014	208,699	135,014
Unrealized gain (loss) on investments (note 9)	(1,808,405)	(188,431)	(1,479,142)	(820,361)
Realized gain (loss) on investments (note 9)	574,967	-	4,099,246	(3,910)
	<u>(856,879)</u>	<u>(28,410)</u>	<u>3,435,164</u>	<u>(649,475)</u>
<b>Expenses</b>				
Stock-based compensation (notes 14)	312,812	243,866	1,293,176	270,707
Employment termination costs	-	477,500	-	477,500
General and administrative	79,693	186,448	265,565	313,655
Professional fees (note 16)	37,535	236,400	160,377	257,644
Consulting fees (note 16)	150,385	97,291	459,979	196,541
Foreign exchange (gain) loss	(604,943)	19,169	121,341	593,871
Amortization (note 10)	65,610	6,490	189,425	6,490
Rent and administrative services	-	11,204	-	37,148
Director fees (note 16)	15,000	18,750	45,000	33,750
	<u>56,092</u>	<u>1,297,118</u>	<u>2,534,863</u>	<u>2,187,306</u>
<b>Income (loss) for the period</b>	<b>(912,970)</b>	<b>(1,325,528)</b>	<b>900,302</b>	<b>(2,836,781)</b>
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified to profit or loss	(11,052,834)	(11,070,282)	(9,046,657)	6,088,853
<b>Total comprehensive income (loss)</b>	<b>\$ (11,965,804)</b>	<b>\$ (12,395,810)</b>	<b>\$ (8,146,355)</b>	<b>\$ 3,252,072</b>
<b>Earnings (loss) per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>160,070,718</b>	<b>121,814,524</b>	<b>160,060,828</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, September 30, 2020</b>	<b>100,266,482</b>	<b>\$ 8,547,784</b>	<b>\$ 12,155,116</b>	<b>\$ 428,824</b>	<b>\$ (14,462,210)</b>	<b>\$ 6,669,514</b>
Units issued for cash in private placement (note 13)	49,279,236	12,980,121	-	-	-	12,980,121
Share issuance costs (note 13)	-	(924,467)	-	-	-	(924,467)
Issuance of warrants (note 15)	-	(3,286,005)	3,286,005	-	-	-
Issuance of broker warrants (13)	-	(455,542)	455,542	-	-	-
Warrants exercised (note 15)	4,075,000	407,500	-	-	-	407,500
Fair value of warrants exercised	-	107,168	(107,168)	-	-	-
Options exercised	4,600,000	460,000	-	-	-	460,000
Fair value of options exercised	-	404,610	(404,610)	-	-	-
Stock-based compensation (note 14)	-	-	270,707	-	-	270,707
Net income for the period	-	-	-	-	(2,836,781)	(2,836,781)
Unrealized gain on cryptocurrencies	-	-	-	4,567,266	-	4,567,266
Relialized gain on cryptocurrencies	-	-	-	(1,521,587)	1,521,587	-
<b>Balance, June 30, 2021</b>	<b>158,220,718</b>	<b>\$ 18,241,169</b>	<b>\$ 15,655,592</b>	<b>\$ 3,474,503</b>	<b>\$ (15,777,404)</b>	<b>\$ 21,593,860</b>
Options exercised	1,750,000	175,000	-	-	-	175,000
Fair value of options exercised	-	153,451	(153,451)	-	-	-
Stock-based compensation (note 14)	-	-	393,488	-	-	393,488
Net loss for the period	-	-	-	-	1,662,284	1,662,284
Unrealized gain on cryptocurrencies	-	-	-	7,094,609	-	7,094,609
Realized gain (loss) on cryptocurrencies	-	-	-	302,741	(302,741)	-
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>\$ (14,417,861)</b>	<b>\$ 27,841,541</b>
Warrants exercised	100,000	10,000	-	-	-	10,000
Fair value of warrants exercised	-	2,627	(2,627)	-	-	-
Stock-based compensation (note 14)	-	-	1,293,176	-	-	1,293,176
Net income for the period	-	-	-	-	900,302	900,302
Unrealized gain on cryptocurrencies	-	-	-	(9,046,657)	-	(9,046,657)
Realized gain (loss) on cryptocurrencies	-	-	-	10,388,125	(10,388,125)	-
<b>Balance, June 30, 2022</b>	<b>160,070,718</b>	<b>\$ 18,572,547</b>	<b>\$ 17,186,178</b>	<b>\$ 9,145,321</b>	<b>\$ (23,905,684)</b>	<b>\$ 20,998,362</b>

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

	Three Months Ended June 30		Nine Months Ended June 30	
	2022	2021	2022	2021
<b>Cash and cash equivalents (used in) provided by:</b>				
<b>Operating activities</b>				
Income (loss) for the period	\$ (912,970)	\$ (1,325,528)	\$ 900,302	\$ (2,836,781)
<b>Adjustments for:</b>				
Unrealized gain on investments	1,808,405	188,431	1,479,142	820,361
Realized (gain) loss on investments	(574,967)	3,910	(4,099,246)	3,910
Stock-based compensation	312,812	26,841	1,293,176	26,841
Interest	-	-	22,690	-
Foreign exchange loss	(604,943)	227,423	121,341	555,530
Other non-cash income	13,903	(5,045)	13,903	(5,045)
Amortization	65,610	-	189,425	-
<b>Net change in non-cash working capital items:</b>				
Receivables and prepaid expenses	(13,007)	-	111,910	(24,022)
Treasury management assets	(33,363)	-	(33,363)	-
Bitcoin loan receivable	11,019	-	11,019	-
Accounts payable and accrued liabilities	95,947	106,581	(24,715)	51,824
<b>Cash used in operating activities</b>	<b>168,445</b>	<b>(777,387)</b>	<b>(14,417)</b>	<b>(1,407,382)</b>
<b>Financing activities</b>				
Private placements, net of issuance costs	-	-	-	12,058,392
Exercise of options and warrants	-	567,500	10,000	582,500
Loan payable	-	-	(1,185,806)	-
Advance from shareholder	-	(150,000)	-	-
<b>Cash provided by financing activities</b>	<b>-</b>	<b>417,500</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	(8,999,827)	(3,164,838)	(9,763,444)	(3,164,838)
Proceeds from sale of cryptocurrencies	15,319,320	-	16,330,181	1,406,809
Purchase of assets	-	-	(368,827)	-
Purchase of investments	(312,307)	-	(2,156,575)	-
Sale of investments	1,406,525	-	6,957,431	40,090
<b>Cash used in investing activities</b>	<b>7,413,712</b>	<b>(3,684,374)</b>	<b>10,998,766</b>	<b>(2,237,475)</b>
<b>Change in cash and cash equivalents</b>	<b>7,582,156</b>	<b>(4,044,261)</b>	<b>9,808,543</b>	<b>8,996,035</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>3,103,144</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>\$ 10,685,300</b>	<b>\$ (2,150,183)</b>	<b>\$ 10,685,300</b>	<b>\$ 9,481,414</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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**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 may be limited in oversight by regulatory authorities.

The financial year end of the Company is September 30<sup>th</sup>.

The Company continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. To date, the Company's operations have remained stable as the pandemic continues to progress and evolve but it is difficult to predict the full extent and duration of resulting operational and economic impacts for the Company, which are expected to impact a number of reporting periods. This uncertainty impacts judgements made by the Company, including those relating to determining the recoverable values of the Company's non-current assets.

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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of August 29, 2022, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended September 30, 2021. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2022 could result in restatement of these unaudited condensed interim financial statements.

**3. 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 June 30, 2022 and September 31, 2021.

	<b>June 30, 2022</b>	September 30, 2021
Cash in banks	<b>10,685,300</b>	876,757
	<b>\$ 10,685,300</b>	\$ 876,757

**4. RECEIVABLES AND PREPAID EXPENSES**

The balances are comprised as follows:

	<b>June 30, 2022</b>	September 30, 2021
Cryptocurrency income distribution receivable		
Due from related party	\$ -	\$ 155,246
Cryptocurrency income distribution receivable	<b>3,035</b>	-
Other receivables	<b>20,000</b>	-
Prepaid expenses	<b>22,643</b>	32,790
Harmonized sales tax	<b>84,541</b>	54,093

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.

**5. 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



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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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.

The activity of the loan receivable for the nine months ended June 30, 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		7,495
Foreign exchange		(11,232)
<b>Balance at June 30, 2021</b>	<b>\$</b>	<b>155,026</b>
Accrued interest		3,869
Change in value of convertible loan receivable		100,871
Foreign exchange		(3,654)
<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 June 30, 2022</b>	<b>\$</b>	<b>-</b>

**6. TREASURY MANAGEMENT INVESTMENTS**

During the period ended June 30, 2022, the Company initiated a treasury management investment strategy (the “TMI”) on a preliminary basis to assess the viability of generating income on its cryptocurrency holdings utilizing an option trading and hedging strategy. A portion of the Company’s cryptocurrency holdings were pledged as collateral. The Company terminated the TMI prior in June 2022, and any cryptocurrencies pledged as collateral were returned to the Company (note 8). At June 30, 2022 the remaining TMI investments, all of which mature prior to December 31, 2022, were as follows:

	<b>June 30,</b>	September 30,
	<b>2022</b>	2021
Options purchased, expiring prior to December 31, 2022	<b>\$ 719,545</b>	\$ -
Options sold, expiring prior to December 31, 2022	<b>(686,182)</b>	-
	<b>\$ 33,363</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,

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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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 nine months ended June 30, 2022 and year ended September 30, 2021 is as follows:

<b>Balance at September 30, 2020</b>	<b>\$</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>\$</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
Repayment of loan		(5,679,494)
<b>Balance at June 30, 2022</b>	<b>\$</b>	<b>-</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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**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 June 30, 2022 and September 30, 2021 (note 12), is as follows:

	Quantity	Cost (USD) (a)	Cost (CAD) (a)	Market Value
Bitcoin	-	\$ -	\$ -	\$ -
Ethereum	-	-	-	-
USD Coins	6,225,759	6,225,759	8,022,512	8,022,512
<b>Balance at June 30, 2022</b>		<b>\$ 6,225,759</b>	<b>\$ 8,022,512</b>	<b>\$ 8,022,512</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.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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

<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	9,763,444
Cash sales	(16,330,181)
Loan to Genesis	(3,574,520)
Loan repaid by Genesis	5,426,857
Loan to LedgerPrime	(5,404,475)
Loan repaid by LedgerPrime	5,679,494
Investments paid for with cryptocurrencies	(492,716)
Investment income received in cryptocurrencies	334,352
Foreign exchange (gain) loss	28,418
Cryptocurrencies posted as collateral	(13,901,998)
Cryptocurrency collateral returned	15,331,716
Change in fair value	(9,172,309)
<b>Balance at June 30, 2022</b>	<b>\$ 8,022,512</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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

<b>Balance at September 30, 2020</b>	<b>\$</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>\$</b>	<b>4,021,203</b>
Cryptocurrencies transferred to Bitcoin loan receivable		(1,929,077)
Cryptocurrencies posted as collateral		13,901,998
Cryptocurrency collateral returned		(15,331,716)
Foreign exchange gain		(244,059)
Change in fair value		(418,348)
<b>Balance at June 30, 2022</b>	<b>\$</b>	<b>-</b>

**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	June 30, 2022	Quantity	September 30, 2021
168 Trading Ltd. (a)	-	\$ 439,553	-	-
Animoca Brands Corporation Limited (b)	-	-	2,000,000	\$ 3,023,460
Chia Network Inc. (c)	19,860	557,721	19,860	551,999
GOAT Gaming Pte Ltd. (d)	176,470	259,435	-	-
ISLA Digital Strategies SP (e)	-	631,985	-	-
Lucy Labs Flagship Offshore Fund SPC (f)	-	645,690	-	-
NGRAVE.IO (g)	138,966	148,419	-	-
Panxora Management Corporation (h)	-	-	-	-
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>\$ 3,254,346</b>		<b>\$ 4,620,462</b>

- (a) During the nine months ended June 30, 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 nine months ended June 30, 2022, the Company sold all of its Animoca shares to hold nil, recognizing a gain of \$4,212,365 (2021 - \$nil) in the interim condensed consolidated statements of

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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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.
- (d) During the nine months ended June 30, 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 nine months ended June 30, 2022, the Company invested \$632,029 (US\$500,000) in \$319,722 (US\$250,000) in 4,86.7215 Class B common shares of the AB Digital Strategies Fund managed by UK FCA-regulated Isla Capital.
- (f) During the nine months ended June 30, 2022, the Company invested \$636,075 (US\$500,000) in Lucy Labs Flagship Offshore Fund Crypto Rising tide portfolio.
- (g) During the nine months ended June 30, 2022, the Company's convertible loan to NGRAVE (note 5) was converted into common shares of NGRAVE pursuant to its convertible loan agreement which resulted in the Company receiving 138,966 NGRAVE common shares at a deemed price of EUR 0.7936.
- (h) During the nine months ended June 30, 2022 the Company invested 6 Bitcoin with Panxora Management Corporation ("Panxora"), the Bitcoin were returned to the Company and sold prior to June 30, 2022.
- (i) During the nine months ended June 30, 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.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

The activity of investments for the nine months ended June 30, 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	2,156,575
Purchases using cryptocurrencies	476,500
Reclassification from current assets	256,112
Proceeds from sales	(6,957,431)
Realized gain on sale of investments	4,099,236
Net unrealized gain on investments	(1,479,142)
Foreign exchange	82,035
<b>Balance at June 30, 2022</b>	<b>\$ 3,254,346</b>

**10. OTHER ASSETS**

The balances are comprised as follows:

	<b>June 30, 2022</b>	<b>September 30, 2021</b>
Intangible assets (a)	<b>\$ 722,572</b>	\$ 864,025
Cryptocurrency mining assets (b)	<b>328,848</b>	-
Non-current prepaid insurance	-	4,725
	<b>\$ 1,051,420</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 \$ 216,010. The intangible 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 \$47,971. 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.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The balances are comprised as follows:

	<b>June 30, 2022</b>	September 30, 2021
Trade accounts payable	\$ <b>188,348</b>	\$ 188,314
Accrued liabilities	<b>108,451</b>	126,764
Due to Laramide Resources Ltd. (Note 16)	-	6,436
	<b>\$ 296,799</b>	\$ 321,514

**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. During the period ended June 30, 2022 the Genesis loan was repaid in full and the Bitcoins pledged as collateral were returned to the Company (note 8).

The activity of the loan payable for the nine months ended June 30, 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 June 30, 2022</b>	<b>\$ -</b>



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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**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 June 30, 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.

**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%,

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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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 nine months ended June 30, 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 nine months ended June 30, 2022.

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

	June 30, 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 nine months ended June 30, 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 nine month period ended June 30, 2022.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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

	June 30, 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	1,125,000	\$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>3,375,000</b>		12,650,000	

At June 30, 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 3.9 years (September 30, 2021 – 4.5 years).

**15. WARRANTS**

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.

The continuity of outstanding warrants for nine months ended June 30, 2022 and the year ended September 30 2021, is as follows:

	June 30, 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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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

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

The weighted average life of the outstanding warrants is 1.3 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 nine months ended June 30, 2022, the Company paid \$54,000 (2021 - \$54,000) for consulting services provided by a director and officer of the Company and \$5,634 for certain expenses paid for by behalf of the Company. At June 30, 2022 there is \$nil (2021 - \$20,340) of accounts payable to this related party.

During the nine months ended June 30, 2022, the Company paid \$45,000 (2021 - \$13,000) for consulting services provided by an officer of the Company. At June 30, 2022 there is \$nil (2020 - \$nil) of accounts payable to this related party.

During the nine months ended June 30, 2022, the Company paid \$27,557 (2021 - \$nil) for consulting services provided by a former officer of the Company. At June 30, 2022 there is \$nil (2020 - \$nil) of accounts payable to this related party.

During the nine months ended June 30, 2022, the Company paid \$54,000 (2021 - \$54,000) for consulting services provided by a director and officer of the Company. At June 30, 2022 there is \$nil of accounts payable to this related party (2021 - \$nil).

During the nine months ended June 30, 2022, the Company paid \$77,667 (2021 - \$nil) for consulting services provided by a director and officer of the Company. At June 30, 2022 there is \$20,129 of accounts payable to this related party (2021 - \$nil).

During the nine months ended June 30, 2022, the Company paid \$165,000 (2021 - \$nil) for consulting services provided by an officer of the Company. At June 30, 2022 there is \$20,000 of accounts payable to this related party (2021 - \$nil).

During the nine months ended June 30, 2022, \$28,341 (2021 - \$72,220) was charged for legal services by a firm of

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

which an officer of the Company is a partner. At June 30, 2022 there is \$nil of accounts payable to this related party (2021 - \$6,000).

**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 June 30,	2022		2021	
Consulting fees	\$	457,200	\$	196,500
Director fees		45,000		33,750
Stock-based compensation		1,154,479		270,707
	<b>\$</b>	<b>1,656,678</b>	<b>\$</b>	<b>500,957</b>

At June 30, 2022, included in accounts payable and accrued liabilities is \$57,041 (2021 - \$nil) owed relating to director and consulting fees.

**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:

Recurring fair value measurements - June 30, 2022	Level 1		Level 2		Level 3	
<b>Financial assets at fair value through FVTPL</b>						
Listed equity investments	\$	-	\$	-	\$	-
Equity investment		-		-		-
Other equity investments		-		-		3,287,709
<b>Non financial assets at fair value through other comprehensive income</b>						
Convertible loan receivable		-		-		-
Cryptocurrencies		-		8,022,512		-
Cryptocurrencies loaned posted as collateral		-		-		-
	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>8,022,512</b>	<b>\$</b>	<b>3,287,709</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

Recurring fair value measurements - September 30, 2021	Level 1	Level 2	Level 3
<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 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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

There were no transfers between levels 2 and 3 during the nine months ended June 30, 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
	June 30, 2022	September 30, 2021	Inputs	June 30, 2022
Unlisted equity investments	\$ 3,287,709	\$ 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 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 \$657,542 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\$4.4 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\$4.4 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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

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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 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 nine months ended June 30, 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 HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

---

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.

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.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

---

The Company utilises the third-party trading platform, B2C2 OTC Ltd. ("B2C2") as an OTC desk for derivatives. B2C2 is used to purchase and sell Bitcoin and Ethereum cryptocurrency assets and as a cryptocurrency liquidity provider. B2C2 is responsible for providing liquidity for OTC derivatives. The Company has a policy not to store Cryptocurrency assets on B2C2 for extended periods, 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, located at 86-90 Paul Street, London, United Kingdom. B2C2 is no longer registered with the FCA as part of the Temporary Registration Regime. B2C2 does not undertake any spot cryptoasset exchange transactions with clients, and all such transactions will be handled by the U.S. entity, B2C2 USA, Inc, or by the Cayman Islands entity, B2C2 Overseas Ltd. B2C2 is not related to the Company, and The Company is unaware of anything concerning B2C2's operations that would adversely affect its ability to obtain an unqualified audit opinion on its audited financial statements. Cypherpunk's due diligence on B2C2 included deep research on the company regarding its website, founders, investors, and products. A review of news related to B2C2 was also completed.

The Company utilises the trading platform provided by Wintermute Trading Ltd ("Wintermute", the "Platform") to purchase and sell its cryptocurrency assets. The Platform is responsible for receiving deposits of US dollars, or cryptocurrency, and providing liquidity in various cryptoassets and certain derivatives referencing cryptoassets. The Company has a policy to not store Cryptocurrency assets on the Platform for extended periods, and assets are stored on the Platform only for as long as is practically required to execute trades. Wintermute is headquartered in the UK, with offices in the US and Singapore. It was founded in July 2017 and is neither authorised nor regulated by any regulatory authority. Any party trading with Wintermute Trading Ltd may not benefit from the protections typically provided when trading with regulated entities, such as any compensation or ombudsman schemes. 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 Firm Reference Number is 928764. The Company is aware of the situation between Wintermute and the Optimism Foundation, whereby 20 million OP tokens were allocated to Wintermute from the Foundation's fund but were lost in the process due to an error from Wintermute's side. However, the Wintermute team has committed to buying back the tokens lost and has remedied the situation. Furthermore, there is no evidence that Wintermute was affected by the contagion caused by large third-party liquidations and insolvencies within the crypto industry. The due diligence Cypherpunk performed on Wintermute included research on the company regarding its website, founders, investors, and products. A review of negative news related to Wintermute's online training and tutorials was also completed.

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.

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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

---

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 aware that Genesis suffered significant losses due to exposure to third party creditors in the third quarter of 2022 and has filed suit to recover those losses. 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 June 30, 2022, the Company holds \$10,705,300 in cash and cash equivalents at high credit quality financial institutions and \$8,022,512 in USD Coins held mainly at custodians regulated by the New York Department of Financial Services. 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 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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

---

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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2022 and 2021**

---

**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 June 30, 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 \$359,724.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 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 June 30, 2022 is \$14,430,779 (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 \$1,443,078 (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 June 30, 2022, the Company had cash and cash equivalents balance of \$10,125,013 (2021 - \$876,757) to settle accounts payable and accrued liabilities of \$296,799 (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 June 30, 2022, 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 2039. 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.