



**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE THREE MONTHS ENDED**

**DECEMBER 31, 2019 AND 2018**

**(Expressed in Canadian Dollars)**

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

The accompanying interim condensed 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 interim condensed 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 year 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 interim condensed 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 December 31, 2019.

## **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 interim 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 December 31, 2019.

## **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)**

	December 31, 2019	September 30, 2019
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 984,465	\$ 1,742,674
Sales tax receivable and prepaid expenses (Note 5)	20,397	30,717
Cryptocurrencies (Note 6)	<u>1,860,704</u>	<u>1,975,762</u>
	<b>2,865,566</b>	<b>3,749,153</b>
Investments (Note 7)	1,674,183	1,724,502
Other assets (Note 8)	<u>18,900</u>	<u>73,612</u>
	<u><b>\$ 4,558,649</b></u>	<u><b>\$ 5,547,267</b></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 108,724	\$ 113,883
<b>Shareholders' Equity</b>		
Capital stock (Note 10)	8,187,214	8,187,214
Reserves	11,656,565	11,656,565
Accumulated other comprehensive income	4,139	4,139
Deficit	<u>(15,397,993)</u>	<u>(14,414,534)</u>
	<b>4,449,925</b>	<b>5,433,384</b>
	<u><b>\$ 4,558,649</b></u>	<u><b>\$ 5,547,267</b></u>

Nature of Operations and Going Concern (Note 1)  
Contingent liabilities (Note 13)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Dominic Frisby"  
Director

(Signed) "Michael Sadhra"  
Director

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

Three Months Ended December 31,	2019	2018
<b>Income (loss)</b>		
Interest income	\$ 12,265	\$ 1,599
Realized loss on cryptocurrencies (Note 6)	(627)	-
Unrealized loss on cryptocurrencies (Note 6)	(342,609)	-
Unrealized loss on investments (Note 7)	(487,696)	(1,996,580)
	<u>(818,667)</u>	<u>(1,994,981)</u>
<b>Expenses</b>		
General and administrative	\$ 15,009	\$ 16,226
Consulting fees (Note 12)	53,000	57,231
Professional fees (Note 12)	13,177	22,731
Director fees (Note 12)	11,250	15,783
Administrative services (Note 12)	26,660	22,500
Foreign exchange loss (gain)	45,696	(58,644)
	<u>164,792</u>	<u>75,827</u>
<b>Net loss for the period</b>	<b>\$ (983,459)</b>	<b>\$ (2,070,808)</b>
<b>Other comprehensive income</b>		
Cumulative translation adjustment	-	2,067
<b>Other comprehensive income</b>	<b>\$ -</b>	<b>\$ 2,067</b>
<b>Total comprehensive income (loss)</b>	<b>\$ (983,459)</b>	<b>\$ (2,068,741)</b>
Net income (loss) per share - basic & diluted	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding	90,166,482	90,166,482

**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	Deficit	Total
<b>Balance, October 1, 2018</b>	<b>90,166,482</b>	<b>\$ 8,187,214</b>	<b>\$ 11,608,118</b>	<b>\$ -</b>	<b>\$ (11,500,903)</b>	<b>\$ 8,294,429</b>
Net loss for the period	-	-	-	-	(2,070,808)	(2,070,808)
Other comprehensive income	-	-	-	2,067	-	2,067
<b>Balance, December 31, 2018</b>	<b>90,166,482</b>	<b>8,187,214</b>	<b>11,608,118</b>	<b>2,067</b>	<b>(13,571,711)</b>	<b>6,225,688</b>
Stock-based compensation (Note 11)	-	-	48,447	-	-	48,447
Net loss for the period	-	-	-	-	(842,823)	(842,823)
Other comprehensive income (Note 7)	-	-	-	2,072	-	2,072
<b>Balance September 30, 2019</b>	<b>90,166,482</b>	<b>8,187,214</b>	<b>11,656,565</b>	<b>4,139</b>	<b>(14,414,534)</b>	<b>5,433,384</b>
Net loss for the period	-	-	-	-	(983,459)	(983,459)
<b>Balance, December 31, 2019</b>	<b>90,166,482</b>	<b>\$ 8,187,214</b>	<b>\$ 11,656,565</b>	<b>\$ 4,139</b>	<b>\$ (15,397,993)</b>	<b>\$ 4,449,925</b>

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

Three Months Ended December 31,	2019	2018
<b>Cash and cash equivalents (used in) provided by:</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (983,459)	\$ (2,070,808)
<b>Adjustments for:</b>		
Unrealized loss on cryptocurrencies	342,609	-
Realized loss on cryptocurrencies	627	-
Net purchases of cryptocurrencies	(262,617)	-
Unrealized loss on investments	487,696	1,996,580
Foreign exchange	42,056	(18,843)
Purchase of investments(Note 7)	(445,027)	-
Sale of guaranteed investment certificate (Note 8)	52,720	-
<b>Net change in non-cash working capital items:</b>		
Accounts receivable and prepaid expenses	10,320	(6,358)
Reallocation of prepaid insurance	2,025	205
Accounts payable and accrued liabilities	(5,159)	32,774
	<u>(758,209)</u>	<u>(66,450)</u>
<b>Change in cash and cash equivalents</b>	<b>(758,209)</b>	<b>(66,450)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,742,674</b>	<b>4,072,322</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 984,465</b>	<b>\$ 4,005,872</b>

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Three Months Ended December 31, 2019 and 2018**

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1. NATURE OF OPERATIONS AND GOING CONCERN

Cypherpunk Holdings Inc. (the "Company" or "Cypherpunk") (Formerly Khan Resources Inc.) 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 The Exchange Tower, 130 King Street West, Suite 3680, Toronto, Ontario, Canada M5X 1B1.

On August 14, 2018, the shareholders approved the change of the Company's name from Khan Resources Inc. to Cypherpunk Holdings Inc. On February 4, 2019, the Company's common shares commenced trading on the Canadian Securities Exchange under the trading symbol "HODL".

The Company along with its subsidiary company was formerly involved in acquiring, exploring and developing mineral properties in Mongolia.

The Company business plan currently is focused on investments centred on the thesis that technologies and cryptocurrencies with strong privacy will have strong market demand; consequently, its targeted portfolio is shared between cryptocurrencies and investments in entities which enhance the overall privacy of the internet or enable further decentralization of blockchain networks.

At December 31, 2019, the Company has a working capital of \$2,756,842 (September 30, 2019 - \$3,635,270), and has not yet achieved profitable operations and has accumulated losses of \$15,397,993 (September 30, 2019 - \$14,414,534). The Company is embarking on a new business model, making investments in cryptocurrencies and blockchain technology which are exposed to risk and uncertainty as they are part of an emerging industry, all of which creates material uncertainty and casts significant doubt upon the Company's ability to continue as a going concern.

The Company's cryptocurrencies 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 14). Additionally, certain assets are held in cryptocurrency exchanges or with custodians that are limited in oversight by regulatory authorities.

On February 21, 2020, the Board of Directors approved the interim condensed consolidated financial statements for the periods ended December 31, 2019 and 2018.

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, 2019 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, 2019, and have been consistently applied in the preparation of these interim condensed consolidated financial statements.

**Basis of Presentation**

The interim condensed consolidated financial statements as at December 31, 2019 and 2018 have been prepared and presented on a going concern basis.

The comparative figures in the consolidated statements of comprehensive income (loss) have been reclassified from the statements previously presented to conform to the current fiscal year presentation.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Three Months Ended December 31, 2019 and 2018**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 that are measured at fair value and cryptocurrencies which are measured at fair value less cost to sell. 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 Holdings Inc. 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).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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. Actual results may differ from those estimates.



**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**Three Months Ended December 31, 2019 and 2018**

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3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

**Significant Judgements**

*Classification of cryptocurrencies as current assets* - The Company has determined to classify its holding of cryptocurrencies as current assets, based on its assessment that they are considered to be commodities, and the availability of liquid markets to which the Company may sell such assets to generate a profit from price fluctuations.

*Accounting for cryptocurrencies* - The Company applied judgement in the determination that its holding of cryptocurrencies should be accounted for under IAS 2, Inventories, since it meets the definition of a commodity broker-trader. The inventories held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin.

*Valuation techniques* - The fair value of investments are measured using an income or market approach (Note 14). The determination of the fair value requires significant judgement by the Company. The Company acts in good faith to fair value its investments on the date of purchase and on a quarterly basis thereafter, consistent with fair value accounting guidance in accordance with IFRS 13, Fair Value Measurement.

**Significant Estimates**

*Valuation of cryptocurrencies and investments* - The Company's cryptocurrencies are traded in active markets and are valued based upon quoted prices (less any costs to sell) but some of the Company's investments are not actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs. These valuations require the Company to make significant estimates and assumptions.

Realized gains and losses from the sale and disposition of cryptocurrencies and investments, whether by conversion to cash or other cryptocurrencies, are recorded as net realized gain (loss) on cryptocurrencies and net realized gain (loss) on investments, respectively. Unrealized gains and losses on cryptocurrencies and investments due to the change in fair market value are recorded as net unrealized gain (loss) on cryptocurrencies and net unrealized gain (loss) on investments, respectively.

*Stock-based compensation and warrants* - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments and warrants. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life and expected dividend yield.

*Deferred income taxes* - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Three Months Ended December 31, 2019 and 2018**

**4. CASH AND CASH EQUIVALENTS**

The balance consists of funds in cash and banks immediately available for their use in the Company's operations and cashable guaranteed investment certificates ("GIC"). Any cashable GIC pledged as security is presented as restricted cash in the other assets account.

	<b>December 31, 2019</b>	September 30, 2019
Cash in banks	\$ 145,974	\$ 387,474
Guaranteed investment certificates - GIC	838,491	1,355,200
	<b>\$ 984,465</b>	<b>\$ 1,742,674</b>

**5. SALES TAX RECEIVABLE AND PREPAID EXPENSES**

The balances are comprised as follows:

	<b>December 31, 2019</b>	September 30, 2019
Prepaid expenses and advances	11,745	19,835
Harmonized sales tax	8,652	10,882
	<b>\$ 20,397</b>	<b>\$ 30,717</b>

**6. CRYPTOCURRENCIES**

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

As at December 31, and September 30, 2019, the balance of cryptocurrencies at cost and at market value is as follows:

	Quantity	Cost (USD) (a)	Cost (a)	<b>Market Value</b>
Bitcoin	182.1	\$ 1,429,803	\$ 1,857,028	<b>\$ 1,701,580</b>
Moneros	2,748.9	158,245	205,529	<b>159,124</b>
Balance at December 31, 2019		<b>\$ 1,588,048</b>	<b>\$ 2,062,557</b>	<b>\$ 1,860,704</b>

	Quantity	Cost (USD) (a)	Cost (a)	<b>Market Value</b>
Bitcoin	179.9	\$ 1,375,857	\$ 1,813,866	<b>\$ 1,975,762</b>
Balance at September 30, 2019		<b>\$ 1,375,857</b>	<b>\$ 1,813,866</b>	<b>\$ 1,975,762</b>

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

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Three Months Ended December 31, 2019 and 2018**

6. CRYPTOCURRENCIES (Continued)

The continuity of the cryptocurrencies account is as follows:

Balance at September 30, 2018	\$	-
Cash purchases		1,942,066
Purchases with other cryptocurrencies		846,450
Transfers to other cryptocurrencies		(828,127)
Cryptocurrencies used for purchase of investment		(126,516)
Net unrealized gain on cryptocurrencies		161,896
Foreign exchange		(20,007)
<b>Balance at September 30, 2019</b>		<b>1,975,762</b>
Cash purchases		262,617
Purchases with other cryptocurrencies		208,060
Transfers to other cryptocurrencies		(208,688)
Unrealized loss on cryptocurrencies		(342,609)
Foreign exchange		(34,438)
<b>Balance at December 31, 2019</b>	<b>\$</b>	<b>1,860,704</b>

The Company's net realized gain or loss on cryptocurrencies is calculated as the proceeds received, utilizing the closing price on [www.coinmarketcap.com](http://www.coinmarketcap.com) for crypto-to-crypto transactions, less its assigned average cost as at the transaction date. The Company's net unrealized gain or loss on cryptocurrencies is calculated as the change in fair value of the cryptocurrency from the beginning of the period.

7. INVESTMENTS

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

	Quantity	December 31, 2019	Quantity	September 30, 2019
Hydro66 Holdings Corp. - Shares	4,600,000	\$ 713,000	4,600,000	\$ 1,196,000
Hydro66 Holdings Corp. - Warrants	5,000,000	-	5,000,000	4,696
Chia Network Inc. - SAFE	-	389,640	-	397,290
Katana Cryptographic Ltd. - Interest	1,429	126,516	1,429	126,516
ZkSnacks Limited - Shares (a)	4,500	445,027	-	-
		<b>\$ 1,674,183</b>		<b>\$ 1,724,502</b>

(a) In November 2019, the Company invested in ZkSnacks Limited ("zkSnacks"), a private limited company located in Gibraltar, through the receipt of 4,500 shares giving the Company 4.5% ownership of zkSnacks by paying USD\$337,500 (\$445,027). The products of zkSnacks include Wasabi Wallet which is an opensource, non-custodial, privacy-focused Bitcoin wallet for desktop use.

During the current period there have not been any other changes in the investments account. More details of the investments are disclosed in the audited consolidated financial statements at September 30, 2019.

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Three Months Ended December 31, 2019 and 2018**

7. INVESTMENTS (Continued)

The continuity of the investments account for the periods ended December 31, 2019 and September 30, 2019, is as follows:

Balance at September 30, 2018	\$	4,239,364
Purchases		126,516
Proceed from sale		(232,746)
Realized gain on investments		118,746
Unrealized loss on investment		(2,536,318)
Foreign exchange		8,940
Balance at September 30, 2019		1,724,502
Purchases		445,027
Unrealized loss on investments		(487,696)
Foreign exchange		(7,650)
<b>Balance at December 31, 2019</b>	<b>\$</b>	<b>1,674,183</b>

8. OTHER ASSETS

The balances are comprised as follows:

	<b>December 31, 2019</b>	September 30, 2019
Restricted cash (a)	\$ -	\$ 52,687
Non-current prepaid insurance	<b>18,900</b>	20,925
	<b>\$ 18,900</b>	\$ 73,612

(a) Restricted cash consists of a guaranteed investment certificate ("GIC") pledged as security for a corporate credit card facility. The facility was cancelled and the GIC was sold during the current period.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	<b>December 31, 2019</b>	September 30, 2019
Trade accounts payable	\$ 72,599	\$ 45,984
Accrued liabilities	<b>34,928</b>	65,000
Due to Laramide Resources Ltd. (Note 12)	<b>1,116</b>	2,729
Due to Treasury Metals Inc. (Note 12)	<b>81</b>	170
	<b>\$ 108,724</b>	\$ 113,883

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Three Months Ended December 31, 2019 and 2018**

10. CAPITAL STOCK

a) **AUTHORIZED**

Unlimited common shares

b) **ISSUED**

<b>COMMON SHARES</b>	Number of Shares	Stated Value
Balance at December 31, 2018 and 2019	90,166,482	\$ 8,187,214

11. 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 February 13, 2019, the Company issued to a consultant 900,000 stock options to buy common shares at an exercise price of \$0.07 each and expiring on June 1, 2023. 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 \$0.06, dividend yield 0%, expected volatility based on average volatility of entities with similar activities 159.1%, a risk free interest rate of 1.85%, and an expected life of 4.3 years. The fair value of the options was estimated at \$48,447 and was recognized in the statement of comprehensive income (loss) for the year ended September 30, 2019.

The continuity of outstanding and exercisable stock options during the periods is as follows:

	<b>December 31, 2019</b>	September 30, 2019	Exercise price
Beginning Balance	<b>5,900,000</b>	5,000,000	\$0.10
Issued	-	900,000	\$0.07
<b>Ending Balance</b>	<b>5,900,000</b>	5,900,000	

The detail of outstanding and exercisable options at December 31 and September 30, 2019 is as follows:

Expiry Date	<b>December 31, 2019</b>	September 30, 2019	Exercise Price
June 1, 2023	<b>5,000,000</b>	5,000,000	\$0.10
June 1, 2023	<b>900,000</b>	900,000	\$0.07
<b>Balance at December 31</b>	<b>5,900,000</b>	5,900,000	

**CYPHERPUNK HOLDINGS INC.**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**Three Months Ended December 31, 2019 and 2018**

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12. 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 period ended December 31, 2019, Laramide Resources Ltd., a company having a director and officer in common with the Company, charged \$22,500 (December 31, 2018 - \$22,500) for financial and administrative services and other shared expenditures. In addition, Laramide Resources Ltd. paid \$4,526 (December 31, 2018 - \$28,142) of certain expenses on behalf of the Company which were subsequently reimbursed to Laramide Resources Ltd. At December 31, 2019, there is \$1,116 (September 30, 2019 - \$2,729) of accounts payable to Laramide Resources Ltd. (Note 9).

During the period ended December 31, 2019, Treasury Metals Inc., a company having a director and officer in common with the Company, paid \$839 (December 31, 2018 - \$170) of certain expenses on behalf of the Company. At December 31, 2019, there is \$81 (September 30, 2019 - \$170) of accounts payable to Treasury Metals Inc. (Note 9).

During the period ended December 31, 2019, the Company paid \$26,000 (December 31, 2018 - \$18,000) for consulting services provided by an officer and director of the Company. At December 31, 2019 and 2018 there is \$Nil of accounts payable to this related party.

During the period ended December 31, 2019, the Company paid \$18,000 (December 31, 2018 - \$18,000) for consulting services provided by a director of the Company. At December 31, 2019 there is \$Nil of accounts payable to this related party (September 30, 2019 - \$24,000).

During the period ended December 31, 2019, the Company paid \$27,626 (December 31, 2018 - \$8,568) for legal services by a firm of which an officer of the Company is a partner. At December 31, 2019 there is \$1,116 of accounts payable to this related party (September 30, 2019 - \$Nil).

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 key management is shown below:

Period ended December 31	2019	2018
Consulting fees	\$ 44,000	\$ 36,000
Director fees	11,250	18,750
	\$ 55,250	\$ 54,750

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13. CONTINGENT LIABILITIES

a) 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.

b) Former Officer Claim - In October 2017, the former Chief Executive Officer filed a \$775,000 claim for severance and damages against the Company. The Company believes the severance is not appropriate and the amount claimed is not probable to be paid. No provision has been made for the claim in these interim condensed consolidated financial statements. In the year ended September 30, 2019 the Company paid \$25,000 as an interim settlement ordered by the Court of Ontario.

14. FINANCIAL RISK FACTORS

**Capital Management**

The Company manages its capital structure and makes adjustments to it, 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.

There were no changes in the Company's approach to capital management during the period ended December 31, 2019.

**Risk Disclosures**

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

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14. FINANCIAL RISK FACTORS (Continued)

**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, crypto-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 year end balances represented by exchanges.

As at December 31, 2019, the Company held approximately \$0.9 million in cash and cash equivalents at high credit quality financial institutions and approximately \$1.9 million in cryptocurrencies at a custodian regulated by the New York Department of Financial Services. The Company's due diligence procedures around exchanges and custodians utilized throughout the year 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 years.

**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.



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14. FINANCIAL RISK FACTORS (Continued)

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, that 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.

**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.

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14. FINANCIAL RISK FACTORS (Continued)

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 December 31, 2019, 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 \$167,418.

**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 December 31, 2019 is \$2,292,001 (September 30, 2019 - \$2,386,256). Sensitivity to a plus or minus 10% change in the foreign exchange rates would affect the net comprehensive loss by \$229,200.

**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 December 31, 2019, the Company had cash and cash equivalents balance of \$984,465 (September 30, 2019 - \$1,742,674) to settle current liabilities of \$108,724 (September 30, 2019 - \$113,883). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

**Fair Value Hierarchy**

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – Financial Instruments; Fair Value Measurement ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

December 31, 2019:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 984,465	\$ -	\$ -
Cryptocurrencies	-	1,860,704	-
Investments	713,000	-	961,183
	\$ 1,697,465	\$ 1,860,704	\$ 961,183

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14. FINANCIAL RISK FACTORS (Continued)

September 30, 2019:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 1,742,674	\$ -	\$ -
Investments	-	1,975,762	-
Restricted cash	-	52,687	-
Investments	1,196,000	4,696	523,806
	\$ 2,938,674	\$ 2,033,145	\$ 523,806

There have been no transfers between levels 1, 2 or 3 during the reported periods except for the sale of a previously reported level 2 GIC during the current period (Note 8).

The Company's cryptocurrencies are classified as Level Two determined by taking the price from [www.coinmarketcap.com](http://www.coinmarketcap.com) as of 24:00 UTC.

The Company's investments are classified as Level One, Two or Three depending on the inputs utilized to determine the fair value at year end.

The investments classified as Level One are the 4,600,000 shares of Hydro66. The shares have a fair value of \$713,000 at December 31, 2019 (September 30, 2019 - \$1,196,000). The fair value of the shares is determined using the stock price of Hydro66 which is listed under the trading symbol "SIX". On December 31, 2019, the share price was \$0.26 (September 30, 2019 - \$0.69). The company performed a sensitivity analysis on the fair value of the shares and noted that a 20% decrease in share price would result in a \$104,761 decrease in the fair value of the shares.

The investments classified as Level Two are the 5,000,000 warrants of Hydro66. The warrants have a fair value of \$Nil at December 31, 2019 (September 30, 2019 - \$4,696). The fair value of the warrants is determined using the Black-Scholes option pricing model and is updated at the end of each period.

Investments classified as Level Three consist of the USD\$300,000 (\$389,640) invested for a SAFE with Chia, USD\$100,000 (\$126,516) invested for an interest in Katana and \$445,027 invested for 4,500 shares of zkSnacks Limited. The fair value of the SAFE was determined using the consideration paid for the SAFE in July 2018. The fair value of the interest in Katana and zkSnacks Limited was determined using the consideration paid for the investment in May and November 2019, respectively. The Company performed a sensitivity analysis on the considerations paid for the Level 3 investments and noted that a 20% decrease would result in a \$192,237 decrease in their fair value.

The fair value of Level 3 assets is inherently subjective. Because of the uncertainty of fair value of investments that do not have readily ascertainable market values, management's conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

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14. FINANCIAL RISK FACTORS (Continued)

The following is a reconciliation of Level 3 assets for the period ended December 31, 2019:

	Fair value October 1, 2018	Purchases	Foreign exchange Gain	Fair value December 31, 2019
Chia Network Inc. - SAFE	\$ 397,290	\$ -	\$ (7,650)	\$ 389,640
Katana Cryptographic Ltd. - Interest	126,516	-	-	126,516
zkSnacks Limited	-	445,027	-	445,027
	\$ 523,806	\$ 445,027	\$ (7,650)	\$ 961,183

Accounts payable and accrued liabilities are measured at amortized cost which also approximates fair value.