

**CYPHERPUNK HOLDINGS INC.**

**(Formerly Khan Resources Inc.)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE NINE MONTHS ENDED**

**JUNE 30, 2019 AND 2018**

**(Unaudited - Expressed in Canadian  
Dollars)**

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

The accompanying interim condensed consolidated financial statements of Cypherpunk Holdings Inc. (Formerly: Khan Resources 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 June 30, 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 June 30, 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 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. (Formerly Khan Resources Inc.)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	June 30, 2019	September 30, 2018
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (Note 4)	\$ 2,482,673	\$ 4,072,322
Sales tax receivable and prepaid expenses (Note 5)	23,868	28,407
Cryptocurrencies (Note 6)	1,991,040	-
	<u>4,497,581</u>	<u>4,100,729</u>
Investments (Note 7)	3,160,585	4,239,364
Other assets (Note 8)	75,200	81,275
	<u>\$ 7,733,366</u>	<u>\$ 8,421,368</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 96,623	\$ 126,939
<b>Shareholders' Equity</b>		
Capital stock (Note 10)	8,187,214	8,187,214
Reserves	11,656,565	11,608,118
Deficit	(12,206,714)	(11,500,903)
Accumulated other comprehensive loss	(322)	-
	<u>7,636,743</u>	<u>8,294,429</u>
	<u>\$ 7,733,366</u>	<u>\$ 8,421,368</u>

Nature of Operations and Going Concern (Note 1)  
Contingent liabilities (Note 14)

SIGNED ON BEHALF OF THE BOARD

(Signed) "Marc Henderson"  
Director

(Signed) "Michael Sadhra"  
Director

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
<b>Income (loss)</b>				
Interest income	\$ 5,901	\$ 6,744	\$ 13,440	\$ 29,356
Realized gain on cryptocurrencies (Note 6)	119,208	-	119,208	-
Unrealized gain on cryptocurrencies (Note 6)	683,316	-	684,219	-
Gain on sale of investments (Note 7)	119,118	-	119,118	-
Net unrealized gain (loss) on investments (Note 7)	1,330,275	-	(1,095,555)	-
	<u>2,257,818</u>	<u>6,744</u>	<u>(159,570)</u>	<u>29,356</u>
<b>Expenses</b>				
General and administrative	\$ 106,469	\$ 59,306	\$ 254,794	\$ 204,583
Consulting fees	45,000	12,000	147,921	17,322
Legal expenses	40,470	14,213	75,124	28,063
Stock-based compensation (Note 11)	-	391,761	48,447	391,761
Foreign exchange loss (gain)	56,348	(20,795)	19,955	(61,358)
	<u>248,287</u>	<u>456,485</u>	<u>546,241</u>	<u>580,371</u>
<b>Income (loss) before income taxes</b>	<b>2,009,531</b>	<b>(449,741)</b>	<b>(705,811)</b>	<b>(551,015)</b>
Current income tax recovery	-	-	-	212,873
<b>Net income (loss) for the period</b>	<b>\$ 2,009,531</b>	<b>\$ (449,741)</b>	<b>\$ (705,811)</b>	<b>\$ (338,142)</b>
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified to net income (loss)				
Cumulative translation adjustment	(322)	-	(322)	-
Fair value of equity instrument	-	1,593,041	-	1,593,041
Income tax on valuation of equity instrument	-	(211,078)	-	(211,078)
<b>Other comprehensive income (loss)</b>	<b>\$ (322)</b>	<b>\$ 1,381,963</b>	<b>\$ (322)</b>	<b>\$ 1,381,963</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 2,009,209</b>	<b>\$ 932,222</b>	<b>\$ (706,133)</b>	<b>\$ 1,043,821</b>
<b>Net income (loss) per share - basic &amp; diluted</b>				
	\$ 0.02	\$ 0.00	\$ (0.01)	\$ 0.00
Weighted average number of shares outstanding				
	<u>90,166,482</u>	<u>90,166,482</u>	<u>90,166,482</u>	<u>90,166,482</u>

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	Common Shares	Capital Stock	Reserves	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, October 1, 2017</b>	<b>90,166,482</b>	<b>\$ 8,187,214</b>	<b>\$ 11,216,357</b>	<b>\$ (12,293,366)</b>	<b>\$ -</b>	<b>\$ 7,110,205</b>
Stock-based compensation	-	-	391,761	-	-	391,761
Net income for the period	-	-	-	(338,142)	-	(338,142)
Other comprehensive income	-	-	-	-	1,381,963	1,381,963
<b>Balance, June 30, 2018</b>	<b>90,166,482</b>	<b>8,187,214</b>	<b>11,608,118</b>	<b>(12,631,508)</b>	<b>1,381,963</b>	<b>8,545,787</b>
Net income for the period	-	-	-	1,130,605	-	1,130,605
Other comprehensive income (Note 7)	-	-	-	-	(1,381,963)	(1,381,963)
<b>Balance September 30, 2018</b>	<b>90,166,482</b>	<b>8,187,214</b>	<b>11,608,118</b>	<b>(11,500,903)</b>	<b>-</b>	<b>8,294,429</b>
Stock-based compensation (Note 11)	-	-	48,447	-	-	48,447
Net loss for the period	-	-	-	(705,811)	(322)	(706,133)
Balance, June 30, 2019	<b>90,166,482</b>	<b>\$ 8,187,214</b>	<b>\$ 11,656,565</b>	<b>\$ (12,206,714)</b>	<b>\$ (322)</b>	<b>\$ 7,636,743</b>

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	Three Months Ended June 30		Nine Months Ended June 30	
	2019	2018	2019	2018
<b>Cash and cash equivalents (used in) provided by:</b>				
<b>Operating activities</b>				
Net income (loss) for the period	\$ 2,009,531	\$ (449,741)	\$ (705,811)	\$ (338,142)
<b>Adjustments for:</b>				
Unrealized gain on cryptocurrencies	(683,316)	-	(684,219)	-
Realized gain on cryptocurrencies	(119,208)	-	(119,208)	-
Net unrealized loss (gain) on investments	(1,330,275)	-	1,095,555	-
Income tax recovery	-	-	-	(212,873)
Gain on sale of investments	(119,118)	-	(119,118)	-
Stock-based compensation	-	391,761	48,447	391,761
Foreign exchange	51,633	-	38,514	-
<b>Net change in non-cash working capital items:</b>				
Accounts receivable and prepaid expenses	24,424	1,958	4,539	(25,906)
Accounts payable and accrued liabilities	15,837	43,081	(24,241)	76,714
Current income tax refund	-	614,931	-	614,931
	(150,492)	601,990	(465,542)	506,485
<b>Investing Activities</b>				
Purchase of investments	(126,516)	-	(126,516)	-
Sale of investments	233,118	-	233,118	-
Cryptocurrencies additions	(1,447,914)	-	(1,555,394)	-
Cryptocurrencies sales	324,685	-	324,685	-
	(1,016,627)	-	(1,124,107)	-
<b>Change in cash and cash equivalents</b>	<b>(1,167,119)</b>	<b>601,990</b>	<b>(1,589,649)</b>	<b>506,485</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>3,649,792</b>	<b>1,534,647</b>	<b>4,072,322</b>	<b>1,630,152</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 2,482,673</b>	<b>\$ 2,136,637</b>	<b>\$ 2,482,673</b>	<b>\$ 2,136,637</b>

There are non-cash transactions for the periods ended June 30, 2019 and 2018.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 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 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 June 30, 2019, the Company has a working capital of \$4,400,958 (September 30, 2018 - \$3,973,790), and has not yet achieved profitable operations and has accumulated losses of \$12,206,714 (September 30, 2018 - \$11,500,903). 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. Additionally, certain assets are held in cryptocurrency exchanges or with custodians that are limited in oversight by regulatory authorities.

On August 28, 2019, the Board of Directors approved the interim condensed consolidated financial statements for the periods ended June 30, 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, 2018 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, 2018, and have been consistently applied in the preparation of these interim condensed consolidated financial statements; in addition to the recently adopted accounting policies pertaining to the new business direction of the Company, specifically the valuation and income recognition of cryptocurrencies which are described in this Note and in Note 3.

**Basis of Presentation**

The interim condensed consolidated financial statements as at June 30, 2019 and 2018 have been prepared and presented on a going concern basis.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 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 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 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).



**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Standards Adopted**

**Cryptocurrencies**

There is limited guidance on the recognition and measurement of cryptocurrencies. The Company's cryptocurrencies are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Company has determined that its holding of cryptocurrencies should be accounted for under IAS 2, Inventories, and it meets the definition of a commodity broker-trader. Under IAS 2, cryptocurrencies are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss. In accordance with IAS 2, commodity broker-traders are those who buy or sell commodities for others or on their own account. 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.

**Accountings Standards Issued but not yet Effective**

*IFRS 16 – Leases:* On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company will apply IFRS 16 effective October 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will implement the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

*IFRIC 23 – Uncertainty Over Income Tax Treatments:* clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

**3. ACCOUNTING ESTIMATES AND JUDGMENTS**

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, equity or earnings. These estimates and assumptions notably relate to the following items:

*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.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
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**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

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**3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

*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 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.

Cryptocurrencies are treated as inventory for financial reporting purposes. Realized gains and losses from the sale and disposition of cryptocurrencies, whether by conversion to cash or other cryptocurrencies, are recorded as net realized gain (loss) on cryptocurrencies. Unrealized gains and losses on cryptocurrencies and investments are recorded as net unrealized gain (loss) on cryptocurrencies, and net unrealized gain (loss) on investments, respectively.

*Measurement of investments in FVTPL financial assets* - The unrealized gain / loss is the difference between the weighted average cost of the asset and its fair value at the measurement date. Estimates and judgments are used to determine the fair value of level two and level three investments.

*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, 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.

*Going Concern* - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

Some of the comparative financial statements figures have been reclassified from the statements previously presented to conform to the presentation of these interim condensed consolidated financial statements at June 30, 2019.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 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 guaranteed investment certificates ("GIC") with a maturity date of less than one year and held for investment. Any GIC pledged as security is presented as restricted cash in the other assets account.

	<b>June 30, 2019</b>	September 30, 2018
Cash in banks	\$ 193,982	\$ 4,072,322
Guaranteed investment certificates - GIC	2,288,691	-
	<b>\$ 2,482,673</b>	<b>\$ 4,072,322</b>

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

The balances are comprised as follows:

	<b>June 30, 2019</b>	September 30, 2018
Prepaid expenses and advances	11,723	11,737
Harmonized sales tax	12,145	16,670
	<b>\$ 23,868</b>	<b>\$ 28,407</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.

In the current fiscal year, the Company started investing in cryptocurrencies. As at June 30, 2019, there is \$119,208 of realized gain on the sale and disposition of cryptocurrencies, including its conversion to other cryptocurrencies.

At June 30, 2019, the inventory of bitcoins and moneros had a weighted average acquisition cost of USD\$6,559.61 (\$8,580.03) and USD\$109.76 (\$143.56) per unit, respectively. The cryptocurrencies have been marked to market at June 30, 2019, based on a bitcoin fair value of USD\$10,817.16 (\$14,156.42) and a monero fair value of USD\$87.53 (\$114.55).

At June 30, 2019 the balance of cryptocurrencies at cost and at market value is as follows:

	Quantity	Total cost in USD\$	Total cost in CAD\$	Market Value in CAD\$
Bitcoin	130	\$ 850,928	\$ 1,113,022	\$ 1,836,404
Monero	1,350	148,164	193,799	154,636
Balance at June 30, 2019		\$ 999,092	\$ 1,306,821	\$ 1,991,040

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

**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	June 30, 2019	Quantity	September 30, 2018
Hydro66 Holdings Corp. - Shares (a)	4,600,000	\$ 2,392,000	5,000,000	\$ 3,450,000
Hydro66 Holdings Corp. - Warrants (a)	5,000,000	249,459	5,000,000	401,014
Chia Network Inc. - SAFE (b)	-	392,610	-	388,350
Katana Cryptographic Ltd. - Shares (c)	1,429	126,516	-	-
		<b>\$ 3,160,585</b>		<b>\$ 4,239,364</b>

(a) In February 2018, the Company made an investment in Arctic Blockchain Ltd. ("Arctic"), a privately held British Columbia corporation that operates a data centre business in Northern Sweden, offering enterprise collocation services as well as mining cryptocurrency for its own account and its customers. Under the terms of the investment, the Company purchased C\$2.5 million of convertible non-interest bearing debentures (the "Debentures") of Arctic. The principal amount of the Debentures could be converted into units of Arctic at the conversion price of \$0.50 per unit; each unit was comprised of one common share of Arctic and one share purchase warrant, with each warrant entitling the holder thereof to acquire one common share of Arctic at a price of \$0.75 per share for a period of two years.

Effective June 13, 2018, upon the completion of a takeover transaction of Arctic by Hydro66 and after becoming a listed technology issuer on the Canadian Securities Exchange as Hydro66 Holdings Corp., the Debentures owned by the Company were converted into 5 million shares valued at \$3,750,000 and 5 million warrants valued at \$633,932 of Hydro66 Holdings Corp. which is listed under the trading symbol "SIX". The Company recognized a gain on conversion of \$1,883,932 in the fiscal year 2018.

The fair value of the warrants is determined using the Black-Scholes option pricing model and is updated at the end of each period. As at June 30, 2019, the warrants were assigned a fair value of \$249,459 (September 30, 2018 - \$401,014), using the following assumptions: estimate volatility of 50% (September 30, 2018 - 27.42%), a risk free interest rate of 1.3% (September 30, 2018 - 1.01%) and a share price of \$0.54 (September 30, 2018 - \$0.69).

As at June 30, 2019, there is \$119,118 of gain on sale of 400,000 shares of Hydro66 Holdings Corp. The fair value variance of the investments is charged to unrealized gain (loss) on investments in the interim condensed consolidated statement of comprehensive income (loss).

Subsequent to June 30, 2019, the market value of the shares and warrants of Hydro66 Holdings Corp. is \$1,084,786. The Company will continue to review the status of this investment and consider further valuation adjustments in the next reporting period.

(b) On July 9, 2018, the Company invested USD\$300,000 (CAD\$392,610) into a Simple Agreement for Future Equity ("SAFE") with Chia Network Inc. ("Chia"). The Company is entitled to participate, at a discount of 10%, in any future equity financing of Chia, subject to certain events.

In the event that Chia had an equity financing the Company will automatically be awarded shares of preferred stock equal to the invested amount divided by the discounted price. In the event that Chia has a liquidity event, the Company will be paid out at least the value of its investment or receive a number of shares of common stock equal to the invested amount divided by the liquidity price. Thereafter, this instrument will expire and terminate.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

---

**7. INVESTMENTS (Continued)**

(c) On May 30, 2019, the Company invested in Katana Cryptographic Ltd. ("Katana"), a private limited company located in United Kingdom, through the subscription and payment of 1,429 shares representing 1.43% ownership of Katana by paying 11.44 Bitcoins equivalent to USD\$100,000 (\$126,516). One of the main products of Katana is Samourai Wallet which is an advanced and secure mobile bitcoin wallet.

**8. OTHER ASSETS**

The balances are comprised as follows:

	<b>June 30, 2019</b>	September 30, 2018
Restricted cash (a)	\$ 52,250	\$ 52,250
Non-current prepaid insurance	22,950	29,025
	<b>\$ 75,200</b>	<b>\$ 81,275</b>

(a) Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The balances are comprised as follows:

	<b>June 30, 2019</b>	September 30, 2018
Trade accounts payable	\$ 32,909	\$ 57,034
Accrued liabilities	60,000	63,527
Due to Laramide Resources Ltd. (Note 12)	2,078	5,480
Due to Treasury Metals Inc. (Note 12)	1,636	898
	<b>\$ 96,623</b>	<b>\$ 126,939</b>

**10. CAPITAL STOCK**

**a) AUTHORIZED**

Unlimited common shares

**b) ISSUED**

<b>COMMON SHARES</b>	Number of Shares	Stated Value
Balance at September 30, 2017, 2018 and June 30, 2019	90,166,482	\$ 8,187,214

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

---

**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 expire 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 is estimated at \$48,477 and is recognized in the statement of comprehensive income (loss) for the current period.

On June 1, 2018, the Company granted a total of 5,000,000 options to certain directors and officers to buy common shares at an exercise price of \$0.10 each and expire 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 \$0.085, dividend yield 0%, expected volatility based on average volatility of entities with similar activities 159.1%, a risk free interest rate of 1.6%, and an expected life of 5 years. As a result, the fair value of the options was estimated at \$391,671 and was recognized in the statement of comprehensive income (loss) for the period ended June 30, 2018.

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

	<b>June 30, 2019</b>	September 30, 2018	Exercise price
Beginning Balance	<b>5,000,000</b>	-	\$0.10
Issued	<b>900,000</b>	-	\$0.07
Issued	-	5,000,000	\$0.10
<b>Ending Balance at end of period</b>	<b>5,900,000</b>	5,000,000	

The detail of outstanding and exercisable options at June 30, 2019 is as follows:

Expiry Date	Number of Stock Options	Exercise Price
June 1, 2023	5,000,000	0.10
June 1, 2023	900,000	0.07
<b>Balance at June 30, 2019</b>	<b>5,900,000</b>	

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

---

**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 June 30, 2019, Laramide Resources Ltd., a company having a director and officer in common with the Company, charged \$67,500 (2018- \$45,155) for financial and administrative services including office space rent and other shared expenditures. In addition, Laramide Resources Ltd. paid \$35,087 of certain expenses on behalf of the Company which were subsequently reimbursed to Laramide Resources Ltd. At June 30, 2019, there is \$2,078 (September 30, 2018 - \$5,480) of accounts payable to Laramide Resources Ltd.

During the period ended June 30, 2019, Treasury Metals Inc., a company having a director and officer in common with the Company, paid \$2,010 (2018- \$823) of certain expenses on behalf of the Company. At June 30, 2019, there is \$1,636 (September 30, 2018 - \$898) of accounts payable which was subsequently reimbursed to Treasury Metals Inc.

During the period ended June 30, 2019, the Company paid \$4,300 for consulting services provided by a firm of which a director and former interim officer of the Company is a tax partner (2018 - \$6,210). At June 30, 2019 and September 30, 2018 there is \$Nil of accounts payable to this related party.

During the period ended June 30, 2019, the Company paid \$54,000 (2018 - \$12,000) for consulting services provided by an officer and director of the Company. At June 30, 2019 there is \$Nil (September 30, 2018 - \$13,560) of accounts payable to this related party.

During the period ended June 30, 2019, the Company paid \$60,000 (2018 - \$Nil) for consulting services provided by a director of the Company. At June 30, 2019 and September 30, 2018 there is \$Nil of accounts payable to this related party.

During the period the Company paid \$20,726 for legal services by a firm of which an officer of the Company is a partner (2018 - \$17,230). At June 30, 2019 there is \$Nil of accounts payable to this related party (September 30, 2018 - \$13,311).

Transactions with related parties were conducted in the normal course of operations.

**13. 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 June 30	2019	2018
Consulting fees	\$ 114,000	\$ 12,000
Director fees	44,217	41,250
	\$ 158,217	\$ 53,250

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

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**14. 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. Based on tax professionals advice, management is of the 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 the opportunity to fully review 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.

**15. 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 from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At June 30, 2019, the Company has a working capital of \$4,400,958 (September 30, 2018 - \$3,973,790), and a total of Capital stock and contributed surplus of \$19,843,779 (September 30, 2018 - \$19,795,332).

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.

At June 30, 2019, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis and other expansionary plans.

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 June 30, 2019.

**Risk Disclosures**

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



**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

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**15. 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 June 30, 2019, the Company held approximately \$2.5 million in cash and cash equivalents and \$2.0 million in cryptocurrencies at exchanges or custodians. The Company's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Company's chief investment officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and cryptocurrencies held on an exchange 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 including global supply and demand, interest rates, exchanges rates, inflation or deflation and the 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.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

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**15. FINANCIAL RISK FACTORS (Continued)**

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 Company, 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.

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.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

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**15. FINANCIAL RISK FACTORS (Continued)**

**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, 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 \$316,059.

**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, 2019 is \$2,514,747 (September 30, 2018 - \$1,205,362).

**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, 2019, the Company had cash and cash equivalents balance of \$2,482,673 (September 30, 2018 - \$4,072,322) to settle current liabilities of \$96,623 (September 30, 2018 - \$126,939). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

**Sensitivity Analysis**

As at June 30, 2019 and September 30, 2018, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

- i) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by \$251,475.
- ii) The Company is exposed to cryptocurrency price variations on its cryptocurrencies. Sensitivity to a plus or minus 20% change in the prices would affect the net comprehensive income (loss) by \$398,208

**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.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

**15. FINANCIAL RISK FACTORS (Continued)**

June 30, 2019:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 2,482,673	\$ -	\$ -
Cryptocurrencies	-	1,991,040	-
Restricted cash	-	52,250	-
Investments	2,392,000	249,459	519,126
	<b>\$ 4,874,673</b>	<b>\$ 2,292,749</b>	<b>\$ 519,126</b>

September 30, 2018:	Level One	Level Two	Level Three
Cash and cash equivalents	\$ 4,072,322	\$ -	\$ -
Restricted cash	-	52,250	-
Investments	3,450,000	401,014	388,350
	<b>\$ 7,522,322</b>	<b>\$ 453,264</b>	<b>\$ 388,350</b>

There have been no transfers between levels 1, 2 or 3 during the reported periods.

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

The investments classified as Level One are the 4,600,000 shares of Hydro66 Holdings Corp. The shares have a fair value of \$2,392,000 at June 30, 2019 (September 30, 2018 - \$3,450,000). The fair value of the shares is determined using the stock price of Hydro66 Holdings Corp. which is listed under the trading symbol "SIX". On June 30, 2019, the share price was \$0.52 (September 30, 2018 - \$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 \$478,400 decrease in the fair value of the shares.

The investments classified as Level Two are the 5,000,000 warrants of Hydro66 Holdings Corp. The warrants have a fair value of \$249,459 at June 30, 2019 (September 30, 2018 - \$401,014). The fair value of the warrants is determined using the Black-Scholes option pricing model and is updated at the end of each period. The following assumptions were used to assign the fair value: estimate volatility of 50% (September 30, 2018 - 27.42%), share price of \$0.54 (September 30, 2018 - \$0.69) and a risk free interest rate of 1.3% (September 30, 2018 -1.01%).

Investments classified as Level Three consist of the USD\$300,000 (\$392,610) invested for a Simple Agreement for Future Equity ("SAFE") with Chia Network. The fair value of the SAFE was determined using the consideration paid for the SAFE on July 9, 2018. Also, in level Three is the investment in Katana Cryptographic Ltd., its fair value was determined using the \$126,516 consideration paid for that investment in May 2019. 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 \$103,825 decrease in their fair value.

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

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.

**CYPHERPUNK HOLDINGS INC. (Formerly Khan Resources Inc.)**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**  
**Nine Months Ended June 30, 2019 and 2018**

---

**15. FINANCIAL RISK FACTORS (Continued)**

The following is a reconciliation of Level 3 assets for the period ended June 30, 2019:

	Fair value October 1, 2018	Purchases	Net unrealized Gain (loss)	Foreign exchange Gain (loss)	Fair value June 30, 2019
Chia Network Inc. - SAFE	\$ 388,350	\$ -	\$ -	\$ 4,260	\$ 392,610
Katana Cryptographic Ltd. - Shares	-	126,516	-	-	126,516
	\$ 388,350	\$ 126,516	\$ -	\$ 4,260	\$ 519,126

Accounts payable and accrued liabilities are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.