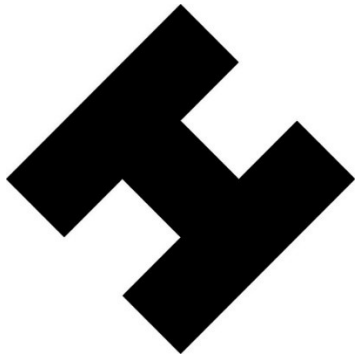




Immutable Holdings

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

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 condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

Vancouver, BC
August 15, 2022

Immutable Holdings Inc.**Condensed Interim Consolidated Statements of Financial Position****For the six months ended June 30, 2022 and 2021**

(Expressed in Canadian Dollars)

	Notes	June 30, 2022 (unaudited) \$	December 31, 2021 (audited) \$
Assets			
Current			
Cash		20,183,627	22,313,524
Digital assets	7	204,846	-
Digital asset loan receivable	7	2,588,648	-
GST receivable		129,037	96,063
Prepaid expenses	11,14	1,042,124	664,365
Total current assets		24,148,282	23,073,952
Intangible assets	6	130,389	33,515
Equipment	10	64,397	-
Right-of-use asset	9	277,693	305,258
Total assets		24,620,761	23,412,725
Liabilities			
Current			
Accounts payable and accrued liabilities	14	405,362	603,928
Deferred revenue	8	859,420	846,487
		1,264,782	1,450,415
Deferred revenue	8	1,055,438	1,460,479
Total liabilities		2,320,220	2,910,894
Shareholders' equity			
Share capital	13	24,221,218	24,134,825
Reserves	13	5,625,476	3,246,129
Accumulated other comprehensive income		420,983	121,531
Deficit		(7,967,136)	(7,000,654)
Total shareholders' equity		22,300,541	20,501,831
Total liabilities and shareholders' equity		24,620,761	23,412,725

Nature and continuance of operations (Note 1)

"Jeff Long"
 Director

"Alberto Franco"
 Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Immutable Holdings Inc.
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Notes	Three Month Periods Ended June 30,		Six Month Periods Ended June 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Income					
Sales	7	8,292,157	-	8,292,157	-
Management fees	8,14	210,388	-	421,478	-
		8,502,545	-	8,713,635	-
Operating expenses					
Consulting fees	14	151,867	111,602	355,537	172,380
Custodian fees		53,243	-	138,714	-
Depreciation	9,10	22,216	-	43,186	-
Directors' fees	14	167,510	-	333,743	-
Filing and transfer agent fees		25,678	7,185	41,984	7,185
General and administrative		315,759	3,026	453,673	6,417
Insurance		104,175	-	207,556	-
Investor relations		386	16,835	1,526	16,835
Marketing		1,389,190	-	2,351,384	-
Payroll	14	448,907	-	865,207	-
Professional fees	14	451,369	306,838	822,380	325,831
Rent	9	86,890	-	100,589	-
Share-based payments	13,14	994,651	-	2,400,576	-
Website development		623,123	29,467	1,615,342	29,467
		(4,834,964)	(474,953)	(9,731,397)	(558,115)
Income (Loss) before other items		3,667,581	(474,953)	(1,017,762)	(558,115)
Gain on sale of digital assets	7	125,751	-	125,751	-
Revaluation loss on digital assets	7	(95,424)	-	(95,424)	-
Interest income	7	10,271	-	10,271	-
Foreign exchange gain (loss)		12,991	(281)	10,682	(281)
Income (loss) and comprehensive income (loss) for the period		3,721,170	(475,234)	(966,482)	(558,396)
Other comprehensive income (loss)					
Foreign currency translation		299,452	68,689	299,452	69,023
Comprehensive income (loss) for the period		4,020,622	(406,545)	(667,030)	(489,373)
Basic and diluted income (loss) per share		0.04	(0.01)	(0.01)	(0.01)
Weighted average number of voting shares outstanding – basic and diluted (Note 13)		98,063,205	70,761,491	98,054,860	69,795,952

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Immutable Holdings Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the six months ended	Notes	June 30, 2022	June 30, 2021
		\$	\$
Cash provided by (used in):			
Operating activities			
Loss for the period		(966,482)	(558,396)
Items not involving cash:			
Depreciation	9,10	43,186	-
Share-based payments	13	2,400,576	-
Interest income	7	(10,271)	-
Gain on sale of digital assets	7	(125,751)	-
Revaluation loss on digital assets	7	95,424	-
Unrealized loss on foreign exchange		14,661	-
Changes in non-cash working capital items:			
Digital assets		(2,724,835)	-
Prepaid expenses		(426,040)	(48,774)
GST receivable		(32,974)	(2,221)
Accounts payable and accrued liabilities		(219,596)	71,664
Deferred revenue		(421,478)	-
Net cash used in operating activities		(2,373,580)	(537,727)
Investing activities			
Acquisition of intangible assets	6	(31,467)	-
Purchase of equipment	10	(74,911)	-
Net cash used in investing activities		(106,378)	-
Financing activities			
Proceeds from exercise of warrants and options	13	65,164	-
Proceeds from SAFE notes	12	-	3,640,948
Net cash provided by financing activities		65,164	3,640,948
Net change in cash during the period		(2,414,794)	3,103,221
Change in foreign exchange – cash and other		284,897	(30,891)
Cash, beginning of period		22,313,524	-
Cash, end of period		20,183,627	3,072,330
Cash paid for interest		-	-
Cash paid for income tax		-	-

Supplementary cash flow information (Note 17)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Immutable Holdings Inc.
Condensed Interim Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital						
	Outstanding shares						
	MVS	SVS	Amount	Reserves	AOCI	Deficit	Total
			\$	\$	\$	\$	\$
Balance, December 31, 2020	62,950	5,869,913	16	-	-	(16)	-
Shares issued on the conversion of SAFE notes	5,476	6,304,037	3,541,034	-	-	-	3,541,034
Shares issued on reverse takeover	-	1,366,667	1,025,000	-	-	-	1,025,000
Shares issued in concurrent financing	4,494	4,386,173	6,660,169	-	-	-	6,660,169
Shares issued as finders' fee	-	1,366,666	1,025,000	-	-	-	1,025,000
Share issuance costs – finders' fee shares	-	-	(1,025,000)	-	-	-	(1,025,000)
Private placements	3,750	2,032,944	15,036,528	-	-	-	15,036,528
Share issuance costs – cash	-	-	(1,772,057)	-	-	-	(1,772,057)
Share issuance costs – equity instruments	-	-	(379,406)	379,406	-	-	-
Shares issued for exercise of agents' options	-	20,611	15,458	-	-	-	15,458
Fair value of agents' options exercised	-	-	8,083	(8,083)	-	-	-
Share-based payments	-	-	-	2,874,806	-	-	2,874,806
Conversion of MVS to SVS	(5,517)	5,517,324	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	121,531	-	121,531
Loss for the year	-	-	-	-	-	(7,000,638)	(7,000,638)
Balance, December 31, 2021	71,153	26,864,335	24,134,825	3,246,129	121,531	(7,000,654)	20,501,831
Exercise of warrants	-	19,756	24,566	-	-	-	24,566
Shares issued for exercise of agents' options	-	54,131	40,598	-	-	-	40,598
Fair value of agents' options exercised	-	-	21,229	(21,229)	-	-	-
Share-based payments	-	-	-	2,400,576	-	-	2,400,576
Conversion of MVS to SVS	(1,478)	1,477,622	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	299,452	-	299,452
Loss for the period	-	-	-	-	-	(966,482)	(966,482)
Balance, June 30, 2022	69,675	28,415,844	24,221,218	5,625,476	420,983	(7,967,136)	22,300,541

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Immutable Holdings Inc. (the “Company” or “Immutable”) is in the business of developing business lines focused on the digital asset and blockchain industries. Immutable is the resulting issuer after giving effect to a transaction (the “Transaction”) contemplated in a Business Combination Agreement dated August 4, 2021 (“BCA”) between Immutable Holdings Inc., Bexar Ventures Inc. (“Bexar”) and 1309023 B.C. Ltd. (“Finco”) (Note 4).

Bexar was incorporated under the provisions of the Business Corporations Act of British Columbia on January 31, 2017. On March 27, 2018, Bexar began trading on the Canadian Stock Exchange under the symbol “BXV”. Immutable was initially formed on December 22, 2020 pursuant to the General Corporation Law of the State of Delaware. On September 24, 2021, Bexar and Immutable completed a reverse takeover transaction (“RTO”) (Note 5). Reverse acquisition accounting was applied on the RTO and these condensed interim consolidated financial statements reflect the continuation of the financial position, operating results and cash flows of Immutable Holdings Inc. The Company changed its name from Bexar Ventures Inc. to Immutable Holdings Inc. and resumed trading on the NEO Exchange (“NEO”) on September 28, 2021 under the new symbol “HOLD”.

The Company’s registered office is located at Suite 5800, 40 King Street West, Toronto, Ontario, M5H 3S1.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient cash flow and fund its operations through revenue generating activities, equity financing, or through other means. As at June 30, 2022, the Company had cash of \$20,183,627 (December 31, 2021 - \$22,313,524) and a positive working capital of \$22,883,500 (December 31, 2021 - \$21,623,537). Management estimates that the Company has sufficient funds to maintain its operations and activities for the upcoming year.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The contagious disease outbreak has continued to spread and has resulted in social and economic disruption which has adversely affected workforces, economies, and financial markets globally; leading to global economic uncertainty. The Company has evaluated the potential impacts arising from COVID-19 on all aspects of its business and, to date, the Company has not been uniquely impacted by COVID-19. Given the pandemic's uncertainty, including the possibility of new and more virulent strains of the virus, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company at this time.

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods of application as the Company’s December 31, 2021 annual audited consolidated financial statements, unless otherwise noted. Accordingly, they should be read in conjunction with the Company’s most recent annual statements.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 15, 2022.

Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value and digital assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company, which is located in British Columbia, Canada, and the following subsidiaries:

Subsidiary	Location	Ownership %	
		June 30, 2022	December 31, 2021
Immutable Holdings Inc.	USA	100%	100%
The NFT Company	Puerto Rico	100%	N/A
Immutable Asset Management LLC	Puerto Rico	100%	100%
Immutable Advisory LLC	Puerto Rico	100%	100%
NFT.com LLC	Puerto Rico	51%	51%
CDBC LLC	Puerto Rico	100%	100%
HBAR LABS LLC	Puerto Rico	100%	100%
1800BITCOIN LLC	Puerto Rico	100%	100%

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All significant intercompany transactions and balances have been eliminated.

During the period ended June 30, 2022, the Company incorporated a new wholly-owned subsidiary, The NFT Company Inc., in Puerto Rico. All investment, development, and operations for the NFT.com platform will take place through The NFT Company, which licenses the domain from NFT.com LLC, a wholly-controlled, half-owned entity.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian Dollars. Items included in the condensed interim consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the parent company is the Canadian dollar and the functional currency of the Company's subsidiaries is the US dollar ("USD").

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Critical accounting judgements and estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company operates in the blockchain and digital asset space, many aspects of which are not specifically addressed by current IFRS guidance. Management has exercised significant judgement as to the application of IFRS and the selection of appropriate accounting policies. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical accounting judgements

Revenue recognition

The application of the Company's accounting policies for revenue recognition of management fees, sales, and interest income requires judgement in determining the contract types and the timing and recognition of revenues over contract terms.

Accounting for cryptocurrencies

Accounting for investments in digital currencies requires management to make judgements based on the entity's business model and its purpose and intent for investing in the assets, the nature and use of the assets and the expected timeline of the use. The Company currently holds certain digital assets, which are considered to be identifiable non-monetary assets without physical substance. The digital assets were acquired through sales initiated on the Company's nft.com platform. The Company's intention is to convert the proceeds to USD to manage its exposure risk. As a result, management has determined that the digital assets should be accounted for as intangible assets under IAS 38 – Intangible Assets as current assets on the statement of financial position. This judgement includes consideration of the operations, strategy and intent of management.

The Company applies the revaluation method to the asset classes whereby there is an active market in which the digital assets are traded. Management exercises judgement in defining active markets and assesses whether there is sufficient frequency and volume to provide pricing information on an ongoing basis.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Critical accounting judgements and estimates (continued)

Transactions

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. There are judgements in measuring the fair value of equity instruments issued as consideration and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed. For asset acquisitions made in exchange for contingent consideration, management must develop and assess expectations for the probability of the liability being triggered in the future.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment. In assessing the Company's ability to continue as a going concern, market and regulatory factors are considered.

Identifying whether a contract includes a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Management applies judgment on certain factors, including whether the supplier or lessor has substantive substitution rights and if the Company obtains substantially all of the economic benefits in the identified asset and the rights to direct the use of that asset. In addition, management exercises judgement in determining whether variable payments should be included in the calculation of a lease liability.

Critical accounting estimates

Share-based payments

Where applicable, the fair value of certain equity instruments is subject to the limitations of the Black-Scholes Option Pricing Model. The Company's use of an option pricing model requires inputs of highly subjective assumptions, including the volatility of share prices, forfeiture rates, risk-free rates and the expected term of the instrument.

Impairment of intangible assets and equipment

Determining whether any charge to impairment against the Company's intangible assets or equipment requires management to estimate the recoverable amount of the assets, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. Impairment is tested on an annual basis for indefinite lived intangible assets or as events and conditions change.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

Critical accounting judgements and estimates (continued)

Current and deferred taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021. During the period ended June 30, 2022, the Company adopted the following accounting policies:

Digital assets

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets meet the definition of intangible assets as they are identifiable non-monetary assets without physical substance. Cryptocurrencies are initially recorded at the fair value on both the acquisition date and the date earned as revenues. Subsequently, the Company has elected to use the revaluation model for its cryptocurrencies, which is to measure the asset at fair value with reference to the principal market on the date of revaluation, less any subsequent amortization and impairment losses.

Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverse a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit and loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income. The Company revalues its digital assets at the end of each quarter, on the period end dates. The Company has determined that its cryptocurrency holdings of Ethereum and USDC are traded in active markets and their fair values are based on quoted prices at the end of each reporting period as of 12:00 UTC.

Digital asset loan receivable

The Company entered into a redeemable USDC conservative lending facility through its custodian account on a secured basis. Interest earned is accounted for on an accrued basis. The agreement may bear a crypto fee receivable from time-to-time, which is based on a percentage of the crypto assets lent and is denominated in the related crypto asset.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition – NFT sales

The Company released for sale a collection of fully animated non-fungible tokens (“NFTs”) referred to as Genesis Keys, in two tranches. Each Genesis Key includes the key and four unique profile mints. The Genesis Keys are separable into five identifiable NFTs representing a series of distinct goods that are substantially the same and transfer to the customer in a single package. The transaction price for a Genesis Key is fixed in each tranche of the sale and enforced through smart contracts. The Company considers its performance obligation to be satisfied at the point in time when the transaction is processed, the keys are transferred, and the consideration is received.

The Company has the ability to earn a 7.5% royalty on the re-sale of a Genesis Key or its profiles on a secondary marketplace. As royalty revenue cannot be reliably measured in advance, revenue is not recognized until the underlying sales activity has been completed and the funds deposited into the Company’s designated wallets.

Interest income is calculated using the effective interest method and is recognized in profit or loss on an accrual basis when earned.

Gains or losses on the sale of crypto assets for traditional (fiat) currencies are included in the consolidated statements of income (loss).

Equipment

Equipment is recorded at cost less accumulated depreciation and impairment losses. The cost of an item consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Computers and studio equipment are depreciated on a straight-line basis over three years. Equipment that is withdrawn from use or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense.

4. AMALGAMATION

On August 4, 2021, Bexar, Bexar Ventures BC Subco Inc. (“BC Subco”), Delaware Subco Inc. (“Delaware Subco”), Immutable and Finco entered into the BCA whereby Bexar, BC Subco and Finco entered into an amalgamation agreement (the “Amalgamation Agreement”) forming an amalgamated entity (“Amalco”) and Bexar, Delaware Subco and Immutable entered into a merger agreement (the “Merger Agreement”) and Bexar and Amalco entered into an assignment and assumption agreement (the “Assignment and Assumption Agreement”) pursuant to which Bexar acquired all of the issued and outstanding Immutable shares by way of a three-cornered merger among Bexar, Immutable and Finco.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

4. AMALGAMATION (continued)

Amalgamation Agreement

Under the Amalgamation Agreement, Bexar amended its share capital such that:

- (i) all common shares were converted to Subordinated Voting Shares (“SVS”);
- (ii) the existing class of preferred shares were eliminated; and
- (iii) a new class of Multiple Voting Shares (“MVS”) were created.

Prior to the completion of the Amalgamation Agreement, Bexar completed a share consolidation, whereby all of the outstanding Bexar Common Shares immediately prior to the closing of the Transactions were consolidated on a basis of 12.4346 pre-consolidated shares for every one post-consolidated share.

Pursuant to the terms of the Assignment and Assumption Agreement, Amalco was wound up into Bexar and the assets of Amalco were transferred to Bexar.

Merger Agreement

Under the Merger Agreement, Delaware Subco and Immutable merged and Immutable continued as the surviving corporation. Immutable became a wholly owned subsidiary of Bexar. Each Immutable share was cancelled and the former Immutable shareholders received the following:

- (i) each holder of 1,000 Immutable MVS received one Bexar MVS; and
- (ii) each holder of one Immutable SVS received one Bexar SVS.

As Immutable had 68,426,031 MVS and 12,173,949 SVS outstanding, Bexar issued 68,426 MVS and 12,173,949 SVS. The exchange ratio was 0.008946 and 80.964, respectively.

5. REVERSE TAKEOVER TRANSACTION

On September 24, 2021, the Company closed the RTO (the “Acquisition”). As a result of the Acquisition, the Company acquired all of the issued and outstanding shares of Bexar and ultimately issued 1,366,667 SVS shares of Bexar at a price of \$0.75 per share for a total fair value of \$1,025,000.

On completion of the Transaction, 2,950,000 (pre-Transaction) (237,241 (post-Transaction)) Bexar warrants were transferred over to Immutable. The warrants had a fair value of \$nil (Note 13).

As Bexar did not meet the definition of a business under IFRS 3 – *Business Combinations*, the Acquisition was accounted for as the purchase of Bexar’s net assets by Immutable. The net purchase price was determined as an equity settled share-based payment, under IFRS 2 - *Share-based Payments*, at the fair value of the equity instruments issued based on the fair value of the subscription receipts issued in the concurrent financing (Note 13).

The aggregate of the fair value of the consideration paid less the net assets acquired was recognized as a listing expense in the statement of income (loss) during the year ended December 31, 2021.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

5. REVERSE TAKEOVER TRANSACTION (continued)

The purchase price has been allocated as follows:

Fair value of assets acquired:		
Cash	\$	46,000
Amounts receivable		29,666
		75,666
Consideration:		
Fair value of shares retained by Bexar's shareholders		1,025,000
		1,025,000
Listing expense	\$	(949,334)

6. ASSET PURCHASE AGREEMENTS

Domain names

On May 18, 2021, the Company entered into two asset purchase agreements with the CEO of the Company (the "Vendor"), whereby the Vendor owns the right, title and interest in five domain names: 1800bitcoin.com, CBDC.com, HBAR.com, Immutable.co, and NFT.com. In exchange for the intangible assets, the Company will pay the Vendor a total of USD \$1,325,000 (the "Purchase Price") in quarterly payments beginning on the earlier of:

- (i) such date that any of the Company's subsidiaries owning the domain names shall have been determined to have received EBITDA in excess of USD \$1,000,000 for the preceding quarter; or
- (ii) the Company shall have determined to have received EBITDA in excess of USD \$1,000,000 for the preceding quarter, excluding amounts receivable by the Company that are attributable to the EBITDA received by the subsidiaries with rights to the specific domain.

Each quarterly payment shall amount to:

- (i) a) the sum of the EBITDA received by the applicable subsidiary that has received EBITDA in excess of USD \$1,000,000 for the preceding quarter; and
- b) the EBITDA of the subsidiary if it has received EBITDA in excess of USD \$1,000,000 in the preceding quarter, excluding any amounts receivable by the subsidiary that are attributable to EBITDA received by the applicable subsidiary.
- (ii) Multiplied by 10%.

Each quarterly payment shall continue until the Purchase Price is paid in full.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

6. ASSET PURCHASE AGREEMENTS (continued)

The asset purchase agreements do not meet the definition of a business and therefore, are accounted for as asset acquisitions. Accordingly, the contingent consideration associated with the asset purchase agreements has been accounted for under IAS 37 – Provisions, contingent liabilities and contingent assets. It is management's view the variable future payments are dependent on the Company's future activities, and as a result, will not meet the initial recognition criteria of a financial liability until the financial targets are probable. When adjustments are made to the financial liability for the variable payments as they become probable, the corresponding increase to the assets will be recorded to the extent the payments are associated with future economic benefits to be derived from the assets. During the period ended June 30, 2022, the Company recognized \$nil on the statement of financial position, as the financial targets are not yet probable.

The total USD \$1,325,000 payment associated with the domain names will be allocated as follows: NFT.com (USD \$1,000,000) owned by NFT.com LLC, 1800bitcoin.com (USD \$25,000), CBDC.com (USD \$150,000), HBAR.com (USD \$100,000), and Immutable.co (USD \$50,000); all of which have not yet been recognized.

MyHBAR wallet

On November 4, 2021, the Company prepaid \$63,487 (USD \$50,000) to purchase the domain name and associated intellectual properties of MyHBARwallet.com (Note 11). The transaction was accounted for as an asset acquisition, as it did not meet the definition of a business under IFRS 3. On January 10, 2022, the domain name transferred to the Company and was recognized as an intangible asset.

Bitcoinbook.com

On September 13, 2021, the Company acquired the rights, title and interest in the domain name bitcoinbook.com for total consideration of \$33,722 (USD \$26,395). The transaction was accounted for as an asset acquisition, as it did not meet the definition of a business under IFRS 3.

NFTbook.com

On May 6, 2022 the Company acquired the rights, title and interest in the domain name NFTbook.com for total consideration of \$31,467 (USD \$24,750). The transaction was accounted for as an asset acquisition, as it did not meet the definition of a business under IFRS 3.

	Domain names	
Cost		
Balance, December 31, 2020	\$	-
Additions		33,722
Foreign translation		(207)
Balance, December 31, 2021		33,515
Additions		94,954
Foreign translation		1,920
Balance, June 30, 2022	\$	130,389

The domain names were determined to have indefinite useful lives.

Immutable Holdings Inc.

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7. DIGITAL ASSETS

Genesis Key NFTs

In April 2022, the Company released for sale a collection of unique, fully animated non-fungible tokens referred to as Genesis Keys. Each Genesis Key includes the key and four unique profile mints. The Genesis Keys are separable into five identifiable NFTs. The proceeds from the sales are received in Ether ("ETH" or "Ethereum"), the native token of the Ethereum Network. Genesis Keys are being sold in a limited quantity in two tranches. The first tranche was a whitelisted blind auction whereby the top 3,000 bidders earned the opportunity to purchase a genesis key for a set price of 0.5 ETH. Upon the closing of the blind auction on April 28, 2022, the Company launched the public sale on May 2, 2022, whereby Genesis Keys can be purchased for a set price of 0.9 ETH. The majority of the ETH collected on the sales is converted into US dollars or pegged stablecoin, US Dollar Coin ("USDC"), shortly after collection, in order to lock in the USD value and monitor the volatility risk associated with holding digital assets.

The Genesis Keys may be purchased or sold on a secondary NFT marketplace. The Genesis Keys are governed by smart contracts and generate a creator royalty of 7.5% on each sale made on a marketplace platform. Royalties are deposited directly into the Company's third-party custodial accounts on a weekly basis.

Cryptocurrency holdings

As at June 30, 2022, the Company's crypto asset holdings consisted of the following:

	Fair value (USD)	Fair value (CAD)
Digital assets	\$ 158,903	\$ 204,846
Digital asset loan receivable	2,008,058	2,588,648
	\$ 2,166,961	\$ 2,793,494

A summary of the nature, initial investment and movement in the value of crypto assets is as follows:

	Digital assets	Digital asset loan receivable
Balance, December 31, 2021 and 2020	\$ -	\$ -
Ethereum received for NFT sales	8,221,915	-
Digital assets received for royalties	70,242	-
Digital assets sold for USD	(5,567,322)	-
Gain on sale of digital assets	125,751	-
Digital assets transferred to USDC fund	(2,552,373)	2,552,373
Interest income	-	10,271
Revaluation of digital assets	(95,424)	-
Foreign translation adjustment	2,057	26,004
Balance, June 30, 2022	\$ 204,846	\$ 2,588,648

Crypto assets are recorded at their fair value on their acquisition date, or when they are received as revenues, and are revalued at their current market value at each reporting date. Crypto assets held are measured using the closing price per www.coinmarketcap.com at 12:00 am UTC, on each reporting date.

Immutable Holdings Inc.

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7. DIGITAL ASSETS (continued)

As at June 30, 2022, the total loss on revaluation of digital assets was \$95,424, as a result of the decline in ETH since acquisition. The Company determines cost as the historical weighted average cost of the digital assets acquired and disposed of. The loss is recorded in the statements of income (loss) under the revaluation method. During the period ended June 30, 2022, the Company sold digital assets for proceeds totaling \$8,125,919 with a cost basis of \$8,000,168 and recorded a resulting gain on sale of digital assets of \$125,751. The digital assets were sold to purchase USD or USDC in order to manage the Company's risk exposure.

Digital asset loan receivable

As of June 30, 2022, \$2,588,648 (USD \$2,008,058) (USDC 2,008,058) (June 30, 2021 \$nil) of the Company's total USDC balance, was held in a USDC conservative lending pool with Anchorage Digital, a nationally chartered bank in the United States, serving as the credit facility administrator. In June 2022, the Company lent USD \$2,000,010 (2,000,010 USDC) to the fund. During the period ended June 30, 2022, the conservative lending pool generated an APR of 4.57-6.03%. As at June 30, 2022, the Company had recognized \$10,271 (USD \$8,048) (USDC 8,048) (June 30, 2021 - \$nil) in interest income which has been accrued in the digital asset loan receivable balance.

As at June 30, 2022, the breakdown by crypto asset class is as follows:

	Number of coins	Fair Value (USD)	Fair value (CAD)	Fair value %
ETH	143.59	\$ 153,256	\$ 197,567	7%
USDC	2,012,803	2,012,803	2,594,764	93%
WETH	0.84	902	1,163	0%
		\$ 2,166,961	\$ 2,793,494	100%

8. TOKEN PURCHASE AGREEMENT

In March 2021, the Company's subsidiary Immutable Asset Management LLC ("IAM") formed Immutable HBAR Opportunity 1 LLC as a special purpose entity for the purpose of forming a fund (the "Fund") of which IAM acts as the manager.

On July 30, 2021, IAM entered into a token purchase agreement with Hedera Hashgraph, LLC and Immutable HBAR Opportunity 1 LLC for the purchase of 437,650,000 HBAR tokens ("HBAR") at a price of USD \$0.02 per HBAR. The HBAR will be held in the Fund and are subject to lock-up provisions for 36 months and will be released over 12 months commencing in the 25th through 36th months of the arrangement.

As consideration for managing the Fund, IAM received a USD \$2,000,000 up front, non-refundable fee which will be earned and recognized evenly over the 36-month term commencing on September 22, 2021.

During the period ended June 30, 2022, the Company recognized \$421,478 (USD \$331,508) (June 30, 2021 - \$nil) in management fee income. As at June 30, 2022, there was \$859,420 (USD \$666,667) (December 31, 2021 - \$846,487 (USD \$666,667)) in current deferred revenues and \$1,055,438 (USD \$818,721) (December 31, 2021 - \$1,460,479 (USD \$1,150,228)) in long term deferred revenues.

Immutable Holdings Inc.

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9. LEASES

On October 19, 2021, the Company entered into a lease agreement for the exclusive right to the use of the toll-free number 1-800-BITCOIN for the use in 1800Bitcoin LLC's business and marketing efforts. The lease agreement has an initial term of five years, with the opportunity to extend the term for an additional three successive terms. Either party has the ability to terminate the agreement by giving 30 days written notice.

On the effective date of the arrangement, the Company paid an initial fee of USD \$250,000 (paid). In addition, the Company will pay a monthly service fee for each service month, which will be the greater of USD \$3,500 or the value of 1/12 of the average price of one Bitcoin in US dollars over each of the business days in the prior month based on the end of day Bitcoin Reference Rate for each such business date. During the first 6 months of the initial term, the monthly fee will be capped at USD \$10,417 for any service month within the six-month period.

When a lease includes variable lease payments that depend on an index or rate, they are initially included in the lease liability using the index or rate as at the commencement date of the lease. Variable payments other than those that depend on an index or rate, are excluded from the lease liability calculation. Due to the constant volatility of the variable monthly payments, the payments do not meet the definition for recognition as a lease liability and have been recognized directly in the statements of income (loss). During the period ended June 30, 2022 the Company recognized \$27,503 (June 30, 2021 - \$nil) in rent expense.

The Company has recognized a right-of-use asset ("ROU asset") in respect to the initial fee of \$308,783 (USD \$250,000) paid at the start of the lease agreement. The right-of-use asset is amortized evenly over the initial five-year term of the contract. As the only value attributed to the right-of-use asset is the prepaid fees, no lease liability was recognized at the commencement of the lease.

	ROU asset
Costs	
Balance, December 31, 2020	\$ -
Additions	308,783
Foreign translation	8,650
Balance, December 31, 2021	317,433
Foreign translation	4,850
Balance, June 30, 2022	\$ 322,283
Accumulated depreciation	
Balance, December 31, 2020	\$ -
Additions	12,020
Foreign translation	155
Balance, December 31, 2021	12,175
Additions	31,785
Foreign translation	630
Balance, June 30, 2022	\$ 44,590

Immutable Holdings Inc.**Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended June 30, 2022 and 2021**

(Expressed in Canadian Dollars)

9. LEASES (continued)

Net Book Value		ROU asset
Balance, December 31, 2021	\$	305,258
Balance, June 30, 2022	\$	277,693

During the period ended June 30, 2022, the Company sublet office space on a month-by-month basis and incurred additional rent expense of \$73,086 (June 30, 2021 - \$nil) which has been expensed through the statements of income (loss).

10. EQUIPMENT

	Computers	Studio equipment	Total
Costs	\$	\$	\$
Balance, December 31, 2021 and 2020	-	-	-
Additions	52,077	22,834	74,911
Foreign translation	727	319	1,046
Balance, June 30, 2022	52,804	23,153	75,957

Accumulated depreciation			
Balance, December 31, 2021 and 2020	-	-	-
Depreciation	7,595	3,806	11,401
Foreign translation	106	53	159
Balance, June 30, 2022	7,701	3,859	11,560

Net Book Value			
Balance, December 31, 2021	-	-	-
Balance, June 30, 2022	45,103	19,294	64,397

11. PREPAIDS

	June 30, 2022	December 31, 2021
	\$	\$
Insurance	102,919	308,654
Compensation	338,397	-
Professional fees	538,070	234,548
MyHBAR wallet (Note 6)	-	63,487
Other	62,738	57,676
	1,042,124	664,365

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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12. SIMPLE AGREEMENT FOR FUTURE EQUITY NOTES

During the year ended December 31, 2021, the Company entered into Simple Agreement for Future Equity Agreements (the “SAFE notes”) with seed investors for total gross proceeds of \$3,640,948 (USD \$2,910,000). The SAFE notes entitled the holders to receive capital in the Company upon the satisfaction of an equity financing or other conversion event.

The SAFE price conversion into common shares was equal to the price per share post-money valuation cap of USD \$20,000,000 divided by the Company market capitalization. At the time of issuance, the instruments did not meet the definition of equity instruments due to the lack of a fixed price per fixed number of equity instruments and the SAFE notes were recognized as a financial liability carried at amortized cost.

In June 2021, the Company entered into Safe Rescission and Common Stock Purchase Agreements with each of the SAFE holders whereby, the previous SAFE notes entered into in January 2021 were cancelled and the purchase price of the investor’s original SAFE notes were allocated towards the purchase of shares of common shares of the Company.

On June 15, 2021, the SAFE notes were converted into 145,500 (pre-consolidated, pre-Transaction) common shares. On the completion of the Transaction (Note 4), the shares were converted into 6,304,037 SVS and 5,476 MVS with a value of \$3,541,034 (note 13). As at December 31, 2021, a cumulative translation adjustment of \$99,914 was recognized.

13. SHARE CAPITAL

a) Authorized

Upon completion of the Transaction (Note 4), the Company issued two new classes of shares:

- Subordinate Voting Shares (Class A); and
- Multiple Voting Shares (Class B)

The Company is authorized to issue an unlimited number of SVS and MVS, both without nominal or par value. Each MVS converts into 1,000 SVS. At a shareholder meeting of the Company, the holders of SVS are entitled to one vote in respect of each SVS held, and the holders of MVS are entitled to 1,000 votes in respect of each MVS held.

b) Earnings per share

During the period ended June 30, 2022, the Company’s stock options, agents’ options and warrants, and warrants were excluded from the weighted average calculation as they were antidilutive.

c) Issued and outstanding

As at June 30, 2022, the issued and outstanding share capital is comprised of 69,675 MVS and 28,415,844 SVS for a total of 98,091,317 voting shares on an as if fully converted basis.

Immutable Holdings Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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13. SHARE CAPITAL (continued)

c) Issued and outstanding (continued)

During the year ended December 31, 2021 the Company issued the following shares:

On June 15, 2021, the Company issued 145,500 (pre-consolidated, pre-Transaction) common shares (6,304,037 SVS and 5,476 MVS post-transaction shares) on the conversion of \$3,541,034 in SAFE notes (Note 12).

On September 24, 2021, the Company issued 1,366,667 SVS shares with a fair value of \$1,025,000 to the shareholders of Bexar to complete the RTO transaction (Note 5).

On September 24, 2021, the Company closed a financing concurrent with the Transaction (Notes 4 and 5), pursuant to which an aggregate of 8,880,225 subscription receipts were issued at a price of \$0.75 per subscription receipt for aggregate gross proceeds of \$6,660,169.

On completion of the RTO, the subscription receipts were converted into 4,494 MVS and 4,386,173 SVS. In connection with the financing, the Company issued 1,366,666 SVS finders' shares with a fair value of \$1,025,000, paid agents' fees of \$281,597, and issued 375,461 agents' options with a fair value of \$147,245 and incurred other share issuance costs of \$632,777.

On November 23, 2021, the Company issued 20,611 SVS for proceeds of \$15,458 pursuant to the exercise of 20,611 agents' options at a price of \$0.75 per agents' option. An amount of \$8,083 was transferred from reserves to share capital in connection with the exercise of these agents' options.

On December 17, 2021, the Company closed the first tranche of its brokered private placement, pursuant to which an aggregate of 3,846,154 subscription receipts were issued at a price of \$2.60 per subscription receipt for aggregate gross proceeds of \$10,000,000. On completion of the financing, the subscription receipts were converted into 2,401 MVS and 1,445,231 SVS. Each unit consisted of one common share and one-half purchase warrant, with each whole warrant exercisable into one MVS or SVS shares of the Company at an exercise price of \$4.00 for a period of 36 months from the date of issuance. In connection with the financing, the Company paid agents' fees of \$221,532, and issued 135,047 broker warrants with a fair value of \$187,373 and incurred other share issuance costs of \$278,119.

On December 31, 2021, the Company closed the second tranche of its non-brokered private placement, pursuant to which an aggregate of 1,937,126 subscription receipts were issued at a price of \$2.60 per subscription receipt for aggregate gross proceeds of \$5,036,528. On completion of the financing, the subscription receipts were converted into 1,349 MVS and 587,713 SVS. Each unit consisted of one common share and one-half purchase warrant, with each whole warrant exercisable into one MVS or SVS shares of the Company at an exercise price of \$4.00 for a period of 36 months from the date of issuance. In connection with the financing, the Company paid advisory fees of \$100,731, and issued 38,741 advisory warrants with a fair value of \$44,788 and incurred other share issuance costs of \$257,300.

During the year ended December 31, 2021, shareholders converted 5,517.324 MVS shares into 5,517,324 SVS shares.

Immutable Holdings Inc.

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13. SHARE CAPITAL (continued)

c) Issued and outstanding (continued)

During the six-month period ended June 30, 2022, the Company issued the following shares:

On February 15, 2022, 6,084 warrants with an exercise price of \$1.24 were exercised into SVS for total proceeds of \$7,565.

On March 31, 2022, 13,672 warrants with an exercise price of \$1.24 were exercised into SVS for total proceeds of \$17,001.

On April 4, 2022, the Company issued 54,131 SVS for proceeds of \$40,598 pursuant to the exercise of 54,131 agents' options at a price of \$0.75 per agents' option. An amount of \$21,229 was transferred from reserves to share capital in connection with the exercise of these agents' options.

During the period ended June 30, 2022, shareholders converted 1,477.622 MVS shares into 1,477,622 SVS shares.

d) Stock options

The Company has a stock option plan for directors, officers, employees, and consultants. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued and outstanding SVS and MVS (on a fully diluted basis) at the time the options are granted. The number of shares reserved for issuance to any individual director or officer shall not exceed 5% of the issued and outstanding SVS and MVS shares, and the number of SVS and MVS shares reserved for issuance to all consultants shall not exceed 2% of the issued and outstanding SVS and MVS shares. The exercise price of each option is determined by the Board, subject to the pricing policies of the NEO.

The continuity of stock options is summarized as follows:

	Number outstanding	Weighted average exercise price
Balance, December 31, 2020	-	\$ -
Granted	6,347,500	2.26
Balance, December 31, 2021	6,347,500	2.26
Granted	2,255,913	0.75
Forfeited	(490,000)	2.60
Balance, June 30, 2022	8,113,413	\$ 1.82

On September 27, 2021, 1,110,000 options were granted to directors and consultants with an exercise price of \$0.75 per share. The options expire five years from the date of grant. Of the options granted, 720,000 vested immediately on grant, 120,000 vest monthly over a 12-month period commencing one month from the date of grant, and the remaining 270,000 options vest quarterly over 12 months from the date of the public listing post-RTO. The fair value of the options at grant date was \$480,925, of which \$52,148 was recognized during the period ended June 30, 2022, based on the vesting terms.

Immutable Holdings Inc.

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13. SHARE CAPITAL (continued)

d) Stock options (continued)

On December 13, 2021, 620,000 options were granted to consultants and an adviser with an exercise price of \$2.45 per share. The options expire five years from the date of grant. Of the options granted, 500,000 vest monthly over 12-month period commencing the date of grant, and the remaining 120,000 options vest semi-annually over 12 months from the date of grant. The fair value of the options at grant date was \$874,278, of which \$585,715 was recognized during the period ended June 30, 2022, based on the vesting terms.

On December 28, 2021, 4,617,500 options were granted to officers, employees and a consultant with an exercise price of \$2.60 per share. The options expire five years from the date of grant. Of the options granted, 490,000 vested immediately on grant, 600,000 vest monthly over a 12-month period commencing April 14, 2021, 1,800,000 options monthly over a 36-month period commencing April 14, 2022, 20,000 options vest over a 3-month period from the date of the grant, 60,000 options vest monthly over a 9-month period commencing March 28, 2022, 411,875 options vest over a 12-month period from the date of the grant and the remaining 1,235,625 options vest monthly over a 36-months period from the date of grant. The fair value of the options at grant date was \$6,950,219, of which \$1,674,842 was recognized during the period ended June 30, 2022, based on the vesting terms.

On June 16, 2022, 2,255,913 options were granted to directors, officers, and employees with an exercise price of \$0.75 per share. The options expire five years from the date of grant. Of the options granted, 285,000 vested immediately on grant, 25% of 1,595,913 vest on the first year employment anniversary and the remaining options will vest equally over a 36-months period from the date of the employee's first year employment anniversary. The fair value of the options at grant date was \$563,532, of which \$87,871 was recognized during the period ended June 30, 2022, based on the vesting terms.

The fair value of stock options was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	June 30, 2022	December 31, 2021
Expected life (years)	2.5	2.5
Expected volatility	100%	100%
Expected dividend yield	-	-
Risk-free interest rate	3.2%	1.0%

As at June 30, 2022, the stock options outstanding and exercisable were as follows:

Number outstanding	Exercise price	Exercisable	Expiry date
1,110,000	\$0.75	1,080,000	September 27, 2026
620,000	\$2.45	351,667	December 13, 2026
4,127,500	\$2.60	740,000	December 28, 2026
2,255,913	\$0.75	285,000	June 16, 2027
8,113,413		2,456,667	

The weighted average remaining life of the stock options is 4.59 years.

Immutable Holdings Inc.**Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended June 30, 2022 and 2021**

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13. SHARE CAPITAL (continued)

e) Agents' options and brokers' warrants

The continuity of agents' options and brokers' warrants are summarized as follows:

	Number outstanding and exercisable	Weighted average exercise price
Balance, December 31, 2020	-	\$ -
Granted	549,249	1.78
Exercised	(20,611)	(0.75)
Balance, December 31, 2021	528,638	1.82
Exercised	(54,131)	0.75
Balance, June 30, 2022	474,507	\$ 1.94

On September 24, 2021, the Company issued 375,461 agents' options with a fair value of \$147,245. The fair value of the agents' options was calculated using the Black-Scholes Option Pricing Model using the following assumptions: volatility of 100%; expected life of 2.0 years; exercise price of \$0.75; and a discount rate of 0.50%.

On December 17, 2021, the Company issued 135,047 brokers' warrants with a fair value of \$187,373. The fair value of the brokers' warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: volatility of 100%; expected life of 3.0 years; exercise price of \$4.00; and a discount rate of 0.98%.

On December 31, 2021, the Company issued 38,741 advisor warrants with a fair value of \$44,788. The fair value of the advisor warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: volatility of 100%; expected life of 3.0 years; exercise price of \$4.00; and a discount rate of 1.02%.

As at June 30, 2022, the agents' options and brokers' warrants outstanding were as follows:

Number outstanding	Exercise price	Exercisable	Expiry date
300,719	\$0.75	300,719	September 24, 2023
135,047	\$4.00	135,047	December 17, 2024
38,741	\$4.00	38,741	December 31, 2024
474,507		474,507	

The weighted average remaining life of the agents' options and brokers' warrants is 1.69 years.

Immutable Holdings Inc.**Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended June 30, 2022 and 2021**

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13. SHARE CAPITAL (continued)

f) Warrants

The continuity of warrant transactions is summarized as follows:

	Number outstanding and exercisable	Weighted average exercise price
Balance, December 31, 2020	-	\$ -
Transferred on RTO (Note 5)	237,241	1.24
Granted post RTO	2,891,634	4.00
Balance, December 31, 2021	3,128,875	3.79
Exercised	(19,756)	1.24
Balance, June 30, 2022	3,109,119	\$ 3.81

As at June 30, 2022, the warrants outstanding and exercisable were as follows:

Outstanding and exercisable	Exercise price	Expiry date
186,925	\$1.24	February 28, 2023
30,560	1.24	July 23, 2023
1,923,073	4.00	December 17, 2024
968,561	4.00	December 31, 2024
3,109,119	\$3.81	

The weighted average remaining life of the warrants is 2.36 years.

14. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

	June 30, 2022	June 30, 2021
Director fees	\$ 333,743	\$ -
Payroll and website development	247,080	-
Professional and consulting fees	401,425	-
Share-based payments	180,945	-
	\$ 1,163,193	\$ -

During the year ended December 31, 2021, the Company became the sponsor of the Fund which is managed by an officer and a director of the Company. The Company received a USD \$2,000,000 management fee as compensation for managing the fund. During the period ended June 30, 2022, the Company recognized \$421,478 (June 30, 2021 - \$nil) in management fee income (Note 8).

Immutable Holdings Inc.

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14. RELATED PARTY TRANSACTIONS (continued)

As at June 30, 2022, there was \$59,612 (December 31, 2021 - \$nil) outstanding in accounts payable and accrued liabilities due to related parties. Amounts are unsecured, do not bear interest and are due on demand. The full balance was paid subsequent to June 30, 2022.

As at June 30, 2022, there was \$854,049 outstanding in prepaid expenses for professional and consulting fees and director fees paid to related parties.

During the year ended December 31, 2021, a director of the Company participated in the SAFE note financing and purchased \$250,237 (USD \$200,000) in SAFE notes which were converted into 10,000 (pre-consolidated, pre-Transaction) common shares (810 MVS post-Transaction) (Note 12).

During the year ended December 31, 2021, the Company entered into two asset purchase agreements with the CEO of the Company as described in Note 6.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The Company's cash is classified at FVTPL and its accounts payable and accrued liabilities is carried at amortized cost. In addition, the Company measures its digital assets and digital asset loan receivable at fair value using the revaluation method under IAS 38-Intangible assets.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The fair value of cash is determined based on level 1 inputs which consist of quoted prices in active markets for identical assets.

The fair value of digital assets and digital assets loan receivable is determined using level 2 inputs. For the digital assets, the fair value is determined by utilizing a volume-weighted average price approach derived from quoted market prices across principal exchanges as of 12:00am UTC for identical assets per www.coinmarketcap.com.

As at June 30, 2022, the Company believes that the carrying values of its accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Immutable Holdings Inc.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk management

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash, digital assets and digital asset loan receivable. The Company manages its credit risk by maintaining its cash in federally regulated financial institutions in the United States. The Company primarily secures its digital assets and digital asset loan balance through the use of custodians on which the Company has performed internal due diligence procedures on.

The Company manages its credit risk on digital assets by maintaining ETH and USDC balances under thresholds set by the treasury team. The treasury team accounts for and continually verifies the amount of crypto assets within the custodian's control by conducting weekly conversions into fiat currency.

The Company's digital asset loan receivable is exposed to credit risk as the lending facility administrator engages in the practice of commingling client's assets in designed custodial wallets managed and controlled by the facility administrator. When digital assets are commingled, transactions are not recorded on the applicable blockchain ledger, but are only recorded by the exchange or custodian. Therefore, there is risk around the occurrence of transactions, or the existence of period end balances represented. The Company limits its credit risk for digital assets loaned by placing these digital assets with a high-quality financial institution that is believed to have sufficient capital to meet their obligations as they come due. Furthermore, the Company can demand the repayment of the loan and recover the principle plus interest in three days or less which is also established per the terms of services of the Master Agency and Facility Administration Agreement. On a monthly basis, the Company withdraws the interest earned from the principal loan balance. To date, the Company has not experienced any difficulties in converting or withdrawing funds.

As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. While the Company intends to only transact with counterparties that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a material loss on a transaction as a result. As at June 30, 2022, and subsequently, the Company does not expect a material loss on any of its crypto assets or crypto assets loaned.

Digital asset risks

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions. The profitability of the NFT Company and Immutable Asset Management's business operations is directly related to the current and future market price of digital assets. A decline in the market prices for digital assets could negatively impact the Company's future operations.

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.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Digital asset risks (continued)

Cryptocurrencies have a limited history, their fair values have historically been volatile and the value of cryptocurrencies held by the Company could decline rapidly. Historical performance of digital assets is not indicative of their future performance.

Price and concentration risk

Price risk, specific to digital assets, is the risk of disposition of investments at less than favorable prices due to unfavorable market conditions. The Company is exposed to price and concentration risk on its digital asset holdings. As at June 30, 2022, if the market price of the Company's crypto assets, excluding USDC holdings, changed by 10% with all other variables being constant, the corresponding digital asset value change would amount to approximately USD \$15,000. The Company may not be able to liquidate its digital assets at its desired price if required.

The Company has not hedged the conversion of any of its cryptocurrency denominated digital assets.

Custody risk

The Company holds digital assets primarily through its accounts with institutional grade custodians. The Company's custody strategy is designed to secure its digital assets while providing the opportunity to maximize liquidity and efficient trading by making those assets readily available to deploy. The Company constantly monitors the digital asset balances it maintains with its custodians against deposits, and where the Company believes it to be necessary, will monetize digital assets into fiat currency.

The Company's custodians are SOC I Type II compliant institutions. The Company maintains internal controls to ensure that accounts held with each custodian are appropriately authorized and access restricted. As part of regular operations, designated individuals of the Company review and monitor custodied balances against internal fund records, verifying the accuracy of each holding. In addition, the Company performs due-diligence procedures including regular reviews over each custodian issued SOC report covering the applicable period.

Security risk

Many cryptocurrency networks are decentralized 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. The system relies on cryptography to secure transactions, to control the creation of additional units and to verify the transfer of assets.

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. To confirm transaction activity each party must sign transactions with a data code derived from entering the private key into a hashing algorithm. This signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency. Security breaches, computer malware, and computer hacking attacks have been a prevalent concern in the digital assets exchange markets.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Digital asset risks (continued)

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.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of cryptocurrencies or the operation of cryptocurrency networks or exchanges in a manner that adversely affects investments held by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable and accrued liabilities. The Company manages its liquidity risk through the management of its capital structure as described in Note 16. The Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. As at June 30, 2022, the Company had \$20,183,627 in cash to cover its accounts payable and accrued liabilities of \$405,362.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as fair value through profit or loss, and cause fluctuations in the fair value of future cash flows for assets or liabilities measured at fair value. Currently, the Company is not exposed to significant market risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. Revenue and expenses are mostly denominated in US dollars and Canadian dollars. A significant change in the currency exchange rates between the US dollar and the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The majority of the Company's financial instruments are denominated in US dollars, therefore, the Company is not subject to any significant foreign exchange risk at this time. As at June 30, 2022, a change of 10% in the foreign exchange rates from Canadian dollar to the US dollar would result in approximately an increase or decrease of \$20,700 in the Company's net loss for the period. The Company has not hedged its exposure to currency fluctuations.

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16. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operations of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to explore diversified revenue generating opportunities and may decide to raise additional funds through the equity or debt financing. The Company is not subject to any external capital requirements imposed by a regulator.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows.

During the six month period ended June 30, 2022 the Company record the following non-cash investing and financing transactions:

- \$63,487 was transferred from prepaid expenses to intangible assets on the completion of the transaction to purchase the MyHBAR Wallet domain name;
- \$21,229 was transferred from reserves to share capital upon the exercise of agents' options; and
- \$2,552,373 was transferred from digital assets to digital asset loan receivable.

During the period ended June 30, 2021, there were no non-cash financing or investing transactions..

18. SEGMENTED OPERATIONS

Geographic location

The Company primarily operates in two reporting locations: the United States and Canada. During the month ended June 30, 2022 and the year ended December 31, 2021, all of the Company's assets were held in the United States, with the exception of the GST receivable of \$129,037 (December 31, 2021 - \$96,063). Of the total loss incurred during the six months ended June 30, 2022, \$2,662,560 (June 30, 2021 - \$nil) was recorded in Canada and net earnings of \$1,696,078 (June 30, 2021 – loss of \$558,396) was recorded in the United States.

Active businesses

The Company has identified two reportable segments: its asset management and NFT.com business lines. The two reportable segments represent the active business lines for which the Company has earned income, incurred costs and allocated resources during the period ended June 30, 2022.

Immutable Holdings Inc.**Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended June 30, 2022 and 2021**

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18. SEGMENTED OPERATIONS (continued)

The asset management business manages capital on behalf of accredited investors in exchange for management fees and performance-based compensation. During the period ended June 30, 2022, the Company generated \$421,478 (June 30, 2021 \$nil) in revenue through this business line.

The NFT Company is building out and developing a profile-based network and platform on its domain www.nft.com for creators and collectors in the NFT community to engage and collaborate. In April 2022, the Company launched the sale of its Genesis Keys, which provided early purchasers the first access to the platform. During the period ended June 30, 2022, the Company generated \$8,292,157 in revenue through this business line.