Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

(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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Vancouver, BC
May 15, 2024

Immutable Holdings Inc.
Condensed Interim Consolidated Statements of Financial Position
For the three months ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Notes	**March 31, 2024 (unaudited)**	December 31, 2023 (audited)
		$	$
Assets			
Current			
Cash		**10,279,232**	11,154,541
Digital assets	5	**2,473,633**	1,774,046
Digital assets receivable	4, 10	**3,290,241**	900,888
GST receivable		**196,239**	170,892
Prepaid expenses	8,10	**562,830**	481,006
Total current assets		**16,802,175**	14,481,373
Equipment	7	**24,857**	31,329
Total assets		**16,827,032**	14,512,702
Liabilities			
Current			
Accounts payable and accrued liabilities	10	**284,968**	278,639
Deferred revenue	4	**430,146**	639,552
		715,114	918,191
Shareholders' equity			
Share capital	9	**24,221,218**	24,221,218
Reserves	9	**5,709,184**	5,709,184
Accumulated other comprehensive income		**3,276,047**	1,917,200
Deficit		**(17,094,531)**	(18,253,091)
Total shareholders' equity		**16,111,918**	13,594,511
Total liabilities and shareholders' equity		**16,827,032**	14,512,702

Nature and continuance of operations (Note 1)
Provisions (Note 13)

"*Jeff Long*"	"*Alberto Franco*"
Director	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)

For the three-month periods ended	Notes	March 31, 2024	March 31, 2023
		$	$
Income			
Sales		-	2,809
Management and performance fees	4,10	**2,023,582**	225,433
		2,023,582	228,242
Operating expenses			
Consulting fees	10	**142,369**	242,658
Custodian fees		**50,777**	37,871
Depreciation	7	**7,248**	24,177
Directors' fees	10	-	143,714
Filing and transfer agent fees		**33,118**	19,917
General and administrative		**45,366**	123,224
Insurance		**64,053**	80,835
Marketing		**12,033**	178,198
Payroll	10	**123,546**	626,371
Professional fees	10	**510,563**	607,217
Rent	6	**23,264**	71,792
Share-based payments	9,10	-	147,747
Website development	10	**60,696**	453,059
		(1,073,033)	(2,756,780)
Income (loss) before other items		**950,549**	(2,528,538)
Gain (loss) on sale of digital assets	5	**215,804**	(8,044)
Revaluation gain on digital assets	5	-	93,089
Other income		**216**	-
Foreign exchange loss		**(8,009)**	(5,419)
Income (loss) and comprehensive income (loss) for the period		**1,158,560**	(2,448,912)
Other comprehensive income			
Foreign currency translation		**451,349**	(15,408)
Net unrealized appreciation on digital assets	4,5	**907,498**	-
Comprehensive income (loss) for the period		**2,517,407**	(2,464,320)
Basic and diluted income (loss) per share		**0.01**	(0.02)
Weighted average number of voting shares outstanding – basic and diluted	9	**98,091,383**	98,091,383

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 three-month periods ended	Notes	March 31, 2024	March 31, 2023
		$	$
Cash provided by (used in):			
Operating activities			
Income (loss) for the period		**1,158,560**	(2,448,912)
Items not involving cash:			
Depreciation	7	**7,248**	24,177
Share-based payments	9	**-**	147,747
(Gain) loss on sale of digital assets	5	**(215,804)**	8,044
Revaluation gain on digital assets	5	**-**	(93,089)
Unrealized gain on foreign exchange		**(153)**	(13,477)
Changes in non-cash working capital items:			
Digital assets		**(78,955)**	49,576
Prepaid expenses		**(68,731)**	(264,397)
Digital assets receivable		**(1,797,174)**	-
GST receivable		**(25,347)**	(14,213)
Accounts payable and accrued liabilities		**5,798**	277,124
Deferred revenue		**(224,791)**	(218,156)
Net cash used in operating activities		**(1,239,349)**	(2,545,576)
Net change in cash during the period		**(1,239,349)**	(2,545,576)
Change in foreign exchange – cash and other		**364,040**	(16,073)
Cash, beginning of year		**11,154,541**	19,503,433
Cash, end of period		**10,279,232**	16,941,784

Supplementary cash flow information (Note 14)

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, 2022	69,536	28,555,383	24,221,218	5,146,232	1,515,192	(12,197,526)	18,685,116
Share-based payments	-	-	-	562,952	-	-	562,952
Conversion of MVS to SVS	(3,218)	3,218,051	-	-	-	-	-
Net unrealized appreciation on investments	-	-	-	-	755,500	-	755,500
Foreign currency translation adjustment	-	-	-	-	(353,492)	-	(353,492)
Loss for the year	-	-	-	-	-	(6,055,565)	(6,055,565)
Balance, December 31, 2023	66,318	31,773,434	24,221,218	5,709,184	1,917,200	(18,253,091)	13,594,511
Net unrealized appreciation on digital assets	**-**	**-**	**-**	**-**	**907,498**	**-**	**907,498**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**451,349**	**-**	**451,349**
Income for the period	**-**	**-**	**-**	**-**	**-**	**1,158,560**	**1,158,560**
Balance, March 31, 2024	**66,318**	**31,773,434**	**24,221,218**	**5,709,184**	**3,276,047**	**(17,094,531)**	**16,111,918**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Immutable Holdings Inc. (the "Company" or "Immutable") focuses on developing business lines in the digital asset and blockchain industry. Immutable is the resulting issuer after giving effect to a transaction contemplated in a Business Combination Agreement dated August 4, 2021 between Immutable Holdings Inc., Bexar Ventures Inc. ("Bexar") and 1309023 B.C. Ltd.

Bexar was incorporated under the provisions of the Business Corporations Act of British Columbia on January 31, 2017. On March 27, 2018, Bexar begun 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"). Reverse acquisition accounting was applied on the RTO and the financial information reflected 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 CBOE Canadian Exchange ("CBOE") on September 28, 2021 under the new symbol "HOLD". During the year ended December 31, 2023, the Company's shares were listed on the OTCBQ Venture Market and began trading under the symbol "IHLDF".

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 flows and fund its operations through revenue generating activities, equity financings, or through other means. As at March 31, 2024, the Company had cash of $10,279,232 (December 31, 2023 - $11,154,541) and a positive working capital of $16,087,061 (December 31, 2023 - $13,563,182). Management estimates that the Company has sufficient funds to maintain its operations and activities for the upcoming year.

Over the past year, global stock markets have experienced volatility and a significant weakening in the aftermath of COVID-19. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Volatility in financial markets subsequent to March 31, 2024, may have a significant impact on the Company's financial position. The duration and impact of the higher inflationary environment, as well as the effectiveness of government and central bank responses, remains unclear 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 under IFRS as issued by the International Accounting Standards Board ("IASB") and follow the same material accounting policies and methods of application as the Company's December 31, 2023 annual audited consolidated financial statements, unless otherwise noted. Accordingly, they should be read in conjunction with the Company's most recent annual statements.

2. BASIS OF PRESENTATION (continued)

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on May 15, 2024.

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:

		Ownership %	
Subsidiary	**Location**	**March 31, 2024**	December 31, 2023
Immutable Holdings Inc.	USA	**100%**	100%
The NFT Company Inc.	Puerto Rico	**100%**	100%
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.

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").

2. BASIS OF PRESENTATION (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 contingent liabilities at the date of the condensed interim 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, performance 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 and royalties initiated on the Company's www.nft.com platform, as well as through performance fee payments for managing the Immutable HBAR Opportunity 1 LLC Fund. The Company's intention is to convert the proceeds into 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.

2. BASIS OF PRESENTATION (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

Judgement is applied when determining whether a contract contains a lease. 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 equipment

Determining whether to charge any impairment against the Company's 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 of the equipment is tested when there are internal and external indicators suggesting impairment may exist.

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. ASSET PURCHASE AGREEMENTS

Domain names

On May 18, 2021, the Company entered into two asset purchase agreements with the Chief Executive Officer of the Company (the "Vendor"), whereby the Vendor owned 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 earnings before interest income tax depreciation and amortization ("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.

3. ASSET PURCHASE AGREEMENTS (continued)

The asset purchase agreements do not meet the definition of a business and therefore, were 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 March 31, 2024 and the year ended December 31, 2023, 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 was 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.

<u>Coffeeandcrypto.com</u>

On October 3, 2022, the Company acquired the rights, title and interest in the domain name Coffeeandcrypto.com for total consideration of $20,367 (USD $15,000). The transaction was accounted for as an asset acquisition, as it did not meet the definition of a business under IFRS 3.

<u>NFTbook.com</u>

On May 6, 2022 the Company acquired the rights, title and interest in the domain name NFTbook.com for total consideration of $31,586 (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.

<u>MyHBAR wallet</u>

On November 4, 2021, the Company prepaid $63,487 (USD $50,000) to purchase the domain name and associated intellectual properties of MyHBARwallet.com. 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.

<u>Bitcoinbook.com</u>

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.

(Expressed in Canadian Dollars)

3. ASSET PURCHASE AGREEMENTS (continued)

	Domain names
	$
Cost	
Balance, December 31, 2022	157,300
Foreign translation	(3,687)
Impairment of intangible assets	(153,613)
Balance, December 31, 2023 and March 31, 2024	**-**

The domain names were determined to have indefinite useful lives. The assets are subject to annual impairment testing, as the assets had not yet been put into use, the Company recorded an impairment charge of $153,613 during the year ended December 31, 2023.

4. 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 of which IAM acts as the manager.

On July 30, 2021, IAM entered into a token purchase agreement (the "TPA") 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 "Fund"). 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 March 31, 2024, the Company recognized $224,799 (USD $166,667) (March 31, 2023 - $225,433 (USD $166,667)) in management fee income. As at March 31, 2024, there was $430,146 (USD $316,890) (December 31, 2023 - $639,552 (USD $483,557)) in current deferred revenues.

During the year ended December 31, 2023, the Fund started monthly distributions, primarily as in-kind distributions to its investors. The Company recognized performance fee income for the period ended March 31, 2024 , amounting to $1,798,783 (USD $1,332,425) (March 31, 2023- $nil). The performance fee is calculated at 15% of the realized gain on the tokens at the time of distribution. The gain is measured using the 5 day average price of HBAR preceding the distribution, less the cost base of USD $0.02. As at March 31, 2024, the Fund owed the Company an outstanding amount of $3,290,241 (USD $2,423,929) (December 31, 2023 - $900,888 (USD $681,149). As at March 31, 2024, the total gain on revaluation of the digital assets receivable was $553,487 (March 31, 2023 – $nil), which was recognized in other comprehensive income. Additionally, for specific investors, the Company transferred a total of $856,400 (USD $634,935), on behalf of the Fund during the period ended March 31, 2024, while retaining the equivalent value in HBAR received from the Fund.

(Expressed in Canadian Dollars)

5. DIGITAL ASSETS

Cryptocurrency holdings

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

	Digital assets
	$
Balance, December 31, 2022	206,261
Digital assets received for performance fees (Note 4)	461,652
Digital assets purchased from Fund investors (Note 4)	516,194
Digital assets sold for USD	(5,636)
Digital assets used in operations	(110,930)
Loss on sale of digital assets	(10,970)
Revaluation of digital assets	758,432
Other income	11,774
Foreign translation adjustment	(52,731)
Balance, December 31, 2023	**1,774,046**
Digital assets purchased from Fund investors (Note 4)	856,400
Digital assets sold for USD	(777,445)
Gain on sale of digital assets	215,804
Revaluation of digital assets	354,011
Foreign translation adjustment	50,817
Balance, March 31, 2024	**2,473,633**

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.

As at March 31, 2024, the total gain on revaluation of digital assets was $354,011 (March 31, 2023 – $93,089). The Company determines cost as the historical weighted average cost of the digital assets acquired and disposed of. The gain offsets a previously recognized loss which was recognized under the revaluation method during the prior period, and as a result, $354,011 was recognized in other comprehensive income during the current period ended.

During the period ended March 31, 2024, the Company sold digital assets for proceeds totaling $777,445 (March 31, 2023 – $38,423) with a cost basis of $561,641 (March 31, 2023 - $46,467) and recorded a resulting gain on sale of digital assets of $215,804 (March 31, 2023 – loss of $8,044). The digital assets were sold for USD or USDC or pay vendors in order to manage the Company’s risk exposure.

5. DIGITAL ASSETS (continued)

As at March 31, 2024, the breakdown by crypto asset class was as follows:

	Number of coins	Fair value (USD) ($)	Fair value (CAD) ($)	Fair value %
ETH	67.80	247,337	335,737	14%
HBAR	13,456,036	1,556,863	2,113,286	85%
USDC	11,368	11,368	15,431	1%
WETH	1.86	6,764	9,179	0%
		1,822,332	2,473,633	100%

As at December 31, 2023, the breakdown by crypto asset class was as follows:

	Number of coins	Fair value (USD) ($)	Fair value (CAD) ($)	Fair value %
ETH	67.80	154,692	204,597	12%
HBAR	13,629,375	1,171,036	1,548,812	87%
USDC	11,368	11,368	15,036	1%
WETH	1.86	4,236	5,601	0%
		1,341,332	1,774,046	100%

6. 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 consolidated statements of loss and comprehensive loss when incurred. During the period ended March 31, 2024 the Company recognized $23,264 (March 31, 2023 - $14,629) in rent expense.

(Expressed in Canadian Dollars)

6. LEASES (continued)

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.

During the year ended December 31, 2023, it was determined that the ROU asset was impaired and as a result, the Company wrote-off the remaining balance of the asset of $185,708 through the statement of income (loss) and comprehensive income (loss).

	ROU asset
	$
Costs	
Balance, December 31, 2022	338,585
Foreign translation adjustment	(7,935)
Impairment of ROU asset	(330,650)
Balance, December 31, 2023 and March 31, 2024	**-**

	ROU asset
Accumulated depreciation	
Balance, December 31, 2022	80,704
Depreciation	67,485
Foreign translation adjustment	(3,247)
Write-off of depreciation	(144,942)
Balance, December 31, 2023 and March 31, 2024	**-**
Net book value	
Balance, December 31, 2023	-
Balance, March 31, 2024	**-**

During the period ended March 31, 2024, the Company sublet office space from a related party on a month-to-month basis and incurred rent expense of $nil (March 31, 2023 - $57,163) which has been expensed through the condensed interim consolidated statements of income (loss) and comprehensive income (loss). During the year ended December 31, 2023, the rental agreement was terminated.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Computers	Studio equipment	Total
Costs	$	$	$
Balance, December 31, 2022	63,015	24,324	87,339
Foreign translation adjustment	(1,473)	(570)	(2,043)
Balance, December 31, 2023	61,542	23,754	85,296
Foreign translation adjustment	1,621	625	2,246
Balance, March 31, 2024	**63,163**	**24,379**	**87,542**
Accumulated depreciation			
Balance, December 31, 2022	18,040	8,108	26,148
Depreciation	20,933	8,080	29,013
Foreign translation adjustment	(842)	(352)	(1,194)
Balance, December 31, 2023	38,131	15,836	53,967
Depreciation	5,229	2,019	7,248
Foreign translation adjustment	1,040	430	1,470
Balance, March 31, 2024	**44,400**	**18,285**	**62,685**
Net book value			
Balance, December 31, 2023	23,411	7,918	31,329
Balance, March 31, 2024	**18,763**	**6,094**	**24,857**

8. PREPAIDS

	March 31, 2024	December 31, 2023
	$	$
Insurance	**128,923**	188,427
Professional fees	**400,057**	270,767
Other	**33,850**	21,812
	562,830	481,006

9. SHARE CAPITAL

a) Authorized

The Company is authorized to issue two classes of common shares:

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

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.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

b) Earnings per share

During the periods ended March 31, 2024 and 2023, 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 March 31, 2024, the issued and outstanding share capital is comprised of 66,318 MVS (December 31, 2023 – 66,318) and 31,773,434 SVS (December 31, 2023 – 31,773,434) for a total of 98,091,317 (December 31, 2023 – 98,091,317) voting shares on an as if fully converted basis.

During the year ended December 31, 2023, shareholders converted 3,218.051 MVS shares into 3,218,051 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 CBOE.

The continuity of stock options is summarized as follows:

	Number outstanding	Weighted average exercise price
		$
Balance, December 31, 2022	6,160,913	1.60
Granted	370,000	0.30
Forfeited	(1,054,813)	0.95
Balance, December 31, 2023	5,476,100	1.64
Forfeited	(200,000)	1.31
Balance, March 31, 2024	**5,276,100**	**1.65**

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

	March 31, 2024	December 31, 2023
Expected life (years)	-	5
Expected volatility	-	100%
Expected dividend yield	-	-
Risk-free interest rate	-	3.04%

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Stock options (continued)

As at March 31, 2024, the stock options outstanding and exercisable were as follows:

Number outstanding	Exercise price	Exercisable	Expiry date
1,110,000	$0.75	1,110,000	September 27, 2026
370,000	$2.45	370,000	December 13, 2026
2,325,000	$2.60	1,692,813	December 28, 2026
1,101,100	$0.75	880,266	June 16, 2027
370,000	$0.30	341,875	April 12, 2028
5,276,100		**4,394,954**	

The weighted average remaining life of the stock options is 2.88 years.

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, 2022	474,507	1.94
Expired	(300,719)	0.75
Balance, December 31, 2023 and March 31, 2024	**173,788**	**4.00**

As at March 31, 2024, the agents' options and brokers' warrants outstanding were as follows:

Number outstanding	Exercise price	Exercisable	Expiry date
135,047	$4.00	135,047	December 17, 2024
38,741	$4.00	38,741	December 31, 2024
173,788		**173,788**	

The weighted average remaining life of the agents' options and brokers' warrants is 0.72 years.

f) Warrants

The continuity of warrant transactions is summarized as follows:

	Number outstanding and exercisable	Weighted average exercise price
Balance, December 31, 2022	3,109,119	3.81
Expired	(217,485)	1.24
Balance, December 31, 2023 and March 31, 2024	**2,891,634**	**4.00**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

f) Warrants (continued)

As at March 31, 2024, the warrants outstanding and exercisable were as follows:

Outstanding and exercisable	Exercise price ($)	Expiry date
1,923,073	4.00	December 17, 2024
968,561	4.00	December 31, 2024
2,891,634		

The weighted average remaining life of the warrants is 0.73 years.

10. 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.

	March 31, 2024	March 31, 2023
	$	$
Directors' fees	-	143,714
Payroll and website development	-	109,924
Professional and consulting fees	247,380	247,760
Share-based payments	-	51,033
	247,380	**552,431**

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 March 31, 2024, the Company recognized $224,799 (March 31, 2023 - $225,433) in management fee income and $1,798,783 (March 31, 2023 - $nil) in performance fee income (Note 4). As at March 31, 2024, the Fund owed the Company an outstanding amount of $3,290,241 (December 31, 2023 - $900,888).

As at March 31, 2024, there was $37,500 (December 31, 2023 - $nil) outstanding in accounts payable and accrued liabilities due to an officer. Amounts are unsecured, do not bear interest and are due on demand.

As at March 31, 2024, there was $384,596 (December 31, 2023 - $242,476) outstanding in prepaid expenses for professional and consulting fees and director fees paid to related parties.

11. 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 assets 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 receivable is determined using level 2 inputs. 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 March 31, 2024, 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.

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 assets receivable. The Company manages its credit risk by maintaining its cash in federally regulated financial institutions in the United States and Canada. The Company primarily secures its digital assets and digital assets receivable 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 and digital assets receivable by maintaining ETH, WETH, 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

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

conversions into fiat currency. The Company monitors its HBAR balances on a weekly basis for volatility in the market, however it plans to maintain a position for fiscal 2024. The Company limits its credit risk for digital assets by placing them with a high-quality financial institution that is believed to have sufficient capital to meet their obligations as they come due.

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 significant loss on a transaction as a result. As at March 31, 2024, and subsequently, the Company does not expect to incur a significant loss on any of its financial assets.

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 Company's 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.

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 March 31, 2024, if the market price of the Company's digital assets, excluding USDC holdings, changed by 10% with all other variables being constant, the corresponding digital assets and digital assets receivable value change would amount to approximately USD $423,000. 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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.

<ins>Liquidity risk</ins>

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 12. 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 March 31, 2024, the Company had $10,279,232 in cash to cover its accounts payable and accrued liabilities of $284,968.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 March 31, 2024, 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 $8,500 in the Company's net loss for the period. The Company has not hedged its exposure to currency fluctuations.

12. CAPITAL MANAGEMENT

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 maintain sufficient and existing cash resources to fund the operations of the Company. The Company is not subject to any external capital requirements imposed by a regulator.

13. PROVISIONS

Due to the size and nature of the Company's operations, the Company may, from time-to-time, be subject to threats for potential or actual litigation. As at March 31, 2024, the Company is unable to estimate the financial impact or measure the timing of any existing claims as the probability is remote. In the event that management's estimate of the future resolution of matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such these changes occur.

14. 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 periods ended March 31, 2024 and 2023, there were no non-cash financing or investing activities. During the period ended March 31, 2024, the Company paid $nil (March 31, 2023 - $nil) in cash for taxes and interest expense and received $nil (March 31, 2023 - $nil) in interest income.

15. SEGMENTED OPERATIONS

Geographic location

The Company primarily operates in two reporting locations: the United States and Canada. During the period ended March 31, 2024 and the year ended December 31, 2023, all of the Company's assets were held in the United States, with the exception of the GST receivable of $196,239 (December 31, 2023 - $170,892) and cash of $8,765,386 (December 31, 2023 - $8,555,761). During the period ended March 31, 2024, a total loss was of $21,055 (March 31, 2023 - $159,575) was incurred in Canada and a net income of $1,179,615 (March 31, 2023 – loss of $2,289,337) was recorded in the United States.