# Cypher Metaverse Inc.

**Management's Discussion and Analysis**

**For the year ended December 31, 2023**

**DATE OF REPORT: APRIL 26, 2024**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of Cypher Metaverse Inc**.** (the "Company" or "Cypher") for the year ended December 31, 2023, and related notes attached thereto (the "financial statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise stated. References to notes are with reference to the consolidated financial statements.

**FORWARD-LOOKING STATEMENTS**

This MD&A may contain forward-looking statements. Forward-looking statements are often, but not always, identified by words such as "believes", "may", "likely", "plans" or similar words. All statements, other than statements of historical fact, that address activities, events, or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements.

Forward-looking statements included or incorporated by reference in this document include, but are not limited to, statements with respect to:

- the level of volatility of the prices for crypto assets;
- economics of mining cryptocurrencies and decentralized finance projects;
- general business and economic conditions;
- the timing and amount of staking, DeFi, and node rewards earned over time;
- conditions in the financial and cryptocurrency markets generally, and with respect to the prospects for the supply and demand of crypto assets;
- the security and reliability of smart contracts for different blockchains and decentralized financial protocols;
- regulatory developments within Canada and internationally that affect cryptocurrencies as an asset class both directly and indirectly;
- tax developments directed at cryptocurrency assets that may be enacted into legislation over time;
- governance decisions made by the blockchain network operators that affect the rewards payout allocation;

Statements regarding the business and anticipated future financial performance of the Company involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company's financial statements and filings.

It is the Company's policy that all forward-looking statements, if any, are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements are subject to change, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements contained in this MD&A, may include, but are not limited to, information or statements concerning management's expectations for the Company's ability to raise capital and meet its obligations.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below.

## DESCRIPTION OF BUSINESS

Cypher Metaverse Inc. (the “Company” or “Cypher”) was incorporated on February 19, 2009, under the laws of the province of British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol CODE, on the OTCQB in the United States under the symbol BKLLF, and on the Frankfurt Stock Exchange under the symbol C5B. The head office, registered and records office of the Company is located in Vancouver, BC, Canada.

The Company formerly participated in revenue generating blockchain projects including, proof of work mining, proof of stake crypto currencies, and decentralized finance (“DeFi”). The Company also participated in certain digital experiences, collectively referred to as “the Metaverse” which include non-fungible token (“NFT”) based gaming experiences. The Company has wound down activity in the crypto industry pending completion of a proposed transaction with Agapi Luxury Brands Inc. whereby Cypher will acquire 100% of Agapi

The Company’s website is www.cypher-meta.com.

On May 18, 2023, the Company entered a binding letter of intent to enter a business combination with Agapi Luxury Brands Inc.(“Agapi”). It is expected that upon completion of the business combination, the combined entity will meet the listing requirements for an industrial issuer and constitute a “Reverse Takeover” under the policies of the CSE. On August 29, 2023, the Company entered into a definitive agreement with Agapi. The CSE has conditionally accepted the Transaction, and the Company’s shareholders approved the transaction on December 1, 2023.

Agapi operates within the US and international tobacco industry as wholesaler of premium, hand-rolled cigars. Apgapi imports cigars under the brand “Freud Cigar Co.” from two factories in the Dominican Republic, Tabacalera William Ventura and Tabacalera Diaz Cabrera. Both factories are owned and managed by well-known tobacco blenders. The factories work in partnership with the Company to curate unique and innovative cigar blends targeted at the luxury cigar consumer in the USA.

## OUTLOOK

Digital Asset Industry Outlook:

During 2022 and 2023 the industry experienced extreme volatility. A rising interest rate environment in the United States and subsequent tightening of credit conditions combined with international macro-economic conditions caused sharp downturns in market prices of nearly all crypto assets. As a result, the industry has witnessed protocol failures (Terra / LUNA), exchange failures (FTX), and bankruptcies (Voyager Digital, Celsius Network, FTX, Three Arrows Capital). The inappropriate use of leverage as well as absence of risk management strategies by these parties has placed significant stress and uncertainty on the broader crypto industry.

The Company anticipates the regulatory environment to continue to evolve over the coming twelve months and welcomes the implementation of a clear regulatory framework and adequate oversight to create a more stable industry.

Tobacco Industry Outlook

Tobacco markets are typically segmented into manufacturing, wholesaling, and tobacconist retailers. Wholesalers are defined as companies that receive packaged cigars from manufacturers and the sell the goods to retailers such as specialized tobacco stores and online retailers. Freud Cigars currently operates as a wholesaler of premium/luxury cigars.

Wholesaling of cigarette and tobacco products is a massive market. Globally this market is worth $560 billion and valued at $149 billion in 2023 in the USA alone (IBISWorld, 2023). While cigars are a small subset of this market, the total cigar market in the US is still estimated to be worth more than $10 billion in 2021 (The Cigar Association of America, 2022).

## COMPETITIVE CONDITIONS

The vast majority of bitcoin mining is now undertaken by mining pools, whereby miners organize themselves and pool their processing power over a network and mine transactions together. Rewards are then distributed proportionately to each miner based on the work / hash power contributed. Mining pools became popular when mining difficulty and block time increased. Mining pools allow miners to pool their resources so they can generate blocks quickly and receive rewards on a consistent basis instead of mining alone where rewards may not be received for long periods. The Company may also decide to participate in mining pools in order to smooth the receipt of rewards. Other market participants in the cryptocurrency industry include investors and speculators, retail users transacting in cryptocurrencies, and service companies that provide a variety of services including buying, selling, payment processing and storing of cryptocurrencies.

The nascent Metaverse segment of the crypto asset industry which includes the development of immersive gaming and NFT related products is generally dominate by companies that are significantly more well capitalized than Cypher therefore there is no assurance that the Company will be able to successfully penetrate this segment.

## SPECALIZED SKILL AND KNOWLEDGE

There is a specialized skill required for the development, operations, maintenance, and marketing of the Company's business. The Company's current staff possesses the necessary skills and knowledge required for the Company's business; however, additional employees may be added to staff as needed.

## COMPONENTS

The Company obtains Bitcoin mining machines, hardware components, various subsystems and systems from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate such suppliers to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether suppliers will provide an adequate supply of components, subsystems, or systems of sufficient quality, will increase prices for components, subsystems or systems, and will perform their obligations on a timely basis. See "Risk Factors".

## OPERATIONAL HIGHLIGHTS – PERIOD ENDED AND TO THE DATE OF THIS MD&A

On January 13, 2023, the Company cancelled 1,287,500 stock options.

On April 4, 2023, the Company raised gross proceeds of $96,140 through the issuance of 873,999 units. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire one additional common share at a price of $0.15 for a period of two years from closing. The Company paid cash finders fees of $1,254 and issued 11,400 broker warrants on the same terms as the unit warrants.

On May 10, 2023, the Company entered a binding letter of intent to enter a business combination with Agapi Luxury Brands Inc.(“Agapi”). It is expected that upon completion of the business combination, the combined entity will meet the listing requirements for an industrial issuer and constitute a “Reverse Takeover” under the policies of the CSE. In connection with the proposed transaction the Company agreed to lend Agapi $600,000 by way of a secured bridge loan (the “Bridge Loan”) bearing annual interest of 8%. On September 9, 2023, the loan was amended and increased to $670,000. The Bridge Loan will be forgiven by the Company upon successful completion of the transaction.

On August 29, 2023, the Company entered into a binding definitive agreement (“Definitive Agreement”) in respect to a business combination (the “Transaction”) with Agapi Luxury Brands Inc. (“Agapi”). It is expected that upon completion of the Transaction, the combined entity (the “Resulting Issuer”) will meet the listing requirements for an industrial issuer under the policies of the CSE Venture Exchange (the “CSE”). The CSE has conditionally accepted the Transaction, and the Company will hold a shareholder meeting on December 1, 2023, to give its shareholders the opportunity to consider the Transaction and approve the same.

On December 28, 2023, the Company issued 2,325,000 units at a price of $0.12 per unit raising gross proceeds of $279,000. Each unit consists of one common share and one common share purchase warrant which entitles the holder to acquire an additional common share at a price of $0.15 for a period of two years from closing. The Company paid cash finders fees of $18,755 and issued 156,300 broker warrants on the same terms as the warrants forming part of the units.

On November 3, 2023, the Company entered into an agreement to purchase shares with an arms length third party whereby the Company divested its equity investment in Capital Blocktech Inc. for consideration of $1

On December 22, 2023, the Company entered into an amending agreement with Agapi Luxury Brands Inc. whereby the Secured Loan was increased to $950,000.

**SELECTED ANNUAL FINANCIAL INFORMATION AND RESULTS OF OPERATIONS**

The following table presents the Company's financial summary for the years ended December 31, 2023, 2022, and 2021. The financial information is presented in Canadian dollars and was prepared in accordance with IFRS.

| Summary of Operations | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Revenue | $ - | $ 45,867 | $ 226,319 |
| Total expenses | 1,677,853 | 2,156,375 | 9,832,055 |
| Net loss for the year | (1,562,424) | (3,245,828) | (13,292,260) |
| Basic and diluted loss per share | (0.10) | (0.22) | (1.21) |

| Balance Sheet Summary | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Current assets | $ 996,985 | $ 2,091,495 | $ 3,661,182 |
| Total assets | 1,009,045 | 2,158,733 | 4,374,925 |
| Total liabilities | 149,015 | 91,337 | 162,121 |
| Working capital | 847,970 | 2,000,158 | 3,499,061 |

Revenue from bit mining operations for the year ended December 31, 2023, was $Nil (2022 - $45,867).. As a result of underperformance of the company's bit mining rigs, management determined it was in the best interests of the Company to sell the existing rigs and begin the process to evaluate alternative business opportunities. On May 10, 2023 the Company entered into a letter of intent to acquire 100% of Agapi Luxury Brands Inc. which operates in the premium cigar industry. As of the date of the MD&A the transaction has not yet closed.

During the year ended December 31, 2022, total expenses were $1,677,853 compared to $2,156,375 in the year ended December 31, 2022. Net loss for the year ended December 31, 2023, was $1,562,424 (December 31, 2022 - $3,245,828). The Company was focused on identifying new business opportunities and had no active business during the year ended December 31, 2023.

Working capital decreased to $847,970 (December 31, 2022 - $2,00,158) primarily due to cash used in operations. No dividends were declared or paid during the periods presented.

## DIGITAL ASSETS

Digital assets are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined based on the closing price quoted on www.coingecko.com. A summary of the digital asset balances is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Bitcoin | - | 147,532 |
| Ethereum | 3,799 | 23,122 |
| Curve governance token | - | 3,024 |
| The Sandbox | - | 2,795 |
| Total Digital Assets | 3,799 | 176,473 |

### Bitcoin

A continuity of the Company's Bitcoin holdings as at December 31, 2023 is as follows:

| | Number | Value $ |
|---|---|---|
| | | $ |
| Balance, December 31, 2021 | 5.6549 | 331,491 |
| Bitcoin mined | 0.9437 | 45,867 |
| Transaction fees | (0.0131) | (501) |
| Revaluation | - | (229,325) |
| Balance, December 31, 2022 | 6.5855 | 147,532 |
| Bitcoin sold | (6.5855) | (254,031) |
| Revaluation | - | 106,499 |
| Balance, December 31, 2023 | - | - |

### Ethereum

A continuity of the Company's Ethereum holdings as at December 31, 2023 is as follows:

| | Number | Value $ |
|---|---|---|
| Balance, December 31, 2021 | 22.94 | 107,402 |
| Ethereum acquired | 21.45 | 32,618 |
| Transaction fees | (0.10) | (338) |
| Ethereum exchanged for NFTs | (30.03) | (106,253) |
| Revaluation | - | (10,307) |
| Balance, December 31, 2022 | 14.26 | 23,122 |
| Ethereum sold | (13.00) | (32,129) |
| Revaluation | - | 12,806 |
| Balance, December 31, 2023 | 1.26 | 3,799 |

**Curve Governance Token**

A continuity of the Company's Curve Governance token holdings as at December 31, 2023 is as follows:

| | Number | Value $ |
|---|---|---|
| Balance, December 31, 2021 | 4,254.30 | 28,857 |
| Revaluation | - | (25,833) |
| Balance, December 31, 2022 | 4,254.30 | 3,024 |
| Curve governance token sold | (4,254.30) | (5,624) |
| Revaluation | - | 2,600 |
| Balance, December 31, 2023 | - | - |

**The Sandbox**

A continuity of the Company's The Sandbox token holdings as at December 31, 2023 is as follows:

| | Number | Value $ |
|---|---|---|
| Balance, December 31, 2021 | 4,511.18 | 35,193 |
| The Sandbox acquired | 25,873.54 | 162,292 |
| The Sandbox sold | (25,000) | (159,669) |
| Revaluation | - | (35,021) |
| Balance, December 31, 2022 | 5,384.72 | 2,795 |
| The Sandbox sold | (5,384.72) | (4,501) |
| Revaluation | - | 1,706 |
| Balance, December 31, 2023 | - | - |

During the year ended December 31, 2023, the Company recorded a revaluation gain on digital assets of $123,611 (December 31, 2022 – loss of $300,486).

The Company holds Non-Fungible Tokens with a value of $12,060 (December 31, 2022 - $32,384) representing digital real estate. Due to a decline in the market value of certain NFTs during the year the Company conducted an impairment analysis of its NFT holdings and determined an impairment of $20,324 (December 31, 2022 - $71,077) was required.

The Company holds NFTs representing digital real estate in the metaverse projects The Sandbox and Otherside as follows:

| | Otherdeed | Sandbox | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, December 31, 2021 | - | 57,092 | 57,092 |
| NFT acquired | 12,510 | 33,859 | 46,369 |
| Impairment | - | (71,077) | (71,077) |
| Balance, December 31, 2022 | 12,510 | 19,874 | 32,384 |
| Impairment | (8,612) | (11,712) | (20,324) |
| Balance, December 31, 2023 | 3,898 | 8,162 | 12,060 |

The Sandbox is building a unique virtual world where players can build, own, and monetize their gaming experiences using non-fungible tokens (NFTs) and SAND, the main utility token of the platform that serves as the basis of transactions and interactions, enabling players to play, own, govern, trade, and earn. In The Sandbox, players create digital assets in the form of NFTs, upload them to the marketplace, and integrate them into games with the Sandbox Game Maker. The Sandbox is under development by Animoca Brands which raised US $110 Million in September 2022[1].

[1] https://www.animocabrands.com/animoca-brands-raises-usd110million-in-funding-round-led-by-temasek-boyu-capital-ggv-capital

Otherside is a world-building platform that provides an exciting environment to play, create, compete, connect, and explore with other players. Initially, users will experience Otherside through a narrative gameplay experience co-developed by Yuga Labs and Improbable and based on the technology from $M^2$. In the future, new experiences and games will be developed by the community. The tools and utility of Otherside will be continually and iteratively shaped by the participation and needs of the Otherside community. In Phase 1, only Otherdeed holders and selected third-party developers will be able to participate and contribute to the first stages of the platform's features and uses. The development of Otherside is being carried out by Yuga Labs which in March 2022 closed a US $450 Million financing which valued the Company at US $4 Billion[2].

## SAFEGUARDING OF DIGITAL ASSETS AND NON-FUNGIBLE TOKENS

As at December 31, 2023 the Company held digital assets (also referred to as "crypto assets") with a fair value of $3,799 as well as Non-Fungible Tokens ("NFTs") with a balance of $12,060. These assets are held in self custodied cold storage, cold storage with a qualified third-party custodian, or in hot wallets (also known as "trading wallets"). The Company to date has not converted any crypto assets to fiat currency.

All digital assets stored in self custodied cold storage are not insured. Given the nascent nature of the digital asset industry there are no insurance products yet available which are considered affordable or available to the Company. The Company continues to assess the ability to insure all digital assets held in its treasury.

### Self Custodied Cold Storage ("Cold Storage")

Cold storage wallets are crypto wallets held offline on a physical device. The Company holds certain digital assets in cold storage which include Ethereum and NFTs. Within the crypto industry cold storage is considered the most secure method of storage, and the Company holds both the cold storage wallets and the partial keys in separate locations. All cold storage wallets are held in a secure vault. The private keys of the wallet are separated in components with each component being stored with independent third party at secure locations. These assets can only be accessed by two directors or officers of the Company attending the secure locations and signing in.

### Third-Party Custodied Cold Storage ("Custody")

The Company utilizes the service of a qualified custodian, Gemini Trust LLC ("Gemini") to custody certain crypto assets. The custody infrastructure at Gemini's geographically distributed, 24/7 access-controlled secured facilities cannot be accessed by anyone without the proper credentials. Gemini utilizes hardware security modules ("HSMs") storing private keys which are never connected to the internet and are kept air-gapped inside safes in locked cages. Gemini's HSMs have achieved the highest levels of the U.S. government's security ratings[3].

### Hot Wallets

Hot wallets are wallets that are connected through the internet and accessed through either a website or an app. The Company stores some of its digital assets in hot wallets to allow for quick access to trading opportunities. The hot wallet used by the Company is part of the Gemini trading platform. Hot wallets have additional exposure over cold wallets as they are always connected to the internet, therefore risks include hacking, phishing, collusion, third party risk of loss and other malicious thwarting to security. The Company takes security seriously and as such uses all available security protocols such as 2FA, PINs and passwords only available to the Company CEO and COO, and whitelisting of withdrawal addresses.

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[2] https://www.businesswire.com/news/home/20220322006088/en/Yuga-Labs-Closes-450-Million-Seed-Round-of-Funding-Valuing-the-Company-at-4-Billion-Confirms-Plans-for-Metaverse-Project

[3] https://www.gemini.com/custody

## USE OF CRYPTO TRADING PLATFORMS

### Overview

The Company periodically acquires Bitcoin, Ethereum, stable coins, and other crypto assets using fiat currency. To do so, the Company uses the online trading platform "Gemini" which is owned and operated by Gemini Trust LLC. Gemini is responsible for receiving deposits of US dollars, or cryptocurrency, and enabling trades on an order book-based exchange. Gemini, located at 315 Park Avenue South, 18th Floor, NY, is a New York trust company regulated by the New York State Department of Financial Services (NYSDFS). Gemini is subject to capital reserve requirements, cybersecurity requirements, and banking compliance standards set forth by the NYSDFS and the New York Banking Law. Gemini is also a fiduciary and Qualified Custodian. Gemini Custody is regularly audited and subject to the capital reserve requirements and compliance standards of a traditional financial institution.[4]

To move funds from the Company's bank account to Gemini, both the CEO and CFO are required to release payments. Additionally, Gemini incorporates passwords for login and 2FA to access the website and trading platform. Specific risks of loss when using Gemini would be sending to crypto assets to an incorrect wallet address after purchase is made. This risk is mitigated by a multiple review process by two officers and whitelisting specific regularly used addresses of both cold storage and hot wallets.

### Regulatory Oversight

Gemini is a fiduciary under section 100 of the New York Banking Law (the "NYBL") and a custodian that is licensed to custody Digital Assets in trust on customers' behalf. Gemini custodies digital assets in either a depository account or a custody account controlled and secured by Gemini; the balances of which are reflected in the digital asset account of each customer Gemini Account. Digital assets custodied in a depository account are pooled together in one or more of Gemini's digital asset wallets.

Digital Assets custodied on behalf of customers and reflected in the digital asset account of the Gemini platform are not treated as general assets of Gemini. Gemini does not utilize a sub-custodian to hold any crypto assets supported by its platform.

### Insurance

Gemini maintains commercial crime and specie insurance for digital assets custodied in trust on customer behalf in online hot wallets ("hot wallet") and cold wallets ("Gemini Custody"). Gemini's insurance policy is made available through a combination of third-party insurance underwriters. Gemini Custody has secured $200 Million in cold storage insurance coverage for certain types of crypto losses from Gemini Custody.[5]

Gemini's policy insures against the theft of digital assets from its hot wallet that results from a direct security breach or hack of Gemini's systems, a fraudulent transfer initiated by Gemini, or theft by a Gemini employee. Gemini's policy does not cover any losses resulting from any unauthorized access to user accounts. In accordance with the Gemini terms of service users are solely responsible for managing and maintaining the security of user account login credentials and any other required forms of authentication, including API keys[6].

### Notable Incidents Involving Gemini

On February 8, 2022, IRA Financial Trust, a US based crypto retirement provider lost client funds of approximately US $37 million in a security breach. IRA Financial Trust subsequently sued Gemini – its custodian and trading partner. The lawsuit alleges that Gemini failed to protect IRA Financial Trust's clients' assets, claiming that a series of security steps all failed once thieves exploited IRA Financial' s "master key" [7] [8]. Gemini has dismissed the allegations that it is responsible for the

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[4] https://www.gemini.com/custody
[5] https://www.gemini.com/custody
[6] https://www.gemini.com/legal/user-agreement#section-your-digital-assets
[7] https://www.coindesk.com/business/2022/06/07/ira-financial-sues-gemini-over-37m-crypto-heist/
[8] https://www.prnewswire.com/news-releases/ira-financial-trust-brings-lawsuit-against-gemini-trust-company-alleging-crypto-

hack and loss of IRA Financial Trust's user funds. A statement from Gemini claimed that while IRA's accounts are serviced on its platform, "Gemini does not manage the security of IRA Financial' s systems" [9].

**Company Exposure to Risk and Ongoing Monitoring:**

| | Percentage allocation % | December 31, 2023 $ |
|---|---|---|
| **NFTs** | | |
| Self custodied cold storage | 100% | 12,060 |
| | | |
| **Digital assets** | | |
| Self custodied cold storage (Ether) | 100% | 3,799 |
| Self custodied cold storage(Bitcoin) | 0% | - |
| Hot wallet (Balance of other digital assets) | 0% | - |
| Total | 100% | 3,799 |

The Company has conducted industry outreach and performed media searches and determined that as of the date of this MD&A there are no issues with regards to the custodian's operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements. The due diligence The Company performed on Gemini included receiving confirmation that an annual SOC1 audit report pertaining to internal controls over financial reporting as well as an annual SOC 2 audit report pertaining to controls related to operations and compliance were completed by Gemini. A review of news related to Gemini and a review of the Gemini terms and conditions for any unfavorable items was conducted and no issues were identified. The Company has an established a policy to not hold assets in excess of $1,000,000 on Gemini at any given time. This limit is subject to change based on management's risk assessment of Gemini.

**INVESTMENT IN GLANIS PHARMACEUTICAL INC.**

On April 14, 2023, the Company reached an agreement with Glanis Pharmaceuticals Inc.("Glans") whereby Glanis purchased 4,846 shares held by the Company in exchange for $250,000 worth of shares to be issued upon the completion of a listing event of Glanis's common shares on a public securities exchange. As at December 31, 2023 a listing event whereby Glanis's common shares became listed on a public securities exchange has not occurred. As of the date of this MD&A the Company has not become aware of a public listing of the common shares of Glanis and has not been provided with a timeline whereby a public listing may occur.

exchange-security-failures-301561916.html

[9] https://coingeek.com/gemini-lied-about-its-security-ira-financial-says-in-lawsuit-over-36m-hack/

**LONG-TERM INVESTMENTS**

A continuity of the Company's long-term investments is as follows:

| | Love Hemp Group |
|---|---|
| | $ |
| Balance, December 31, 2021 | 507,000 |
| Unrealized fair value (loss) | (472,146) |
| Balance, December 31, 2022 | 34,854 |
| Unrealized fair value (loss) | (34,854) |
| Balance, December 31, 2023 | - |

At December 31, 2023, the Company held 25,733,699 (December 31, 2022 – 25,733,699) ordinary common shares of Love Hemp Group Plc, which were impaired.

**LIQUIDITY AND CAPITAL RESOURCES**

The table below highlights the Company's cash flows during the periods ended December 31, 2023, and December 31, 2022:

| **Net cash provided by (used in)** | **December 31, 2023** | **December 31, 2022** |
|---|---|---|
| Operating activities | $ (1,590,586) | $ (2,235,042) |
| Investing activities | (577,261) | (103,195) |
| Financing activities | 355,058 | 1,090,770 |
| Cash, beginning | 1,857,007 | 3,104,474 |
| Cash, end | 44,218 | 1,857,007 |

As at December 31, 2023, the Company had cash of $44,218 (December 31, 2022 - $1,857,007) and a working capital of $847,970 (December 31, 2022 – working capital of $2,000,158). The Company's cash decreased both from cash used in operations as well as from the loan to Agapi under which a total of $874,700 was advanced at December 31, 2023.

***Results of Operations – Fourth Quarter Ended – December 31, 2023***

The Company's comprehensive loss for the three-month period ended December 31, 2023, totaled $360,545 (2022 - $502,311) with basic and diluted loss per share of $0.02 (2022 - $0.03). Significant fluctuations during the three-month period included:

i) Due to fluctuation in the price of Bitcoin and other digital assets held as at December 31, 2023 the Company recorded a revaluation loss of $952 (2022 - $17,902) on its digital assets held in custody.

ii) Advertising and promotion decreased to $20,281 (2022 - $59,686) primarily due to reduced advertising activity as the Company was in the process of completing the Acquisition of Agapi and was actively advertising. Additionally, in the prior comparable quarter various investor awareness initiatives were not continued in 2023.

iii) General and administrative expense were $56,640 (2022 - $77,858). General and administrative expense consists of office, travel, insurance, as well as meals & entertainment expenses.

iv) Professional fees were $87,730 (2022 - $76,833) due to audit and legal fees. The increase during the current year related to the filing of documents related to the acquisition of Agapi and related shareholder meeting

v) Management and consulting increased to $193,854 (2022 - $177,516) due to the increase in the fees of certain consultants to reflect inflation adjustments.

vi) Interest income of $14,080 (2022 –$Nil) related to the loan advanced to Agapi.

***Results of Operations - Year Ended – December 31, 2023***

The Company's comprehensive loss for the year ended December 31, 2023, totaled $1,562,424 (2022 - $3,245,828) with basic and diluted loss per share of $0.10 (2022 - $0.22). Significant fluctuations during the year included:

vii) During the year ended December 31, 2023, the Company recorded revenue from digital asset mining of $Nil (2022 - $45,867). As a result of underperformance of the companies bit mining rigs, management determined it was in the best interests of the Company to sell the existing rigs and begin the process to evaluate other business opportunities.

viii) In relation to the digital asset mining operations the Company recorded site operations cost of $Nil (2022 - $21,147) related to electricity and site management fees and the Company's rigs had been shut off during the period. The Company recorded depreciation expense of $Nil (2022 - $31,217) as the company's bit mining rigs were shut off and sold. Gross profit from digital asset mining was $Nil (2022 – negative $6,497).

ix) Due to fluctuation in the price of Bitcoin and other digital assets held as at December 31, 2023 the Company recorded a revaluation gain of $123,611 (2022 – loss of $300,486) on its digital assets held in custody.

x) Due to the Companies decision to sell the majority of its digital assets the Company recorded a realized loss of $2,088 (2022 – $78,681) on its digital assets held in custody. The prior year realized loss related to the exchange of Ethereum to acquire NFTs.

xi) Advertising and promotion decreased to $145,322(2022 - $243,344) primarily as a result of reduced advertising activity as the Company continued to assess new investment opportunities. Additionally, in the prior comparable quarter various investor awareness initiatives were not continued in 2023.

xii) General and administrative expenses were $256,391 (2022 - $455,760). General and administrative expense consists of office, travel, insurance, as well as meals & entertainment expenses.

xiii) Professional fees were $274,033 (2022 - $204,670) due to audit and legal fees due to audit and legal fees which primarily relate to the audit and legal requirements to meet the regulatory requirements to complete the proposed acquisition of Agapi.

xiv) Management and consulting decreased to $945,226 (2022 - $1,198,947) due to certain consultants not being re-engaged as well as the reduction of certain consultants' fees.

xv) The Company recorded an unrealized loss of $34,854 (2022 – loss of $472,146) in relation to its investment in Love Hemp Group Plc.

xvi) The Company recorded an impairment expense of $20,324 (2022 - $71,077) related to the decline in market value of the Company's NFTs.

xvii) During the year ended December 31, 2023, the Company recognized an impairment loss on the investment in Capital Blocktech of $Nil (2022 - $52,276). The impairment was recorded in accordance with Level 3 of the fair value hierarchy using the estimated proceeds of sale less costs of disposal.

## SELECTED QUARTERLY RESULTS

A summary of selected information for each of the past eight quarters is as follows:

| | December 31, 2023 | September 30, 2023 | June 30, 2023 | March 31, 2023 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | |
| Net loss | (360,545) | (453,419) | (373,441) | (375,019) |
| Basic and diluted loss per share | (0.02) | (0.03) | (0.02) | (0.03) |
| Weighted average shares outstanding | 15,591,016 | 15,571,906 | 15,571,906 | 14,697,906 |

| | December 31, 2022 | September 30, 2022 | June 30, 2022 | March 31, 2022 |
|---|---|---|---|---|
| Revenue | $ - | $ - | $ 16,557 | $ 29,310 |
| Net loss | (502,311) | (620,517) | (1,013,546) | (1,063,645) |
| Basic and diluted loss per share | (0.03) | (0.04) | (0.07) | (0.08) |
| Weighted average shares outstanding | 14,697,907 | 14,697,907 | 14,697,906 | 13,639,073 |

The Company's comprehensive loss totaled $360,545 for the three months ended December 31, 2023, with basic and diluted loss per share of $(0.02). During the quarter the Company earned revenue from digital asset mining of $Nil. During the quarter the Company entered into an agreement to acquire 100% of Agapi Luxury Brands Inc subject to CSE and shareholder approval.

The Company's comprehensive loss totaled $453,419 for the three months ended September 30, 2023, with basic and diluted loss per share of $(0.03). During the quarter the Company earned revenue from digital asset mining of $Nil.. During the quarter the Company entered into an agreement to acquire 100% of Agapi Luxury Brands Inc subject to CSE and shareholder approval.

The Company's comprehensive loss totaled $373,441 for the three months ended June 30, 2023, with basic and diluted loss per share of $(0.02). During the quarter the Company earned revenue from digital asset mining of $Nil. The decrease compared to the prior quarter was due to the number of active rigs decreasing to zero pending their sale. During the quarter the Company sold the majority of its digital asset holdings for cash and entered into an agreement to acquire 100% of Agapi Luxury Brands Inc subject to CSE and shareholder approval.

The Company's comprehensive loss totaled $375,019 for the three months ended March 31, 2023, with basic and diluted loss per share of $(0.03). During the quarter the Company earned revenue from digital asset mining of $Nil. The decrease compared to the prior quarter was due to the number of active rigs decreasing to zero pending their sale. Additionally, there was an unrealized gain on digital assets of $122,627 which reduced the Company's loss for the period.

The Company's comprehensive loss totaled $502,311 for the three months ended December 31, 2022, with basic and diluted loss per share of $(0.03). During the quarter the Company earned revenue from digital asset mining of $Nil. The decrease compared to the prior quarter was due to the number of active rigs decreasing to zero pending their sale. Additionally, there were no share-based payments in the period ended December 31, 2022.

The Company's comprehensive loss totaled $670,517 for the three months ended September 30, 2022, with basic and diluted loss per share of $(0.05). During the quarter the Company earned revenue from digital asset mining of $Nil. The decrease compared to the prior quarter was due to the number of active rigs decreasing to zero pending their sale. Additionally, there were no share-based payments in the period ended September 30, 2022.

The Company's comprehensive loss totaled $1,013,546 for the three months ended June 30, 2022, with basic and diluted loss per share of $(0.07). During the quarter the Company earned revenue from digital asset mining of $16,557. The decrease compared to the prior quarter was due to a decrease in the number of operating mining rigs. Additionally, there were no share-based payments in the period ended June 30, 2022.

The Company's comprehensive loss totaled $1,063,645 for the three months ended March 31, 2022, with basic and diluted loss per share of $(0.08). During the quarter the Company earned revenue from digital asset mining of $29,310. The decrease compared to the prior quarter was due to a decrease in the number of operating mining rigs. The loss during the quarter ended March 31, 2022, decreased from the previous quarter since there were several impairment adjustments recorded in the 2021-year end audit. Additionally, there were no share-based payments in the period ended March 31, 2022, compared to $1,984,628 in the fourth quarter of 2021.

**OUTSTANDING SHARE DATA**

Details of the Company's capitalization are as follows:

| | December 31 2023 | Date of MD&A |
|---|---|---|
| Common shares | 17,896,906 | 17,896,906 |
| Warrants | 3,844,170 | 2,204,199 |
| Stock options | - | - |

**RELATED PARTY TRANSACTIONS AND BALANCES**

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has identified its directors and senior officers as its key management personnel. Total compensation to key management personnel was as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | $ | $ |
| Consulting services - George Tsafalas, CEO & Director | 243,600 | 198,050 |
| Consulting services - Tatiana Kovaleva, CFO | 72,450 | 83,475 |
| Consulting services - Brian Keane, Director | 40,875 | 49,750 |
| Consulting services - Harrison Ross, Director | 17,325 | 18,900 |
| **Total** | 374,250 | 350,175 |

Consulting fees of $Nil (2022 - $126,000) were paid to a company owned by an individual with a family relationship to a director of the Company.

Included in accounts payable is $Nil (December 31, 2022 - $1,575) owing to key management personnel.

In connection with the proposed acquisition of Agapi the Company has issued a Loan of up to $950,000 which is a related party transaction as the CEO of the Company is a significant shareholder of Agapi

The divesture of Glans is considered a related party transaction. The Company's interest Glanis was disposed of April 14, 2023. David Stadnyk is considered to have control over Glanis. On May 10, 2023 Cypher entered an LOI to acquire Agapi and on August 29, 2023 the Company entered a definitive agreement to acquire 100% of Agapi (Note 1). David Stadnyk is the CEO, and sole director of Agapi. Due to the proposed acquisition of Agapi by the Company David Stadnyk is considered to have significant influence over the Company and is therefore considered a related party. Consulting fees of $126,000 were paid to a company controlled by Davids Stadnyk.

**SUBSEQUENT EVENTS**

None.

**SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Please refer to the Notes to the consolidated financial statements for the year ended December 31, 2023.

## CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS

Please refer to the Notes to the consolidated financial statements for the year ended December 31, 2023.

## FINANCIAL INSTRUMENTS AND RISK FACTORS

*Fair values*

The Company's financial instruments consist of cash, receivables, long-term investments, and accounts payable and accrued liabilities. Cash and long-term investments are carried at fair value, except for long-term investments in convertible debentures which are carried at amortized cost. The fair values of receivables, and accounts payable and accrued liabilities approximate their carrying amounts due to their current nature.

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

| | Balance | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **December 31, 2023** | **$** | **$** | **$** | **$** |
| Digital assets | 3,799 | - | 3,799 | - |
| | | | | |
| **December 31, 2022** | | | | |
| Digital assets | 176,473 | - | 176,473 | - |
| Long-term investments | 34,854 | 34,854 | - | - |

Management considers the fair value of digital assets to be Level 2 under IFRS 13 Fair Value Measurement ("IFRS 13") fair value hierarchy as the volume weighted average price taken from www.coingecko.com uses the volumes of multiple digital currency exchanges. There were no transfers between any levels during the period.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risk associated with its receivables, and loan receivable is monitored by management. The Company's maximum exposure to credit risk is the carrying value of the cash, receivables, and loan receivable.

*Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its working capital requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all. All of the Company's financial liabilities have maturities of one year or less as at December 31, 2023 and December 31, 2022.

*Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, equity prices, and foreign currency fluctuations.

*a) Interest Rate Risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company's loan receivable is at a fixed rate of interest .The Company is not exposed to significant interest rate risk with respect to these financial instruments as a change in the prevailing interest rates would not impact the future cash flows associated with the fixed rates of interest, nor would they be expected to impact the fair value of future cash flows unless and until such time as these financial instruments matured and were renewed or extended, instead of being collected.

*b) Price Risk*

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk associated with its long-term investments in marketable securities and warrants, classified in levels 1 and 3 of the fair value hierarchy, respectively. A 10% change in market prices of the common shares underlying the long-term investments in marketable securities would result in a gain or loss of approximately $Nil.

*c) Currency Risk*

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At December 31, 2023 the Company held an insignificant balance of US dollar assets. A 10% change in the foreign exchange rate would not impact Statement of Loss and Comprehensive Loss by a material amount.

**DIGITAL ASSET RISK FACTORS**

*Fair Values*

Digital assets are measured at level 2 of the fair value hierarchy on the consolidated balance sheet, determined by taking the rate from Coingeko.com. Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its holdings of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history of existence, and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently consist of Bitcoin, Ethereum, Curve Governance Token, and The Sandbox.

At December 31, 2023 had the market price of the Company's holdings of Bitcoin and Ethereum increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to approximately $Nil and $300 respectively.

*Credit Risk*

Digital assets subject the Company to a concentration of credit risk. The Company limits its exposure to credit loss by placing its digital assets with Gemini Trust Company, LLC. ("Gemini"). Gemini is a New York trust company regulated by the New York State Department of Financial Services (NYSDFS). Gemini is subject to capital reserve requirements, cybersecurity requirements, and banking compliance standards set forth by the NYSDFS and the New York Banking Law. Gemini is also a fiduciary and Qualified Custodian (www.gemini.com).

## RISKS AND UNCERTAINTIES

The following specific factors could materially adversely affect the Company and should be considered when deciding whether to make an investment in the Company. The risks and uncertainties described in this MD&A are those the Company currently believes to be material, but they are not the only ones the Company will face. If any of the following risks, or any other risks and uncertainties that the Company has not identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows, and consequently the price of the Common Shares could be materially and adversely affected. In all these cases, the trading price of the Company's securities could decline, and prospective investors could lose all or part of their investment

### Limited Operating History

The Company has limited operating history as a technology investment company, and no operating history in making investments in the cryptocurrency or blockchain industries. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as the cryptocurrency and blockchain market. There is no certainty that the Company will be able to operate profitably.

### No Profits to Date

The Company has not made profits since its incorporation and it is expected that it will not be profitable for the foreseeable future. Its future profitability will, in particular, depend upon its success in making strategic investments in companies involved in the cryptocurrency and blockchain industries, which themselves are able to generate significant revenues or capital appreciation. Because of the limited operating history, and the uncertainties regarding the development of the cryptocurrency market and blockchain technology, there are significant risks associated with the Company’s investment strategy.

### Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in developing a diversified and material portfolio of investments. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated investments.

**The Company may be unable to obtain additional financing on acceptable terms or at all**

The continued development of the Company will require additional financing. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of the Company's business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. The Company will require additional financing to fund its operations until positive cash flow is achieved.

**Volatility in the trading price of our publicly traded securities**

The trading price of our common shares are subject to volatility due to market conditions and other factors and cannot be predicted. Investment in these securities are inherently risky and the holders of these securities may not be able to sell their securities at or above the price at which they purchased such securities due to trading price fluctuations in the capital markets. Trading price could fluctuate significantly in response to factors that are both related and unrelated to our operating performance and/or future prospects, and past performance is not indicative of future performance.

**Development of Cryptocurrencies**

Cryptocurrency and blockchain technology is a young and rapidly growing business area. Although it is predicted that cryptocurrency will become an accepted means of digital payment, it cannot be assured that this will in fact occur. Currently, blockchain software is dependent on the widespread acceptance of cryptocurrency as a means of payment within the digital economy. For a number of reasons, including, for example, the lack of recognized security technologies, inefficient processing of payment transactions, problems in the handling of warranty claims, limited user-friendliness, inconsistent quality, lack of availability of cost-efficient high-speed services and lack of clear universally applicable regulation as well as uncertainties regarding proprietary rights and other legal issues, such cryptocurrency activities may prove in the long run to be an unprofitable means for businesses. In particular, the factors affecting the further development of the cryptocurrency industry include: (a) Worldwide adoption and usage of cryptocurrencies; (b) Regulations by governments and/or by organizations directing governmental regulations regarding the use and operation of and access to cryptocurrencies; (c) Changes in consumer demographics and public behavior, tastes and preferences; (d) Redirection and liberalization of using fiat currencies as well as the development of other forms of publicly acceptable means of buying and selling goods and services; and (e) General economic conditions and the regulatory environment relating to cryptocurrencies.

**The Company’s cryptocurrency inventory may be exposed to cybersecurity threats and hacks**

As with any other computer code, flaws in cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been rare.

**Malicious actors or botnet obtaining control of more than 50% of the processing power on the Bitcoin Network**

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on the Bitcoin Network, it may be able to alter the Blockchain on which the Bitcoin Network and most Bitcoin transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new Bitcoins or transactions using such control. The malicious actor could "double-spend" its own Bitcoins (i.e., spend the same Bitcoins in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the 12 Bitcoin Network or the Bitcoin community did not reject the fraudulent blocks as malicious, reversing any changes made to the Blockchain may not be possible. Although there are no known reports of malicious activity or control of the Blockchain achieved through controlling over 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that the Bitcoin ecosystem, including developers and administrators of mining pools, do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the Bitcoin Network will increase, which may adversely affect an investment in the Company.

**If fees increase for recording transactions in the Blockchain, demand for Bitcoins may be reduced and prevent the expansion of the Bitcoin Network to retail merchants and commercial business, resulting in a reduction in the price of Bitcoins that could adversely affect an investment in the Company**

As the number of Bitcoins awarded for solving a block in the Blockchain decreases, the incentive for miners to contribute processing power to the Bitcoin Network will transition from a set reward to transaction fees. To incentivize miners to continue to contribute processing power to the Bitcoin Network, the Bitcoin Network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. If miners demand higher transaction fees to record transactions in the Blockchain or a software upgrade automatically charges fees for all transactions, the cost of using Bitcoins may increase and the marketplace may be reluctant to accept Bitcoins as a means of payment. Existing users may be motivated to switch from Bitcoins to another digital currency or back to fiat currency. Decreased use and demand for Bitcoins may adversely affect their value and result in a reduction in the Bitcoin index price and the price of Cypher Shares.

**Regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations**

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies with certain governments deeming them illegal while others have allowed their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Company to continue to operate.

The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Investors may consult their tax advisers regarding the substantial uncertainty regarding the tax consequences of an investment in Bitcoins.

Governments may, in the future, restrict or prohibit the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency mining companies to additional regulation. For example, on July 25, 2017 the United States Securities and Exchange Commission released an investigative report which indicates that the United States Securities and Exchange Commission would, in some circumstances, consider the offer and sale of Blockchain tokens pursuant to an initial coin offering subject to U.S. securities laws. Similarly, on August 24, 2017, the Canadian Securities Administrators published CSA Staff Notice 46-307 – Cryptocurrency Offerings, providing guidance on whether initial coin offerings, pursuant to which tokens are offered to investors, are subject to Canadian securities laws.

Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in Cypher Shares. Such a restriction could result in the Company liquidating its Bitcoin inventory at unfavorable prices and may adversely affect the Company's shareholders

**Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure.**

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices. Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of BTC Exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed BTC Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such BTC Exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

**Banks may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment.**

A number of companies that provide BTC and/or other cryptocurrency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to BTC and/or other cryptocurrency-related companies or companies that accept cryptocurrencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide BTC and/or other cryptocurrency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks were to close the accounts of many or of a few key businesses providing BTC and/or other cryptocurrency-related services. This could decrease the market prices of cryptocurrencies and adversely affect the value of the Company's assets.

**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 possess both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed, or otherwise compromised and no backup is accessible the Company may be unable to access the cryptocurrency.

**Irrevocability of transactions**

Digital asset transactions are irrevocable and if stolen or incorrectly transferred digital assets may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation. The Company seeks to **mitigate risk by establishing policies and procedures to require a careful review of each transaction before execution.**

**Regulatory oversight risk**

Regulatory changes or actions may restrict the use of digital assets or the operation of digital asset networks or exchanges in a manner that adversely affects investments held by the Company. The Company consistently engages with external legal counsels or regulatory advisors to understand any updates on the regulatory, landscape which might have impacts on its businesses.

**Cybersecurity risk**

The Company uses tight security standards applicable to its hot and cold wallets. While the Company’s security technology is designed to prevent, detect, and mitigate inappropriate access to its systems, it is possible that hackers, employees or service providers acting contrary to its policies, or others could circumvent these safeguards to improperly access its systems or documents, or the systems or documents of its business partners, agents, or service providers, and improperly access, obtain, misuse its digital currencies and USD Coin held in hot wallets.

**Staking risk**

Digital currency prices are volatile and can drop quickly. If any of the Company's staked assets suffer a large price drop, that could outweigh any staking income earned on them. Staking can require the Company to lock up its digital currencies for a minimum amount of time. Staking also exposes the Company to slashing. Slashing is a penalty enforced at the protocol level associated with malicious attack against the network by a validator.

**Limited History of De-Fi**

Compared with traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has only limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly liable to platform failures and fraudulent activities, which may influence underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers. Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply cryptographic or cryptocurrencies as payment, and may refuse to accept money derived from cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

**Increased costs.**

Management anticipates the costs to of tokens and mining equipment could increase over time if demand for cryptocurrency and tokens increases. This will result in increased capital costs to purchase sufficient Blockchain assets or mining equipment.

**Reliance on Third Parties and Supply Chain Risks**

The Company obtains hardware such as Bitcoin mining machines, components, various subsystems and systems from a limited group of suppliers. The Company does not have long-term agreements with any of these suppliers that obligate such suppliers to continue to sell components, subsystems, systems or products to the Company. The Company's reliance on these suppliers involves significant risks and uncertainties, including whether suppliers will provide an adequate supply of components, subsystems, or systems of sufficient quality, will increase prices for components, subsystems or systems, and will perform their obligations on a timely basis. Any disruption or delays in these arrangements may have a serious effect on the Company's operations.

**The Company's operations, investment strategies, and profitability may be adversely affected by competition from other methods of investing in cryptocurrencies.**

The Company competes with other users and/or companies that own and run both proof-of work and proof-of-stake operations. Market and financial conditions, and other conditions beyond the Company's control, may make it more attractive to invest in other financial vehicles, or to invest in cryptocurrencies directly which could limit the market for the Company's shares and reduce their liquidity.

**The Company's cryptocurrency holdings may be subject to loss, theft or restriction on access.**

There is a risk that some or all of the Company's cryptocurrency holdings could be lost or stolen. Access could also be restricted by cybercrime (such as a denial of service ("DDoS") attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect the operations of the Company and, consequently, its investments and profitability. The loss or destruction of a private key required to access the Company's digital wallets may be irreversible. The Company's loss of access to its private keys or its experience of a data loss relating to the Company's digital wallets could adversely affect its investments. Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public Blockchain. The Company will publish the public key relating to digital wallets in use when it verifies the receipt of crypto asset transfers and disseminates such information into the network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access its cryptocurrency holdings and such private keys will not be capable of being restored by network. Any loss of private keys relating to digital wallets used to store the Company's cryptocurrency holdings could adversely affect its investments and profitability. Seeds are separated into separate pieces and stored in secured locations.

**Uninsured or Uninsurable Risks.**

The Company's crypto assets held in self custody are uninsured and are susceptible to total loss in the event of a theft, security breach, employee error or IT malfunction. The Company takes every available precaution to reduce the risk of crypto asset losses due to theft, security breach, employee error or IT malfunction. See safeguarding of crypto assets for further discussion of security protocols.

**Risk related to technological obsolescence and difficulty in obtaining hardware.**

To remain competitive, the Company will continue to invest in hardware and equipment required for maintaining the Company's activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment, and its underlying technology may become obsolete and require substantial capital to replace such equipment.

**Economic Dependence on Regulated Terms of Service and Electricity Rates Risks**

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Company conducts Mining in New York, USA, which has regulated electrical power suppliers and there can be no assurance that electricity can be provided on terms which are economic for the Company's current and future operations, anticipated growth, and sustainability

**Future Profits/Losses and Production Revenues/Expenses**

Further development and acquisitions of mining equipment and facilities will require additional capital and ongoing monthly expenses. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with mining equipment and facilities are added. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital. The amount and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control.

**Server Failures**

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. The Company works diligently to reduce this risk by engaging expert partners with many years of experience in building and managing data centers. The Company also engages "hardware" partners, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farms that the Company operates. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Company.

**The value of cryptocurrencies may be subject to momentum pricing risk**

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company's Bitcoin inventory and thereby affect the Company's shareholders.

**Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure**

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices. Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. For example, during the past three years, a number of Bitcoin exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed Bitcoin exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

**Banks and other financial institutions may not provide banking services, or may cut off banking services, to businesses that provide cryptocurrency-related services or that accept cryptocurrencies as payment**

A number of companies that engage in Bitcoin and/or other cryptocurrency-related activities have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions in response to government action, particularly in China, where regulatory response to cryptocurrencies has been to exclude their use for ordinary consumer transactions within China. We also may be unable to obtain or maintain these services for our business. The difficulty that many businesses that provide Bitcoin and/or derivatives on other cryptocurrency-related activities have and may continue to have in finding banks and financial institutions willing to provide them services may be decreasing the usefulness of cryptocurrencies as a payment system and harming public perception of cryptocurrencies, and could decrease their usefulness and harm their public perception in the future.

The usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks or financial institutions were to close the accounts of businesses engaging in Bitcoin and/or other cryptocurrency-related activities. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and derivatives on commodities exchanges, the over-the-counter market, and securities depositories, which, if any of such entities adopts or implements similar policies, rules or regulations, could negatively affect our relationships with financial institutions and impede our ability to convert cryptocurrencies to fiat currencies. Such factors could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and harm investors.

**We may face risks of internet disruptions, which could have an adverse effect on the price of cryptocurrencies.**

A disruption of the internet may affect the use of cryptocurrencies and subsequently the value of our securities. Generally, cryptocurrencies and our business of mining cryptocurrencies is dependent upon the internet. A significant disruption in internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of cryptocurrencies and our ability to mine cryptocurrencies.

**The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate**

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect the Company's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;

- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;

- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Consumer sentiment and perception of Bitcoins specifically and cryptocurrencies generally.

The outcome of these factors could have negative effects on our ability to pursue our business strategy or continue as a going concern, which could have a material adverse effect on our business, prospects or operations as well as potentially negative effect on the value of any Bitcoin or other cryptocurrencies we mine or otherwise acquire or hold for our own account, which would harm investors in our securities.

**Acceptance and/or widespread use of cryptocurrency is uncertain**

Currently, there is relatively small use of Bitcoins and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Company's operations, investment strategies, and profitability.

As relatively new products and technologies, Bitcoin and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies. The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies, and profitability.

**The Company may fail to anticipate or adapt to technology innovations in a timely manner, or at all**

The blockchain and digital assets markets are experiencing rapid technological changes. Failure to anticipate technology innovations or adapt to such innovations in a timely manner, or at all, may result in the Company's products becoming obsolete at sudden and unpredictable intervals. To maintain the relevancy of the Company's products, the Company has actively invested in product planning and research and development. The process of developing and marketing new products is inherently complex and involves significant uncertainties. There are a number of risks, including the following:

(a) the Company's product planning efforts may fail in resulting in the development or commercialization of new technologies or ideas;

(b) the Company's research and development efforts may fail to translate new product plans into commercially feasible products;

(c) the Company's new technologies or new products may not be well received by consumers;

(d) the Company may not have adequate funding and resources necessary for continual investments in product planning and research and development;

(e) the Company's products may become obsolete due to rapid advancements in technology and changes in consumer preferences; and

(f) the Company's newly developed technologies may not be protected as proprietary intellectual property rights.

Any failure to anticipate the next-generation technology roadmap or changes in customer preferences or to timely develop new or enhanced products in response could result in decreased revenue and market share. In particular, the Company may experience difficulties with product design, product development, marketing or certification, which could result in excessive research and development expenses and capital expenditure, delays or prevent the Company's introduction of new or enhanced products. Furthermore, the Company's research and development efforts may not yield the expected results, or may prove to be futile due to the lack of market demand.

**Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid Technological Change**

The success of any developer of cryptocurrency-based, blockchain platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Cryptocurrency has experienced and is expected to continue to experience significant growth in the number of users, amount of content and bandwidth availability. It cannot be assured that the cryptocurrency infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. It is further not assured that the infrastructure or complementary products or services necessary to make cryptocurrency a viable medium for digital payments will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs in order to adapt the Company’s services to changing technologies. Intellectual Property Rights Companies involved in the development and operation of virtual currencies or blockchain based technologies may be dependent on intellectual property rights; the loss of which could harm its business, results of operations and its financial condition. There can be no assurance that any company’s products will not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Any such claims and disputes arising may result in liability.

**Dependence on Management Team**

The Company currently depends on certain key senior managers to identify business opportunities and acquisitions. Management who have developed key relationships in the industry are also relied upon to oversee the core marketing, business development, operational and fundraising activities. As the blockchain and cryptocurrency technologies continue to become more competitive and regulated, the Company expects the competition for management and other skilled personnel to intensify. Competition for experienced senior management is intense and other companies with greater financial resources may offer a higher and more attractive compensation package to recruit our senior managers. If one or more of our senior managers are unable or unwilling to continue their positions with the Company, we may not be able to replace them easily. Failure to attract and retain qualified employees or the loss or departure in the short-term of any member of the senior management may result in a loss of organizational focus, poor operating execution or an inability to identify and execute potential strategic initiatives. This could, in turn, materially and adversely affect the Company’s business, financial condition and results of operations.

**Potential loss or destruction of private keys**

Bitcoins are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the Bitcoins are held. While the Bitcoin Network requires a public key relating to a digital wallet to be published when used in a spending transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the Bitcoins held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Company will be unable to access the Bitcoins held in the related digital wallet and the private key will not be capable of being restored by the Bitcoin Network.

**Risk of loss, theft or destruction of the Company's Bitcoins**

There is a risk that some or all of the Company's Bitcoins could be lost, stolen or destroyed. If the Company's Bitcoins are lost, stolen or destroyed under circumstances rendering a party liable to the Company, the responsible party may not have the financial resources sufficient to satisfy the Company's claim. Also, although Gemini uses security procedures with various elements, such as redundancy, segregation and cold storage, to minimize the risk of loss, damage and theft, neither Gemini nor the Company can guarantee the prevention of such loss, damage or theft, whether caused intentionally, accidentally or by force majeure. Access to the Company's Bitcoins could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack).

**Irrevocability of Bitcoin transactions**

Bitcoin transactions are irrevocable meaning that stolen or incorrectly transferred Bitcoins may be irretrievable. Bitcoin transactions are not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of Bitcoins or a theft of Bitcoins generally will not be reversible and the Company may not be capable of seeking compensation for any such transfer or theft. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's Bitcoins through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred Bitcoins. The Company will also be unable to convert or recover Bitcoins transferred to uncontrolled accounts.

**Risks associated with the Bitcoin Network**

The open-source structure of the Bitcoin Network protocol means that the core developers of the Bitcoin Network and other contributors are generally not directly compensated for their contributions in maintaining and developing the Bitcoin Network protocol. A failure to properly monitor and upgrade the Bitcoin Network protocol could damage the Bitcoin Network.

The core developers of the Bitcoin Network can propose amendments to the Bitcoin Network's source code through software upgrades that alter the protocols and software of the Bitcoin Network and the properties of Bitcoins, including the irreversibility of transactions and limitations on the mining of new Bitcoins. Proposals for upgrades and related discussions take place on online forums, including GitHub.com and Bitcointalk.org. To the extent that a significant majority of the users and miners on the Bitcoin Network install such software upgrade(s), the Bitcoin Network would be subject to new protocols and software.

The acceptance of Bitcoin Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Bitcoin Network could result in a "fork" in the Blockchain underlying the Bitcoin Network, resulting in the operation of two separate networks. Without an official developer or group of developers that formally control the Bitcoin Network, any individual can download the Bitcoin Network software and make desired modifications, which are proposed to users and miners on the Bitcoin Network through software downloads and upgrades, typically posted to the Bitcoin development forum. A substantial majority of miners and Bitcoin users must consent to such software modifications by downloading the altered software or upgrade; otherwise, the modifications do not become a part of the Bitcoin Network. Since the Bitcoin Network's inception, modifications to the Bitcoin Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin Network remains a coherent economic system.

If, however, a proposed modification is not accepted by a vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the Bitcoin Network, a "fork" in the Blockchain underlying the Bitcoin Network could develop, resulting in two separate Bitcoin Networks. Such a fork in the Blockchain typically would be addressed by community-led efforts to merge the forked Blockchains, and several prior forks have been so merged. However, in some cases, there may be a permanent "hard fork" in the Blockchain and a new cryptocurrency may be formed as a result of that "hard fork". For example, Bitcoin Cash, a new cryptocurrency, was recently created through a fork in the Blockchain. Where such forks occur on the Blockchain, the Company will follow the chain with the greatest proof of work in the fork. If a hard fork results in the Company holding an alternative coin, the Company will dispose of such alternative coin and either distribute the proceeds of such disposition to shareholders or reinvest the proceeds in additional Bitcoins.

**Further development and acceptance of the Bitcoin Network**

The further development and acceptance of the Bitcoin Network and other cryptographic and algorithmic protocols governing the issuance of transactions in Bitcoins and other digital currencies, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of the Bitcoin Network may adversely affect the value of Bitcoin.

The use of digital currencies, such as Bitcoins, to, among other things, buy and sell goods and services, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. Bitcoin is a prominent, but not a unique, part of this industry. The growth of this industry in general, and the Bitcoin Network in particular, is subject to a high degree of uncertainty. The factors affecting the further development of this industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of Bitcoins and other digital currencies;
- Government and quasi-government regulation of Bitcoins and other digital assets and their use, or restrictions on, or regulation of, access to and operation of the Bitcoin Network or similar digital asset systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the Bitcoin Network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Consumer perception of Bitcoins specifically and cryptocurrencies generally.

The Company will not have any strategy relating to the development of the Bitcoin Network. Furthermore, the Company cannot be certain what impact, if any, the listing of Cypher Shares and the expansion of its Bitcoin holdings may have on the digital asset industry and the Bitcoin Network.

**Risks of security breaches**

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the Bitcoin exchange market since the launch of the Bitcoin Network. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could harm the Company's business operations or result in loss of the Company's assets. Any breach of the Company's infrastructure could result in damage to the Company's reputation and reduce demand for Cypher Shares, resulting in a reduction in the price of Cypher Shares. Furthermore, the Company believes that if its assets grow, it may become a more appealing target for security threats, such as hackers and malware.

The Company believes that the security procedures used by its partners and providers utilize, such as hardware redundancy, segregation and offline data storage (i.e., the maintenance of data on computers and/or storage media that is not directly connected to, or accessible from, the internet and/or networked with other computers, also known as "cold storage") protocols are reasonably designed to safeguard the Company's Bitcoins from theft, loss, destruction or other issues relating to hackers and technological attack. Nevertheless, the security procedures cannot guarantee the prevention of any loss due to a security breach, software defect or act of God that may be borne by Cypher.

The security procedures and operational infrastructure of the Company and its partners and providers may be breached due to the actions of outside parties, error or malfeasance of an employee of the Company or its partners and providers, or otherwise, and, as a result, an unauthorized party may obtain access to the Company's Bitcoin account, private keys, data or Bitcoins. Additionally, outside parties may attempt to fraudulently induce employees of the Company or its partners and providers to disclose sensitive information in order to gain access to the Company's infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, the Company may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of the Company's Bitcoin account occurs, the market perception of the effectiveness of the Company could be harmed.

**The Bitcoin daily reward halves approximately every four years**

The difficulty of Bitcoin mining, or the amount of computational resources required for a set amount of reward for recording a new block, directly affects the Company's results of operations. Bitcoin mining difficulty is a measure of how much computing power is required to record a new block, and it is affected by the total amount of computing power in the Bitcoin network. The Bitcoin algorithm is designed so that one block is generated, on average, every ten minutes, no matter how much computing power is in the network. Thus, as more computing power joins the network, and assuming the rate of block creation does not change (remaining at one block generated every ten minutes), the amount of computing power required to generate each block and hence the mining difficulty increases. In other words, based on the current design of the Bitcoin network, Bitcoin mining difficulty would increase together with the total computing power available in the Bitcoin network, which is in turn affected by the number of Bitcoin mining machines in operation. For example, Bitcoin mining difficulty would increase based on increases in the total computing power available in the Bitcoin network, which is in turn affected by the number of Bitcoin mining machines in operation. From January 2017 to December 2019, Bitcoin mining difficulty increased by approximately 35 times, according to Blockchain.info.

In May 2020, the Bitcoin daily reward halved from 12.5 Bitcoin per block, or approximately 1,800 Bitcoin per day, to 6.25 Bitcoin per block, or approximately 900 Bitcoin per day. Based on the fundamentals of Bitcoin mining and historical data on Bitcoin prices and the network difficulty rate after a halving event, it is unlikely that the network difficulty rate and price would remain at the current level when the Bitcoin rewards per block are halved. The Company believes that although the halving would reduce the block reward by 50%, other market factors such as the network difficulty rate and price of Bitcoin would change to offset the impact of the halving sufficiently for the Company to maintain profitability. Nevertheless, there is a risk that a halving will render the Company unprofitable and unable to continue as a going concern

**Exposure to hash rate and network difficulty**

The hash rate in the Bitcoin network is expected to increase as a result of upgrades across the industry as Bitcoin miners use more efficient chips. As the hash rate increases, the Bitcoin mining difficulty will increase in response to the increase in computing power in the network. This may make it difficult for the Company to remain competitive. The effect of increased computing power in the network combined with fluctuations in the Bitcoin price could have a material adverse effect on the Company's results of operations and financial condition.

**Bitcoin mining is capital intensive**

Remaining competitive in the Bitcoin mining industry requires significant capital expenditure on new chips and other hardware necessary to increase processing power as the Bitcoin network difficulty increases. If the Company is unable to fund its capital expenditures, either through its revenue stream or through other sources of capital, the Company may be unable to remain competitive and experience a deterioration in its result of operations and financial condition.

**Market adoption**

Currently, there is relatively small use of Bitcoins in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect an investment in Cypher Shares.

Bitcoins and the Bitcoin Network have only recently become accepted as a means of payment for goods and services by certain major retail and commercial outlets, and use of Bitcoins by consumers to pay such retail and commercial outlets remains limited. Conversely, a significant portion of Bitcoin demand is generated by speculators and investors seeking to profit from the short- or long-term holding of Bitcoins. A 22 lack of expansion by Bitcoins into the retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the market price of Bitcoin.

Further, if fees increase for recording transactions in the Bitcoin Blockchain, demand for Bitcoins may be reduced and prevent the expansion of the Bitcoin Network to retail merchants and commercial businesses, resulting in a reduction in the price of Bitcoins.

**Changes to prominence of Bitcoin and other digital assets**

Demand for Bitcoins is driven, in part, by its status as the most prominent and secure digital asset. It is possible that a digital asset other than Bitcoin could have features that make it more desirable to a material portion of the digital asset user base, resulting in a reduction in demand for Bitcoins, which could have a negative impact on the price of Bitcoins.

The Bitcoin Network and Bitcoins, as an asset, hold a "first-to-market" advantage over other digital assets. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest combined mining power in use to secure the Bitcoin Blockchain and transaction verification system. Having a large mining network results in greater user confidence regarding the security and long-term stability of a digital asset's network and its Blockchain; as a result, the advantage of more users and miners makes a digital asset more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

Despite the marked first-mover advantage of the Bitcoin Network over other digital assets, it is possible that an alternative coin could become materially popular due to either a perceived or exposed shortcoming of the Bitcoin Network protocol that is not immediately addressed by the core developers or a perceived advantage of an altcoin that includes features not incorporated into Bitcoin. If an alternative coin obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce Bitcoin's market share and have a negative impact on the demand for, and price of, Bitcoins.

**Bitcoin miners may cease operations**

If the award of Bitcoins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Bitcoin Blockchain could be slowed. A reduction in the processing power expended by miners on the Bitcoin Network could increase the likelihood of a malicious actor or botnet obtaining control.

**Changes to cost of Bitcoin transactions**

In order to incentivize miners to continue to contribute processing power to the Bitcoin Network, the Bitcoin Network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the Bitcoin Network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept Bitcoins as a means of payment and existing users may be motivated to switch from Bitcoins to another digital asset or back to fiat currency.

**Miners may cause delays in recording of transactions**

To the extent that any miner ceases to record transactions in solved blocks, such transactions will not be recorded on the Bitcoin Blockchain until a block is solved by a miner who does not require the payment of transaction fees. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks. However, to the extent that any such incentives arise (for example, a 23 collective movement among miners or one or more mining pools forcing Bitcoin users to pay transaction fees as a substitute for, or in addition to, the award of new Bitcoins upon the solving of a block), miners could delay the recording and confirmation of a significant number of transactions on the Bitcoin Blockchain. If such delays became systemic, it could result in greater exposure to double-spending transactions and a loss of confidence in the Bitcoin Network.

**Cyber security risk**

Cyber incidents can result from deliberate attacks or unintentional events, and may arise from internal sources (e.g., employees, contractors, service providers, suppliers and operational risks) or external sources (e.g., nation states, terrorists, hacktivists, competitors and acts of nature). Cyber incidents include, but are not limited to, unauthorized access to information systems and data (e.g., through hacking or malicious software) for purposes of misappropriating or corrupting data or causing operational disruption. Cyber incidents also may be caused in a manner that does not require unauthorized access, such as causing denial-of-service attacks on websites (e.g., efforts to make network services unavailable to intended users).

A cyber incident that affects the Company or its service providers (including the Registrar and Transfer Agent, and Custodian) might cause disruptions and adversely affect their respective business operations and might also result in violations of applicable law (e.g., personal information protection laws), each of which might result in potentially significant financial losses and liabilities, regulatory fines and penalties, reputational harm, and reimbursement and other compensation costs. In addition, substantial costs might be incurred to investigate, remediate and prevent cyber incidents.

**Litigation risk**

The Company may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material, and the outcome of such litigation may materially impact the Company's operations, and the value of Cypher Shares. While the Company will assess the merits of any lawsuits and defend such lawsuits accordingly, they may be required to incur significant expense or devote significant financial resources to such defenses. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's operations.

**Competition from other cryptocurrency companies**

The Company will compete with other cryptocurrency and distributed ledger technology businesses, including other businesses focused on developing substantial Bitcoin mining operations.

**Supply chain disruption**

As the technology evolves, the Company may be required to acquire more technologically advanced mining software and other required equipment to operate the Company effectively and remain competitive in the market. Disruption to the Company's supply chain could prevent it from acquiring this software and any other required equipment that it needs to operate the Company and remain competitive, which could have a material adverse effect on the Company's business, results of operations and financial condition. As new technological innovations occur, including in quantum computing, there are no assurances that the Company will be able to adopt or effect such new innovations, nor that the Company will be able to acquire new and improved equipment to stay competitive or that the existing software or other equipment of the Company will not become obsolete, uncompetitive or inefficient.

**Increase in carbon taxes**

Bitcoin mining is energy intensive and has a significant carbon footprint. Increases in the tax payable on carbon emissions related to the Company's operations could significantly increase the Company's cost of doing business and could have a material adverse effect on the Company's business, results of operations and financial condition. While the Company currently uses wind power as a source of power for its existing operations, there are no assurances that the Company will be able to effectively and efficiently, or at all, source its power needs with cost efficient and reliable alternative renewable energy sources.

**Mining of Bitcoin is subject to existing taxes and may be subject to new taxes**

Where cryptocurrency has been acquired as a result of mining activities of a commercial nature, the Company is currently subject to certain applicable taxes by applicable government authorities and may be subject to certain new taxes imposed by various applicable governmental authorities, whether at the time the cryptocurrency is earned, as a service, or otherwise in connection with the operations the Company currently undertakes or may in the future undertake as part of its ongoing strategic plan. There are no assurances that any such taxes will not have a material adverse impact on the Company's business, results of operations and financial condition.

**RISKS RELARED TO INVESTMENT IN GLANIS PHARMACEUTICAL ("GLANIS")**

**Glanis's prospects depend on the success of product candidates which are at early stages of development, and Glanis may not generate revenue for several years from these products**

Given the early stage of product development, Glanis cannot make any assurances that research and development programs will result in regulatory approval or commercially viable products. To achieve profitable operations Glanis must successfully develop, gain regulatory approval, and market future products. Glanis currently has no products that have been approved by the FDA, Health Canada ("HC"), or any similar regulatory authority. To obtain regulatory approvals for product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe for human use and that they demonstrate efficacy. Many product candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates may fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a research and development program may cause Glanis or its collaborators to abandon commitments to that program. Positive results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favourable outcomes in later-stage clinical trials, Glanis can make no assurance that any future studies, if undertaken, will yield favourable results.

The early stage of product development makes it particularly uncertain whether any of its product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of the product candidates will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed.

**Glanis will continue to rely on third parties to plan, conduct and monitor preclinical studies and clinical trials and their failure to perform as required could cause substantial harm to business prospects**

Glanis relies and will continue to rely on third parties to conduct a significant portion of preclinical and clinical development activities. If there is any dispute or disruption in relationships with third parties, or if they are unable to provide quality services in a timely manner and at a feasible cost, Glanis's active development programs will face delays. Further, if any of these third parties fails to perform as Glanis expects or if their work fails to meet regulatory requirements, Glanis's testing could be delayed, cancelled or rendered ineffective.

**Failure to demonstrate safety and efficacy could cause additional costs and/or delays**

The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. Glanis does not know whether the clinical trials it conducts will demonstrate adequate efficacy and safety to result in regulatory approval to market any of Glanis's product candidates in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk faced is the possibility that no product candidates under development will successfully gain market approval from the FDA or other regulatory authorities, resulting in us being unable to derive any commercial revenue from them after investing significant amounts of capital in their development.

**If Glanis experiences delays in clinical testing, Glanis will be delayed in commercializing its product candidates, and its business may be substantially harmed**

Glanis cannot predict whether any clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. Product development costs will increase if Glanis experiences delays in clinical testing. Significant clinical trial delays could shorten any periods during which Glanis may have the exclusive right to commercialize its product candidates or allow competitors to bring products to market before it is able to, which would impair the ability to successfully commercialize its product candidates and may harm Glanis's financial condition, results of operations and prospects. The commencement and completion of clinical trials for Glanis's products may be delayed for a number of reasons, including delays related, but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing the clinical trial on hold;
- patients failing to enroll or remain in Glanis's trials at the rate expected;
- any changes to Glanis's manufacturing process that may be necessary or desired;
- delays or failure to obtain clinical supply from CMOs of Glanis's products necessary to conduct clinical trials;
- product candidates demonstrating a lack of safety or efficacy during clinical trials;
- patients choosing an alternative treatment for the indications for which Glanis is developing any of its product candidates or participating in competing clinical trials;
- patients failing to complete clinical trials due to dissatisfaction with the treatment, side effects or other reasons;
- reports of clinical testing on similar technologies and products raising safety or efficacy concerns;
- competing clinical trials and scheduling conflicts with participating clinicians;
- clinical investigators not performing Glanis's clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner; or
- failure of Glanis's contract research organizations to satisfy their contractual duties or meet expected deadlines.

**Regulatory approval processes are lengthy, expensive and inherently unpredictable**

Glanis's development and commercialization activities and product candidates are significantly regulated by a number of governmental entities, including the FDA, HC and comparable authorities in other countries. Regulatory approvals are required prior to each clinical trial and Glanis may fail to obtain the necessary approvals to commence or continue clinical testing. Glanis must comply with regulations concerning the manufacture, testing, safety, effectiveness, labeling, documentation, advertising, and sale of products and product candidates and ultimately must obtain regulatory approval before Glanis can commercialize a product candidate. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials. Any analysis of data from clinical activities Glanis performs is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. Even if Glanis believes results from its clinical trials are favorable to support the marketing of Glanis's product candidates, the FDA or other regulatory authorities may disagree. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Glanis has not obtained regulatory approval for any product candidate and it is possible that none of Glanis's existing product candidates or any future product candidates will ever obtain regulatory approval. Glanis could fail to receive regulatory approval for its product candidates for many reasons, including, but not limited to:

- disagreement with the design or implementation of Glanis clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of clinical trials to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with Glanis's interpretation of data from preclinical studies or clinical trials;
- the insufficiency of data collected from clinical trials of Glanis's product candidates to support the submission and filing of a biologic license application or other submission to obtain regulatory approval;
- deficiencies in the manufacturing processes or the failure of facilities of CMOs with which Glanis contracts for clinical and commercial supplies to pass a pre-approval inspection; or
- changes in the approval policies or regulations that render Glanis's preclinical and clinical data insufficient for approval.

A regulatory authority may require more information, including additional preclinical or clinical data to support approval, which may delay or prevent approval and Glanis's commercialization plans or Glanis may decide to abandon the development program. If Glanis were to obtain approval, regulatory authorities may approve any of Glanis's product candidates for fewer or more limited indications than Glanis requests, may grant approval contingent on the performance of costly post-marketing clinical trials or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Moreover, depending on any safety issues associated with Glanis's product candidates that garner approval, the FDA may impose a risk evaluation and mitigation strategy, thereby imposing certain restrictions on the sale and marketability of such products