Immutable Holdings

Management's Discussion and Analysis

For the three months ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

Introduction

This Management's Discussion and Analysis ("MD&A") is dated May 15, 2024, and consolidates management's review of the factors that affected Immutable Holdings Inc.'s ("Immutable" or the "Company") financial and operating performance for the three month periods ended March 31, 2024 and 2023, and factors reasonably expected to impact future operations and results. This discussion is intended to supplement and complement the Company's audited consolidated financial statements as at and for the years ended December 31, 2023 and 2022 (the "Audited Financial Statements") and the notes thereto, which were prepared in accordance with IFRS.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The Company applies IFRS, as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented in the MD&A are not necessarily indicative of the results that may be expected for any future period.

Unless otherwise stated, results are reported in Canadian dollars.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "potential, "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

The Company

Immutable Holdings Inc. (the "Company" or "Immutable") is in the business of developing business lines focused on digital asset and blockchain technologies.

Immutable is the resulting issuer after giving effect to a transaction contemplated in a Business Combination Agreement dated August 4, 2021 between Immutable Holdings Inc., Bexar Ventures Inc. ("Bexar") and 1309023 B.C. Ltd. Bexar was incorporated under the provisions of the Business Corporations Act of British Columbia on January 31, 2017. On March 27, 2018, Bexar begun trading on the Canadian Stock Exchange under the symbol "BXV". Immutable was initially formed on December 22, 2020 pursuant to the General Corporation Law of the State of Delaware. On September 24, 2021, Bexar and Immutable completed a reverse takeover transaction ("RTO"). Reverse acquisition accounting was applied on the RTO and the financial information reflects the continuation of the financial position, operating results and cash flows of Immutable Holdings Inc. The Company changed its name from Bexar Ventures Inc. to Immutable Holdings Inc. and resumed trading on the Cboe Canada Exchange (formerly, the NEO Exchange) ("Cboe") on September 28, 2021 under the new symbol "HOLD". On February 1, 2023, the Company's shares were listed on the OTCBQ Venture Market ("OTCQB") and began trading under the symbol "IHLDF".

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

In navigating the turbulent digital asset markets throughout 2023, the Company has taken measures to minimize operational costs as effectively as possible, which has also necessitated a scaling back of its operations. As of the close of the previous year, the Company has embarked on a strategic review of its business lines to consider its potential strategic options.

Immutable is committed to enhancing shareholder value and is looking at a variety of opportunities. The Company remains open to pursuing a transaction if it would be in the best interests of Immutable and its stakeholders.

Business Descriptions and Analysis

Immutable is a collection of digital asset-oriented businesses operating within the emerging space of Web3. The Company's mission is to build businesses and products that increase the awareness, access, and adoption of digital assets.

The Company, has built, developed, and operated in a broad spectrum of verticals which currently includes NFTs, asset management, media, and related advisory services. Immutable has capitalized on market opportunities through its businesses and brands built on the blockchain ecosystem, including Immutable Asset Management, NFT.com

Immutable was founded in December 2020 by Mr. Jordan Fried, member of the founding team at Hedera Hashgraph ("Hedera"), a leading distributed ledger technology platform. The Company has multiple business lines, which are described below.

Immutable Asset Management

Immutable Asset Management ("IAM") has strategically focused initially on Hedera Hashgraph's native cryptocurrency, HBAR. Unlike Bitcoin, HBAR is often overlooked by asset managers despite it representing a top 50 cryptocurrency by market capitalization. A special purpose vehicle, Immutable HBAR Opportunity 1 LLC (the "Immutable SPE"), managed by IAM, allowed IAM to bring discounted exposure to accredited investors, which Immutable believes will increase awareness around HBAR. Details on the token purchase agreement are provided below.

TPA Agreement

On July 30, 2021, IAM entered into the Token Purchase Agreement ("TPA") with Hedera Hashgraph ("Hedera") and Immutable HBAR Opportunity 1 LLC (the "Immutable SPE"), a special purpose entity organized and managed by IAM. Immutable SPE acquired 437,650,000 HBAR at a price of USD $0.02 per HBAR (the "Purchased HBAR"). The Purchased HBAR is subject to certain restrictions on transfer for the period beginning on the date of the TPA and ending on the 36-month anniversary thereof or an earlier date pursuant to the terms of the TPA. The TPA contemplates that upon the expiration or termination of the applicable transfer restrictions, the Purchased HBAR will be (i) transferred into the HBAR Trust, a Delaware statutory trust managed by IAM (the "HBAR Trust"), (ii) transferred into another investment vehicle organized by IAM for the purpose of holding the Purchased HBAR with terms substantially similar to the HBAR Trust, or (iii) distributed to the members of the Immutable SPE.

The Purchased HBAR will be custodied for the duration of the lock-up period in an account with BitGo Trust Company (the "Custodian").

Under the terms of the TPA, starting on the 25th month following the date of the TPA and continuing for 12 consecutive calendar months thereafter, depending on market feasibility, the Custodian, as agreed to by Hedera and IAM will release the Purchased HBAR to the Immutable SPE members in approximately equal monthly installments, it being contemplated that all Purchased HBAR will have been released from restriction no later than the first business day of the calendar month immediately following the 36th calendar month following the execution of the TPA (the "Release Process").

Pursuant to the terms of the organizational documents of the Immutable SPE and the Management Agreement between IAM and the Immutable SPE, in 2021, IAM received a management fee of USD $2,000,000 as partial consideration for its management services. The Immutable SPE organizational documents also provide that upon any disposition, transfer or distribution of the Purchased HBAR, the Immutable SPE will allocate to IAM's capital account therein an amount equal to 15% of the difference between the fair market value (or, in the event Hedera exercises its right of first refusal provided for in the TPA, the actual repurchase price) of the Purchased HBAR to be transferred, disposed of or distributed and the cost at which the Immutable SPE acquired the Purchased HBAR.

As of March 31, 2024, Immutable SPE has made six out of twelve scheduled in-kind distributions to its investors, starting in October 2023. The fair market value of all distributed HBAR has exceeded the cost at which Immutable SPE acquired the Purchased HBAR, entitling IAM to a performance allocation upon each distribution, which is also payable in-kind to IAM. All HBAR is securely held with BitGo Trust Company, which includes HBAR associated with IAM's performance allocation and purchases that IAM conducted with a limited group of investors of Immutable SPE.

IAM will continue to oversee the Release Process through to the final distribution, anticipated to take place in September 2024. IAM will also strategically evaluate whether to hold or liquidate portions of its HBAR holdings based on a multitude of factors, including but not limited to working capital needs, tax implications, portfolio returns, as well as market and liquidity conditions.

NFT.com

Non-Fungible Tokens ("NFTs") represent ownership in unique, one-of-a-kind assets in digital format. These tokens can embody a variety of items, ranging from art and memorabilia to tickets and memberships. Despite their versatility, the NFT market faces challenges such as a complicated user experience, fragmented liquidity, and a scarcity of social data. As new brands and creators join the NFT space, there remains a noticeable gap: a central hub for users to explore and discover these digital assets.

NFT.com was built to be the one-stop shop for NFTs. The platform brings artists, collectors, creators, and fans together to buy, sell, and engage with NFTs wherever they into a profile-based network of creators and collectors with other products oriented to the NFT community.

Immutable acquired the domain name "NFT.com" in the first half of 2021 and has since been developing the platform. In early 2022, the Company released for sale a collection a limited collection of unique fully animated NFTs (the "Genesis Keys"). Genesis Key owners had first access to the platform, and direct access to the team and the roll-out of the broader platform. Additionally, each Genesis Key enables its holder to create four unique NFT.com profiles (e.g. NFT.com/you), also represented as NFTs. Genesis Keys were sold in a limited quantity and were recognized as revenues in the Company's consolidated statements of loss and comprehensive loss.

In the first quarter of fiscal 2023, the Company announced the launch of the NFT.com platform public beta. Central to its platform, NFT.com introduces social profile represented as an NFT called a "NFT Profile". NFT Profile holders get access to exclusive benefits, including lower marketplace fees, exclusive NFT.com features, and fully customizable galleries for their own NFT collections. Users of NFT.com can also buy and sell NFTs natively on the NFT.com marketplace as well as other third-party marketplaces through the platform's aggregator and transaction router.

Investment, development, and operations for the NFT.com platform take place through The NFT Company Inc., a wholly-owned subsidiary in Puerto Rico in January 2022, which exclusively licenses the domain from NFT.com LLC, an entity which Immutable majority-owns and wholly-controls.

Throughout 2023, the NFT market has faced challenges, including low transaction volumes and a decrease in daily active users. The elimination of transaction fees on major NFT marketplaces and the reduction of creator royalties have compounded these challenges, making it difficult for a number of companies in the industry to remain profitable. Given these market factors, NFT.com has taken measures to reduce operating costs and has scaled back operations, primarily focusing on maintenance of the platform.

Immutable Media

Immutable formed Immutable Media, which is responsible for managing consumer facing media and acquisition channels via the brand, Coffee and Crypto and the 1-800-Bitcoin business.

Coffee & Crypto

In the fourth quarter of fiscal 2022, Immutable launched the Coffee and Crypto and brand and media properties. This included a free, 3-minute read daily newsletter that recaps the latest news and developments happening across the digital assets industry. Since its launch, the Coffee and Crypto newsletter has amassed over 70,000 subscribers.

While Coffee and Crypto has built a loyal audience base, the Company has faced challenges in effectively monetizing these properties. Subsequent to year-end 2023, the Company decided to reduce all spending associated with Coffee and Crypto.

1-800-Bitcoin

In the second quarter of fiscal 2023, 1-800-Bitcoin launched a series of pilot courses helping users to better understand digital assets and the broader markets. This included an introductory and comprehensive overview of cryptocurrencies and digital assets as well as private webinars and research. Additionally, Immutable also leased exclusive use to the toll-free phone number 1-800-Bitcoin. Details on the lease agreement are provided below.

1-800-Bitcoin Exclusive Shared Use Lease Agreement

Under U.S. federal law and Federal Communications Commission regulation, no entity is permitted to "own" a toll-free number in the 1-800 class. The result is that numbers have been distributed to "subscribers of record," who are permitted to use them for their own business, or under certain conditions lease their use to others'. Immutable has secured an exclusive, 5-year lease for use of the 1-800-Bitcoin toll-free number, with the opportunity to extend the term for an additional three successive 5-year terms, from the current subscriber of record of the toll-free number 1-800-Bitcoin. The subscriber of record will remain the entity to whom the number has been assigned, as no contract is permitted to alter that status. Nevertheless, the contract does guarantee that only 1800Bitcoin LLC may be routed calls placed to that number. The costs of such exclusive use include an initial fee of US$250,000 ($308,783 CAD), a monthly service fee, and general administrative, phone servicing, taxes and fees for the routing of all call traffic to call centers of Immutable's choice and direction. The monthly service fee is calculated as the greater of USD $3,500 or the value of 1/12 of the average price of one Bitcoin in US dollars over each of the business days in the prior month based on the end of day Bitcoin Reference Rate for each such business date.

Financial Projections

Given the multiple business lines that exist, Immutable has segmented projected revenues per business line.

- Immutable Asset Management
  - IAM generates revenue through management fees and performance allocation (i.e., fees) in the investment vehicle it manages. Its first vehicle, Immutable HBAR Opportunity 1 LLC, had approximately USD $29 million in investment assets as at March 31, 2024 (which assumes HBAR trading at approximately USD $0.1157).
  - The first release of the Purchased HBAR occurred in August 2023, which marked the 25th month since the effectiveness of the TPA. As of March 31, 2024, Immutable HBAR Opportunity 1 LLC has effectively executed six of the twelve planned monthly in-kind distributions to investors, which commenced in October 2023.
  - During the three-month period ended March 31, 2024, the Company recognized $224,799 (March 31, 2023 - $225,433) in management fees through this business line.
  - During the year ended December 31, 2023, the Immutable SPE started month distributions to investors. On each monthly distribution, the Company earns a performance allocation made payable in-kind via HBAR, of which the Company recognized performance fee income of $1,798,783 (March 31, 2023 - $nil) during the three-month period ended March 31, 2024.
  - During the three-month period ended March 31, 2024, the Company sold 6,988,729 HBAR tokens for proceeds totaling $777,445 with a cost basis of $561,641 and recorded a resulting gain on sale of digital assets of $215,804.
- NFT.com
  - In April 2022, the Company launched the sale of its Genesis Keys, which provided early purchasers the first access to the platform and subsequently launched the public beta of the platform. During the three-month period ended March 31, 2024, the Company generated $nil (March 31, 2023 - $2,809) in revenues through this business line.
- Immutable Media
  - Effective January 1, 2024, the Company decided to reduce all spending associated with Coffee and Crypto.

Industry Performance and Outlook

- The various markets for digital assets are highly volatile. While the overall trajectory of the most notable cryptocurrencies have been on the incline over the past decade, substantial and unexpected corrections in market prices are not uncommon and are likely to continue into the foreseeable future.
- Digital asset markets saw a major pull-back in the second quarter of 2022, which was also in line with broader traditional financial markets. Raising global inflation and tightening

monetary policy from many of the world's central banks have seen a slowdown in economic growth globally. This has caused global investors to rebalance portfolios leading to a shift out of risk assets including equities and digital assets.

- Declining digital asset prices also put pressure on several segments of the industry, which may expose unsustainable product designs and business models. In May 2022, a major algorithmic backed stablecoin effectively experienced a liquidity crunch causing its market value to go to zero. In June 2022, a number of digital asset lending firms faced insolvency, leading to business closures and bankruptcies. In November 2022, a major global cryptocurrency exchange and its related market marker and hedge fund collapsed ultimately ended filing for bankruptcy. The unwinding of much of these projects and companies led to significant deleveraging across the digital asset market, placing additional downward pressure on prices. The Company was not significantly impacted by these events nor had any direct exposure to the projects and companies that were disrupted.
- In the midst of 2022's market volatility, digital assets demonstrated resilience in 2023, with Bitcoin standing as a top performer. Bitcoin's ascent, particularly during the U.S. banking crisis in March 2023, highlighted its role as an alternative store of value. This year also marked a significant milestone with the U.S. Securities and Exchange Commission's approval of Bitcoin spot ETF, a development eagerly anticipated by U.S. asset managers and was subsequently made in January 2024. The approval and launch of the Bitcoin spot ETF is expected to channel new capital into the broader cryptocurrency markets, potentially catalyzing further growth. Additionally, Ethereum's successful completion of the Shanghai & Capella network upgrades has received broad praise from the industry.
- However, while the core cryptocurrency markets performed well in 2023, other areas of the digital asset market faced challenges brought on by the lingering effects of 2022's market volatility. This included the NFT and decentralized finance (DeFi), which saw declines in asset values as well as slowing user growth.
- In the wake of 2022, increased scrutiny on digital asset markets has also been brought on by global policymakers. The European Union, United Kingdom, and Hong Kong have all advanced comprehensive guidance for digital asset companies, and jurisdictions in the Middle East and Southeast Asia have made similar developments. However, in the U.S. a challenging regulatory environment has emerged causing the industry to wait on clearer and more comprehensive guidance.
- Notwithstanding, as digital asset markets suffered major declines in 2022 and potential regulatory headwinds, the market recovered by the end of 2023 with the total market capitalization reaching $1.6 trillion, signaling a renewed optimism and a potential for increased institutional adoption going forward, despite the inherent volatility and challenges that remain within the digital asset markets. The industry outlook indicates ongoing advancements in digital asset protocols, networks, and applications, which could possibly spur wider user adoption and unlock a variety of potential use cases. Overall, these advancements in tools, infrastructure, and protocols are expected to generate increased developer interest, drive application design, and foster growing user adoption of digital assets. Interest in digital assets also appears to be returning, with consumers turning to resources to better educate themselves on the underlying technology and markets.

Financing Events

During the periods ended March 31, 2024, and 2023, there were no financing events.

Material Contracts and Events

Immutable has not entered into any material contracts outside of the ordinary course of business prior to the date hereof, other than the agreements described below.

TPA Agreement

Further to the disclosures above, on July 30, 2021, IAM entered into the TPA with Hedera Hashgraph and Immutable SPE, whereby, Immutable SPE acquired 437,650,000 HBAR at a price of *USD $0.02 per HBAR.*

Pursuant to the terms of the organizational documents of the Immutable SPE and the Management Agreement between IAM and the Immutable SPE, IAM received a management fee of USD $2,000,000 as consideration for its management services for the Purchased HBAR. The management fee will be earned and recognized evenly over the 36-month term commencing on September 22, 2021.

During the three-month period ended March 31, 2024, the Company recognized $224,799 (USD $166,667) (March 31, 2023 - $225,433 (USD $166,667)) in management fee income. As at March 31, 2024, there was $430,146 (USD $316,890) (December 31, 2023 - $639,552 (USD $438,557)) in current deferred revenues.

During the year ended December 31, 2023, the HBAR held by IAM began to be released from escrow. The Company recognized performance fee for the three-month period ended March 31, 2024, amounting to $1,798,783 (USD $1,332,425) (March 31, 2023 - $nil). The performance fee is calculated as 15% of the realized gain on the released tokens upon distribution. The gain is measured using the median of the 5 day preceding closing price of HBAR prior to distribution, less the cost base of USD $0.02. As at March 31, 2024, the Immutable SPE owed the Company an outstanding amount of $3,290,241 (USD $2,423,929) (December 31, 2023 - $900,888 (USD $681,149). As at March 31, 2024, the Company recorded a gain on the revaluation of the digital assets receivable of $553,487 (March 31, 2023 – $nil), which was recognized in other comprehensive income.

1800Bitcoin Agreement

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

The costs of the lease included an initial fee of USD $250,000 (paid - $308,783). In addition, the Company will pay a monthly service fee for each service month, which will be the greater of USD $3,500 or the value of 1/12 of the average price of one Bitcoin in US dollars over each of the business days in the prior month based on the end of day Bitcoin Reference Rate for each such business date. During the first 6 months of the initial term, the monthly fee was capped at USD $10,417 for any service month within the six-month period. The subscriber of record has committed in the contract to provide all commercially reasonable best efforts within its power and role under the shared use agreement to assure that Immutable's business objectives are achieved. During the year ended December 31, 2023, it was determined the ROU asset was impaired and as a result, the Company wrote off the remaining balance of the asset of $185,708 through the statement of loss and comprehensive loss.

Results for the three-month period ended March 31, 2024

During the three-month period ended March 31, 2024, the Company recorded a net income and comprehensive income of $1,158,560 (March 31, 2023 – loss of $2,448,912).

Income

During the three-month period ended March 31, 2024, the Company recognized $224,799 (March 31, 2023 - $225,433) in revenue related to the management fee earned over the first quarter, through the Token Purchase Agreement for managing the HBAR Opportunity 1 LLC fund under the Company's asset management business.

During the year ended December 31, 2023, started monthly distributions, primarily as in-kind distributions to its investors. The Company recognized a performance fee income for the period ended March 31, 2024, amounting to $1,798,783 (USD $1,332,425) (March 31, 2023 - $nil), calculated as 15% of the realized gain on the tokens at the time of distribution. This gain is measured using the 5 day average price of HBAR preceding the distribution, less the cost base of $0.02.

Other non-cash items

During the three months period ended March 31, 2024, the Company recognized a gain on the sale of HBAR for USD of $215,804 (March 31, 2023 – loss on the sale of ETH of $8,044). As at March 31, 2024, the Company recognized a gain of $nil (March 31, 2023 - $93,089) in connection with the revaluation of the digital assets held through the statement of income (loss). In addition, the Company recorded a reversal of share-based compensation of $nil (March 31, 2023 - $147,747).

Operating losses

Operating expenses for the three months period ended March 31, 2024 were $1,073,033 (March 31, 2023 - $2,756,780), which primarily consists of the following:

- Website development costs of $60,696 (March 31, 2023 - $453,059) which were incurred for the continued development of the Company's www.nft.com website. The website development costs include the directly attributable payroll costs of the Company's technology, product, engineering and design teams which is comprised of full-time employees and third-party consultants.

- Professional fees of $510,563 (March 31, 2023 - $607,217), of which $262,783 (March 31, 2023 - $212,103) relates to accounting, tax and audit fees, and $247,780 (March 31, 2023 - $395,114) related to legal fees. Legal fees were provided for a wide range of services by internal and external counsel including: general counsel, corporate filings, fund management, employment and labour laws, and other regulatory compliance.

- Consulting fees of $50,777 (March 31, 2023 - $37,871) relate to fees paid to strategic advisors, executive assistants, and contractors of the business.

- Marketing costs of $12,033 (March 31, 2023 - $178,198) were paid towards advertising spends on social media platforms on the Company's newsletter Coffee and Crypto, promotional events for NFT.com and sponsorship at conferences.

As at March 31, 2024, the Company had total current assets of $16,802,175 (December 31, 2023 - $14,481,373) to cover its accounts payable and accrued liabilities of $284,968 (December 31, 2023 - $278,639).

Summary of Quarterly Results

The following table sets out information, derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight most recently completed financial quarters:

	Q1 2024 March 31, 2024 $	**Q4 2023 December 31, 2023 $**	**Q3 2023 September 30, 2023 $**	**Q2 2023 June 30, 2023 $**
Revenues	2,023,582	1,507,989	230,267	223,653
Operating expenses	(1,073,033)	(1,291,285)	(1,585,004)	(2,317,599)
Total income (loss) for the period	1,158,560	(244,679)	(1,261,232)	(2,100,742)
Income (loss) per share – basic and diluted	0.01	(0.00)	(0.01)	(0.02)

	Q1 2023 March 31, 2023 $	**Q4 2022 December 31, 2022 $**	**Q3 2022 September 30, 2022 $**	**Q2 2022 June 30, 2022 $**
Revenues	228,242	234,289	367,687	8,502,545
Operating expenses	(2,756,780)	(1,480,395)	(3,337,269)	(4,834,964)
Total (loss) income for the period	(2,448,912)	(1,258,522)	(2,971,868)	3,721,170
Loss (income) per share – basic and diluted	(0.02)	(0.01)	(0.03)	0.04

Liquidity and Capital Resources

As at March 31, 2024, the Company had a working capital balance of $16,087,061. Significant items include cash of $10,279,232, digital assets of $2,473,633, digital asset receivables of $3,290,241 and prepaid expenses of $562,830 offset by accounts payable and accrued liabilities of $284,968 and current deferred revenue of $430,146.

During the three months period ended March 31, 2024 cash used in operating activities was $1,239,349 (March 31, 2023 – $2,545,576). The balance after adjustments for items not involving cash primarily relates to $1,797,174 (March 31, 2023 – $nil) in digital assets receivable.

The Company's use of cash at present occurs, and in the future is expected to occur, principally to fund the funding of the ongoing development of the NFT.com platform, Immutable Asset Management, Coffee and Crypto, and 1-800-Bitcoin as well as to expand and build out its other businesses.

During the year ended December 31, 2023, certain banks in the United States suffered a liquidity crisis and as a result, were either shut-down or required assistance from the Federal Deposit Insurance Corporation ("FDIC") or the Federal Reserve. Immutable and its subsidiaries did not have any direct exposure to the banks impacted, Silicon Valley Bank ("SVB") and Signature Bank, nor did we bank with them. The Company has taken proactive measures to protect its cash holdings, including continuous monitoring and diversification of our primary banking partners and service providers, as well as establishing contingency options for its cash holdings. The Company had previously reduced all exposure to Silvergate Bank prior to its announced liquidation on March 8, 2023. Therefore, the Company did not experience any losses or liquidity issues as a result of these events.

The effects of these events on the global markets are still relatively unknown. It is not possible to reliably estimate the duration or severity of these consequences, as well as their impact on the future results of the Company.

As at the date of this report, the Company has sufficient capital to meet its ongoing operating and investment activities, for at a minimum 12 months.

The Company has no capital commitments as at the date of this report.

Digital Asset Holdings

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

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

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

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

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

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

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

Proposed Transactions

As at the date of this MD&A, there were no proposed transactions.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

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

The Company incurred the following expenses during the three months period ended March 31, 2024 and 2023 for key personnel:

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

During the year ended December 31, 2021, the Company became the sponsor of the Fund which is managed by an officer and a director of the Company. The Company received a USD $2,000,000 management fee as compensation for managing the Fund. During the period ended March 31, 2024, the Company recognized $224,799 (March 31, 2023 - $225,433) in management fee income and $1,798,783 (March 31, 2023 - $nil) in performance fee income. As at March 31, 2024, the Fund owed the Company an outstanding amount of $3,290,241 (December 31, 2023 - $900,888).

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

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

During the year ended December 31, 2021, the Company entered into two asset purchase agreements with the CEO of the Company (the "Vendor") to purchase five domain names: 1800bitcoin.com, CBDC.com, HBAR.com, Immutable.co, and NFT.com. In exchange for the intangible assets, the Company will pay the Vendor a total of USD $1,325,000 (the "Purchase Price") in quarterly payments beginning on the earlier of:

(i) such date that any of the Company's subsidiaries owning the domain names shall have been determined to have received earnings before interest income tax depreciation and amortization ("EBITDA") in excess of USD $1,000,000 for the preceding quarter; or

(ii) the Company shall have determined to have received EBITDA in excess of USD $1,000,000 for the preceding quarter, excluding amounts receivable by the Company that are attributable to the EBITDA received by the subsidiaries with rights to the specific domain.

Each quarterly payment shall amount to:

(i) a) the sum of the EBITDA received by the applicable subsidiary that has received EBITDA in excess of USD $1,000,000 for the preceding quarter; and

b) the EBITDA of the subsidiary if it has received EBITDA in excess of USD $1,000,000 in the preceding quarter, excluding any amounts receivable by the subsidiary that are attributable to EBITDA received by the applicable subsidiary.

(ii) Multiplied by 10%.

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

The contingent consideration associated with the asset purchase agreements has been accounted for under IAS 37 – *Provisions, contingent liabilities and contingent assets*. It is management's view, the variable future payments are dependent on the Company's future activities, and as a result, will not meet the initial recognition criteria of a financial liability until the financial targets are probable. During the three months period ended March 31, 2024 and the year ended December 31, 2023, the Company recognized $nil on the statement of financial position.

Capital Management

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

Share Capital

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

As of the date of this MD&A, the Company has 66,318 MVS shares and 31,773,434 SVS shares issued and outstanding, and 5,276,100 stock options, 173,788 agents' options, and 2,891,634 warrants outstanding.

Critical Accounting Judgements and Estimates

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

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

Critical accounting judgements

Revenue recognition

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

Accounting for cryptocurrencies

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

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

Transactions

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

Going concern

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

Identifying whether a contract includes a lease

Judgement is applied when determining whether a contract contains a lease. Management applies judgment on certain factors, including whether the supplier or lessor has substantive substitution rights and if the Company obtains substantially all of the economic benefits in the identified asset and the rights to direct the use of that asset. In addition, management exercises judgement in determining whether variable payments should be included in the calculation of a lease liability.

Critical accounting estimates

Share-based payments

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

Impairment of equipment

Determining whether to charge any impairment against the Company's equipment requires management to estimate the recoverable amount of the assets, which is defined as the higher of fair value less the cost of disposal or value-in-use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. Impairment of the equipment is tested when there are internal and external indicators suggesting impairment may exist.

Current and deferred taxes

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

Financial Instruments

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

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

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

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

As at March 31, 2024 the Company believes that the carrying values of its accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Financial Statement Risk Management

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

Credit risk

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

The Company manages its credit risk on digital assets and digital assets receivable by maintaining ETH, WETH, and USDC balances under thresholds set by the treasury team. The treasury team accounts for and continually verifies the amount of crypto assets within the custodian's control by conducting weekly conversions into fiat currency. The Company monitors its HBAR balances on a weekly basis for volatility in the market, however, it plans to maintain a position for fiscal 2024. The Company limits its credit risk for digital assets by placing them with a high-quality financial institution that is believed to have sufficient capital to meet their obligations as they come due.

As of each reporting period, the Company assesses if there may be expected credit losses requiring recognition of a loss allowance. While the Company intends to only transact with counterparties that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Company will not sustain a significant loss on a transaction as a result. As at March 31, 2024, and subsequently, the Company does not expect to incur a significant loss on any of its financial assets.

<u>Digital asset risks</u>

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

Investing in cryptocurrencies is speculative, prices are volatile and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends. Cryptocurrencies have a limited history, their fair values have historically been volatile and the value of cryptocurrencies held by the Company could decline rapidly. Historical performance of digital assets is not indicative of their future performance.

Price and concentration risks

Price risk is the risk of disposition of investments at less than favorable prices due to unfavorable market conditions. The Company is exposed to price and concentration risk on its digital asset holdings.

As at March 31, 2024, if the market price of the Company's digital assets and digital assets receivable, excluding USDC holdings, changed by 10% with all other variables being constant, the corresponding digital asset value change would amount to approximately USD $423,000. The Company may not be able to liquidate its digital assets at its desired price if required.

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

Custody risks

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

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

Security risks

Many cryptocurrency networks are decentralized online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. The system relies on cryptography to secure transactions, to control the creation of additional units and to verify the transfer of assets.

In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. To confirm transaction activity each party must sign transactions with a data code derived from entering the private key into a hashing algorithm. This signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency. Security breaches, computer malware, and computer hacking attacks have been a prevalent concern in the digital assets exchange markets.

Loss of access risks

The loss of access to the private keys associated with the Company's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Company may be unable to access the cryptocurrency.

Regulatory oversight risks

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

Irrevocability of transactions risks

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Company may not be capable of seeking compensation.

Hard fork risks

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Company, it is expected that the Company would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

The Company may not be able to realize the economic benefit of a hard fork, either immediately or ever, for various reasons. For instance, the company may not have any systems in place to monitor or participate in hard forks. Therefore, the Company may not receive any new cryptocurrencies created as a result of a hard fork, thus losing any potential value from such cryptocurrencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable and accrued liabilities. The Company manages its liquidity risk through the management of its capital structure. The Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. As at March 31, 2024, the Company had $10,279,232 in cash to cover its accounts payable and accrued liabilities of $284,968.

Market risk

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. Revenue and expenses are mostly denominated in US dollars and Canadian dollars. A significant change in the currency exchange rates between the US dollar and the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The majority of the Company's financial instruments are denominated in US dollars, therefore, the Company is not subject to any significant foreign exchange risk at this time. As at March 31, 2024, a change of 10% in the foreign exchange rates from Canadian dollar to the US dollar would result in approximately an increase or decrease of $8,500 in the Company's net loss for the period. The Company has not hedged its exposure to currency fluctuations.

Business Risks

General Digital Asset Risks

Immutable's business is reliant on blockchain technology service providers.

As a blockchain holding company, Immutable and its subsidiaries rely on blockchain technology service providers, including the Service Providers, that provide services to Immutable's subsidiaries pursuant to services agreements, to carry out its operations. The Service Providers provide Immutable's subsidiaries access to platforms that power the critical infrastructure required to receive and broadcast transactions. In the event that agreements with the Service Providers were terminated for any reason, Immutable's subsidiaries would need to find replacement service providers. While Immutable's subsidiaries believes there are a number of other service providers capable of providing replacement services on terms and conditions that would be commercially reasonable, there is no guarantee Immutable's subsidaries would be able to find such service providers and enter into similar agreements on similar terms, or at all. Failure to find suitable replacement service providers could cause Immutable's subsidaries to reduce or terminate its operations.

Regulatory changes or actions may alter the nature of an investment in the Resulting Issuer or restrict the use of digital assets in a manner that adversely affects the Resulting Issuer's operations.

As digital assets have grown in both popularity and market size, governments around the world have reacted differently, with certain governments deeming cryptocurrencies illegal and others allowing their use and trade. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Resulting Issuer to continue to operate. The effect of any future regulatory change on the Resulting Issuer or any digital assets that the Resulting Issuer may stake is impossible to predict, but such change could be substantial and adverse to the Resulting Issuer. Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade digital assets, or to exchange digital assets 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 the Resulting Issuer Shares. Such a restriction could result in the Resulting Issuer liquidating its inventory of digital assets at unfavorable prices and may adversely affect the price of the Resulting Issuer Shares.

Digital asset transactions are irrevocable and losses may occur.

Digital asset transactions are irrevocable and stolen or incorrectly transferred cryptoassets may be irretrievable. Digital asset 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 digital assets will not be reversible. To the extent that Immutable is able to seek a corrective transaction with the third party, or is incapable of identifying the recipient of its digital assets through error or theft, Immutable will not be able to revert or otherwise recover any incorrectly transferred digital assets, or to convert or recover digital assets transferred to uncontrolled accounts.

Immutable holds the majority of its digital assets in an industry-standard and commonly used digital asset custodian.

A custodian is responsible for the safekeeping Immutable's private keys, which are used to access its cryptocurrency account and which facilitate the transfer of digital assets in accordance with Immutable's instructions. The custodian holds digital assets in segregated cold-storage (meaning the assets are stored on devices without any internet access - making it significantly more difficult for a hacker to access the funds). If Immutable's cryptoassets are lost, stolen or destroyed under circumstances rendering a party liable to Immutable, the responsible party may not have the financial resources sufficient to satisfy Immutable's claim. Also, although a custodian uses security procedures with various elements, such as redundancy, segregation and cold storage, to minimize the risk of loss, damage and theft, neither the custodian nor Immutable can guarantee the prevention of such loss, damage or theft, whether caused intentionally, accidentally or by an act of God. Access to Immutable's custodian account could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack).

Dependence on Digital Keys

The loss or destruction of a private key required to access certain cryptocurrencies or digital wallets may be irreversible. The Company's loss of access to its private keys or its experience of a data loss relating to its cryptocurrency or digital asset wallets could adversely affect the Company. Certain cryptocurrencies and digital wallets are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet. Private keys typically must be safeguarded and kept private to prevent a third party from accessing the relevant cryptocurrencies and NFTs held in the wallet. If 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 cryptocurrencies and NFTs held in the wallet. Any loss of private keys relating to digital wallets used to store the Company's cryptocurrencies and NFTs could materially and adversely affect the Company's operations.

Third-party custodians.

The Company uses institutional grade custodian to secure crypto assets. A material percentage of cryptoassets holdings are custodied by Anchorage Digital Bank N.A. The Company maintains internal control to ensure that accounts held with custodian are appropriately authorized and access restricted. As a part of regular operations, designated Company employees review and monitor custodied balances against internal records, verifying the accuracy of each crypto asset holding.

Anchorage Digital Bank N.A. is a federally chartered bank regulated by the Office of Comptroller of the Currency headquartered in San Francisco, California and is SOC 2 Type 1 certified and SOC 1 Type II compliant. Anchorage generates digital asset private keys in air-gapped hardware security models and the key generation unfractured that is physically isolated from public network connectivity. Ass transfers require a quorum-based approvals from multiple authorized users in accordance with policies set by the Company.

Immutable's use of proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk.

Immutable's token selection strategy may rely heavily on the use of proprietary and non-proprietary software, data and intellectual property of third parties in the digital asset sector. The reliance on this technology and data is subject to a number of important risks. For example, the operation of any element of the digital assets network, or any other electronic platform, may be severely and adversely affected by the malfunction of technology. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. Further, if Immutable's software, hardware, data or other intellectual property is found to infringe on the rights of any third party, the underlying value of the assets of Immutable could be materially and adversely affected. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in a digital asset network's long-term viability or the ability of end-users to hold and transfer digital assets may adversely affect the value of these assets. Additionally, a meritorious intellectual property claim could prevent Immutable and other end-users from accessing various networks or holding or transferring their digital assets.

Immutable's business is exposed to the potential misuse of digital assets and malicious actors.

Since the existence of digital assets, there have been attempts to use them for speculation or malicious purposes. Although lawmakers increasingly regulate the use and applications of digital assets, and software is being developed to curtail speculative and malicious activities, there can be no assurances that those measures will sufficiently deter those and other illicit activities in the future. Advances in technology, such as quantum computing, could lead to a malicious actor or botnet (a voluntary or hacked collection of computers controlled by networked software coordinating the actions of the computers) being able to alter the blockchain on which digital asset transactions rely. In such circumstances, the malicious actor or botnet could control, exclude or modify the ordering of transactions, or generate new digital assets or transactions using such control. The malicious actor or botnet could double spend its own digital assets and prevent the confirmation of other users' transactions for so long as it maintains control. Such changes could adversely affect an investment in the Resulting Issuer Shares.

The security procedures and operational infrastructure of Immutable may be breached due to the actions of outside parties, error or malfeasance of an employee of the Resulting Issuer, or otherwise, and, as a result, an unauthorized party may obtain access to Immutable's digital asset accounts, private keys, data or tokens. Additionally, outside parties may attempt to fraudulently induce employees of Immutable or the Resulting Issuer to disclose sensitive information in order to gain access to the infrastructure of Immutable. 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, Immutable may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of Immutable's digital assets account occurs, the market perception of the effectiveness of its security protocols could be harmed and the value of the Resulting Issuer Shares could be materially adversely affected.

A decline in the adoption and use of digital assets could materially and adversely affect the performance of the Resulting Issuer.

Because digital assets are a relatively new asset class and a technological innovation, they are subject to a high degree of uncertainty. As a related but separate issue from that of the regulatory environment, the adoption, growth and longevity of any digital asset will require growth in its usage and in the blockchain for various applications. A lack of expansion in use of digital assets and blockchain technologies would adversely affect the financial performance of the Resulting Issuer. In addition, there is no assurance that any digital assets will maintain their value over the long term. Even if growth in the use of any digital assets occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A lack of expansion of digital assets into the retail and commercial markets, may result in increased volatility or a reduction in the market price of these assets. Further, if fees increase for recording transactions on these blockchains, demand for digital assets may be reduced and prevent the expansion of the networks to retail merchants and commercial businesses, resulting in a reduction in the price of these assets. A contraction in use of any digital asset may result in increased volatility or a reduction in prices, which could materially and adversely affect Immutable's investment and trading strategies, the value of its assets and the value of any investment in the Resulting Issuer Shares.

Market Acceptance

The operating results of the Company's business is subject to the market acceptance of the NFT.com platform. If the NFT.com platform does not gain market acceptance, its operating results may be negatively affected. If the markets for the NFT products and services fail to develop, develop more slowly than expected or become subject to increased competition, its business may suffer.

The growth of the NFT market and the digital asset industry in general, and distributed ledger technology that supports digital assets, is subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as distributed ledger technology, include: continued worldwide growth in the adoption and use of digital assets; government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of applicable distributed ledger technology or systems that facilitate their issuance and secondary trading; the maintenance and development of the open-source software protocols of certain blockchain networks used to support digital assets; advancements in technology, including computing power, that may render existing distributed ledger technology obsolete or inefficient; the use of the networks supporting digital assets for developing smart contracts and distributed applications; changes in consumer demographics and public tastes and preferences; the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and general economic conditions and the regulatory environment relating to digital assets.

The value of digital assets 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. Market prices of digital assets 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 digital assets, 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 Immutable's digital assets.

Valuation of NFTs

The Company will offer or have funds associated with NFTs. NFTs are unique, one-of-a- kind digital assets made possible by certain digital asset network protocols. Because of their non-fungible nature, NFTs introduce digital scarcity and have become popular as online "collectibles," similar to physical rare collectible items, such as trading cards or art. Like real world collectibles, the value of NFTs may be prone to "boom and bust" cycles as popularity increases and subsequently subsides. Certain metadata pertaining to NFTs may be stored "offchain," i.e., not on a decentralized digital asset network. If the entity behind an NFT project ceases hosting relevant metadata relating to NFTs, such NFTs may become worthless. If any of these events were to occur, it could adversely affect the value of certain of the Company's future strategies. In addition, because NFTs generally rely on the same types of underlying technologies as digital assets, most risks applicable to digital assets (including phishing, hacking, blockchain risks) are also applicable to NFTs and hence any investment into NFTs will be subject to general digital assets risks as described elsewhere in these risk factors.

Banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset-related services.

A number of companies that provide digital asset-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 digital asset-related companies, or companies that accept digital assets, for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide digital asset-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may decrease the usefulness of digital assets as a payment system and harm public perception of digital assets. Similarly, the usefulness of digital assets as a payment system and the public perception of digital assets could be damaged if banks were to close the accounts of many or of a few key businesses providing digital asset-related services. This could decrease the market prices of digital assets, and adversely affect the value of Immutable's digital asset inventory and the Resulting Issuer Shares.

Market adoption of cryptoassets has been limited to date and further adoption is uncertain.

Currently, there is relatively small use of cryptoassets 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 the securities or Resulting Issuer Shares. Cryptoassets have only recently become accepted as a means of payment for goods and services by certain major retail and commercial outlets, and use of cryptoassets by consumers to pay such retail and commercial outlets remains limited. Conversely, a significant portion of cryptoasset demand is generated by speculators and investors seeking to profit from the short- or long-term holding of tokens. A lack of expansion by cryptoassets 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 these assets. Further, if fees increase for recording transactions on these blockchains, demand for cryptoassets may be reduced and prevent the expansion of the networks to retail merchants and commercial businesses, resulting in a reduction in the price of these assets.

Immutable and the Resulting Issuer will have to adapt to respond to evolving security risks.

As technological change occurs, the security threats to Immutable's digital assets will likely adapt, and previously unknown threats may emerge. The ability of Immutable to adopt technology in response to changing security needs or trends may pose a challenge to the safekeeping of their assets. To the extent that Immutable is unable to identify and mitigate or stop new security threats, the Resulting Issuer's assets may be subject to theft, loss, destruction or other attack.

The Resulting Issuer may be unable to obtain adequate insurance to insure its operations.

The Resulting Issuer intends to insure its operations in accordance with technology industry practice. However, given the novelty of digital asset and associated businesses, such insurance may not be available, may be uneconomical for the Resulting Issuer, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Resulting Issuer.

Cryptocurrency is not covered by deposit insurance.

Transactions using cryptocurrency are not covered by deposit insurance, unlike banks and credit unions that provide guarantees or safeguards.

The unregulated nature and lack of transparency surrounding the operations of digital asset exchanges may cause the marketplace to lose confidence in such exchanges.

Cryptocurrency and digital asset exchanges on which cryptocurrencies and other digital assets trade are relatively new and, in some cases, unregulated. While some exchanges provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not. As a result, the marketplace may lose confidence in these exchanges, including prominent exchanges that handle a significant volume of trading in these assets. In recent years, there have been a number of cryptocurrency and digital asset exchanges that have closed because of fraud, business failure or security breaches. Additionally, larger cryptocurrency and digital asset exchanges have been targets for hackers and malware and may be targets of regulatory enforcement actions. A lack of stability in these exchanges, and their temporary or permanent closure, may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of digital assets. These potential consequences could materially and adversely affect the value of the Resulting Shares.

<u>Other Risks</u>

The business of the Resulting Issuer will be exposed to cybersecurity risks.

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 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 Immutable or its service providers 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.

The Resulting Issuer may be subject to litigation.

The Resulting Issuer 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 Resulting Issuer's operations, and the value of the Resulting Issuer Shares. While the Resulting Issuer 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 Resulting Issuer's operations.

Immutable has a limited operating history.

Immutable has a limited history of operations and is in the early stage of development. As such, the Resulting Issuer will be subject to many risks common to such enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Resulting Issuer will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. There can be no assurance that the Resulting Issuer will be able to develop any of its projects profitably or that any of its activities will generate positive cash flow.

The Resulting Issuer may require additional funds to finance its operations.

Additional funds, raised through debt or equity offerings, may be needed to finance the Resulting Issuer's future activities. There can be no assurance that the Resulting Issuer will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause the Resulting Issuer to reduce or terminate its operations.

If additional funds are raised through further issuances of equity or securities convertible into equity, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities.

The business of Immutable is subject to competition from other staking companies.

The Resulting Issuer will compete with other cryptocurrency and distributed ledger technology businesses, including other businesses focused on developing substantial digital asset staking operations. Although any market participant with sufficient capital and know-how has the ability to acquire tokens on the open market and start staking, there are a wide range of tokens being staked across the networks Immutable participates in. Accordingly, Immutable's management is not focused on competition in the industry.

Competition

The Reporting Issuer will compete with other NFT businesses. Any market participant with sufficient capital and know-how has the ability to compete with the Company's core businesses. As a result, the Company will face significant competition in the blockchain and NFT sectors. The Company's competitors may include other acquisition vehicles and major blockchain-based businesses worldwide which may have greater financial, technical and human capital than the Company, in addition to superior expertise and experience in the blockchain business.

The NFT market in which the Company competes requires continuous innovation and are highly competitive, rapidly evolving, subject to changing technology, shifting customer trends, competition for new content, and frequent introductions of new products and services. New competitors could launch new businesses in the Company's markets at a relatively low cost since technological and financial barriers to entry are relatively low. Some of the Company's current and potential competitors may have competitive advantages, such as greater name recognition, longer operating histories, broader geographic scope, and larger marketing budgets, as well as substantially greater financial, technical, personnel, and other resources. The Company may also experience competition from smaller, newer competitors that may be more agile in responding to customers' demands. These competitors may be able to respond more quickly and effectively than the Company can to new or changing opportunities, technologies, standards or customer requirements or provide competitive pricing. As a result, even if the Company's products are more effective than the products and services that the Company's competitors offer, potential customers might select competitive products and services in lieu of purchasing the Company's products and services. For these reasons, the Company may not be able to compete successfully against the Company's current and future competitors, which could negatively impact the Company's future sales and harm the Company's business and financial condition.

The Resulting Issuer's compliance and risk management programs may not be effective.

The Resulting Issuer's ability to comply with applicable laws and rules will be largely dependent on the establishment and maintenance of compliance, review and reporting systems, as well as the ability to attract and retain qualified compliance and other risk management personnel. The Resulting Issuer cannot provide any assurance that its compliance policies and procedures will always be effective or that the Resulting Issuer will be successful in monitoring or evaluating its risks. In the case of alleged non-compliance with applicable laws or regulations, the Resulting Issuer could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, restitution or other remedies, which could be significant. Any of these outcomes, individually or together, may among other things, materially and adversely affect the Resulting Issuer's reputation, financial condition, investment and trading strategies, and asset value and the value of any investment in the Resulting Issuer Shares.

Unexpected market disruptions may cause major losses for the Resulting Issuer.

The Resulting Issuer may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Resulting Issuer. Any such disruptions and events may have a material and adverse effect on the Resulting Issuer's investment and trading strategies and on any investment in the Resulting Issuer.

Attracting and Retaining Key Personnel

The Reporting Issuer may be unable to attract or retain key personnel with sufficient experience, and the Company may be unable to attract, develop and retain additional employees required for the Company's development and future success. The Company's success is largely dependent on the performance of its board and management team. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent the Company from executing on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. The Company does not currently maintain key-person insurance on the lives of any of the Company's key personnel.