Valour Inc.

(Formerly Valour Structured Products, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 1, 2022 to June 30, 2022

(Expressed in USD)

INDEX

Valour Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in USD)

	June 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,904,102	7,011,404
Other receivables against third parties	30,088	23,758
Digital assets at fair value through profit or loss	90,586,412	205,808,531
Digital asset loans receivable	6,247,857	84,528,313
Investments at fair value through profit or loss	4,168,873	12,501,197
Amounts due from related parties	38,522,192	0
Prepaid expenses and accrued revenues	238,929	320,892
TOTAL CURRENT ASSETS	143,698,453	310,194,095
NON-CURRENT ASSETS		
Property, plant, and equipment	7,476	6,009
Right-of-use assets	0	4,453
Goodwill	10,255	10,255
TOTAL NON-CURRENT ASSETS	17,731	20,717
TOTAL ASSETS	143,716,184	310,214,812

The accompanying notes form an integral part of these consolidated financial statements.

Valour Inc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(Expressed in USD)

	June 30, 2022	December 31, 2021
LIABILITIES		
CURRENT LIABILITIES		
Due to digital asset liquidity provider	39,000,000	1,984,634
Trade payables and other payables	59,603	29,437
ETP holders payable	96,374,982	286,710,335
Amounts due to related parties	0	4,659,510
Other liabilities - third parties	314,891	3,319
Accrued expenses and deferred income	635,275	464,815
Income tax liabilities	210	439
TOTAL CURRENT LIABILITIES	136,384,961	293,852,489
NON-CURRENT LIABILITIES		
Lease liabilities	0	4,453
TOTAL NON-CURRENT LIABILITIES	0	4,453
TOTAL LIABILITIES	136,384,961	293,856,942
SHAREHOLDERS' EQUITY		
Share capital	6,707	6,707
Share premium	2,770,990	2,770,990
Retained earnings (deficit)	4,553,526	13,580,173
TOTAL SHAREHOLDERS' EQUITY	7,331,223	16,357,870
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	143,716,184	310,214,812

The accompanying notes form an integral part of these consolidated financial statements.

Valour Inc.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in USD)

	June 30, 2022	November 1, 2020 to June 30, 2021
REVENUES		
Staking, lending, and management fee income	**2,698,211**	**0**
Other revenues	**757,677**	**951,873**
Total revenues	**3,455,888**	**951,873**
EXPENSES		
Salaries	**(743,294)**	**(287,398)**
Social security contributions	**(89,848)**	**(35,715)**
Travel and representation expenses	**(25,089)**	**(243,125)**
Other personnel related expenses	**(65,842)**	**(2,622)**
Personnel expenses	**(924,073)**	**(568,860)**
Infrastructure costs	**(35,290)**	**(7,280)**
Maintenance and repairs	**0**	**(4,690)**
Insurances, charges, permissions	**(645)**	**(329)**
IT expenses	**(63,631)**	**0**
Administrative expenses	**(551,113)**	**(796,079)**
Marketing and advertising expenses	**(161,641)**	**(62,090)**
Other operating expenses	**(812,320)**	**(870,468)**
OPERATING PROFIT/(LOSS) BEFORE INTEREST, TAXES AND DEPRECIATION (EBITDA)	**1,719,495**	**(487,455)**
Depreciation of property, plant and equipment	**(984)**	**0**
Depreciation of right-of-use assets	**(4,302)**	**(35,430)**
Badwill	**0**	**-**
OPERATING PROFIT/(LOSS) BEFORE FINANCIAL PROFIT AND TAXES (EBIT)	**1,714,209**	**(522,885)**
Realized gains from investments at fair value through profit or loss	**0**	**906,577**
Net change in unrealized gains of investments at fair value through profit or loss	**(8,453,089)**	**5,698,216**
Other financial income	**1,577,589**	**0**
Foreign currency exchange differences	**0**	**0**
Investment (loss)/income	**(6,875,500)**	**6,604,793**
Finance expenses	**(1,615,754)**	**(400,162)**
Foreign currency exchange differences	**(223,933)**	**40,012**
Financial expenses	**(1,839,687)**	**(360,150)**

The accompanying notes form an integral part of these consolidated financial statements.

Valour Inc.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

(Expressed in USD)

	June 30, 2022	November 1, 2020 to June 30, 2021
Net realized and change in unrealized gain from digital assets at fair value through profit or loss	(191,755,571)	(23,105,245)
Unrealized gains on translation of digital asset loans receivable	(31,763,325)	0
Net realized and change in unrealized gains from ETP holders payable	221,976,917	23,676,302
Expenses from issuance of ETPs	(167,050)	(121,061)
Expenses from digital assets transactions	(335,393)	(396,186)
(Loss)/Income from digital assets and ETPs	(2,044,422)	53,810
NET (LOSS)/INCOME BEFORE TAXES	(9,045,400)	5,775,568
Corporation taxes	(162)	(601)
NET (LOSS)/INCOME FOR THE PERIOD/YEAR	(9,045,562)	5,774,967
OTHER COMPREHENSIVE INCOME		
Currency translation differences	18,915	(5,190)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	18,915	(5,190)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	(9,026,647)	5,769,777

The accompanying notes form an integral part of these consolidated financial statements.

Valour Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from January 1, 2022 to June 30, 2022

(Expressed in USD)

	Share capital	Share premium	Retained earnings	Total
Balance at November 1, 2019	1	-	(19,607)	(19,606)
Loss for the year	-	-	(610,383)	(610,383)
Total other comprehensive loss	-	-	(13,343)	(13,343)
Total comprehensive loss for the year	-	-	(623,726)	(623,726)
Shares issued during the year	5,135	2,770,990	-	2,776,125
Balance at October 31, 2020	5,136	2,770,990	(643,333)	2,132,793
Income for the period	-	-	14,223,506	14,223,506
Total comprehensive income for the period	-	-	14,223,506	14,223,506
Shares issued during the year	1,571	-	-	1,571
Balance at December 31, 2021	6,707	2,770,990	13,580,173	16,357,870
Loss for the period			(9,045,562)	(9,045,562)
Total other comprehensive gains			18,915	18,915
Total comprehensive loss for the period			(9,026,647)	(9,026,647)
Balance at June 30, 2022	6,707	2,770,990	4,553,526	7,331,223

The accompanying notes form an integral part of these consolidated financial statements.

Valour Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in USD)

	June 30, 2022	November 1, 2020 to June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive (loss)/income for the period	(9,026,647)	5,769,777
Adjustments for:		
Staking, lending, management fee and other income	(3,455,888)	(3,885)
Interest income	(1,577,589)	-
Interest charges	1,615,754	400,162
Income taxes accrued	162	209
Depreciation of property, plant and equipment	984	-
Depreciation of right-of-use assets	4,302	35,430
Net change in unrealized gains from investments at fair value through profit or loss	0	(5,698,216)
Realized losses on investments at fair value through profit or loss	8,453,089	-
Purchases of digital assets	(145,454,362)	(210,048,309)
Disposals of digital assets	118,911,268	86,812,622
Net realized and change in unrealized gain from digital assets at fair value through profit or loss	191,755,571	23,105,245
Unrealized gains on translation of digital asset loans receivable	31,763,325	-
Sales of ETPs	156,729,093	235,149,142
Purchases of ETPs	(124,329,851)	(111,979,001)
Net realized and change in unrealized gains from ETP holders payable, net of management fee income	(221,976,917)	(23,676,301)
Other non-cash income and expenses	819,025	(89,618)
Operating cash inflow/(outflow) before working capital changes	4,231,319	(222,743)
Changes in working capital, accruals, and provisions:		
Increase in trade and other receivables	(6,330)	(10,864)
Increase in prepaid expenses and accrued income	81,963	(78,648)
(Decrease)/Increase in trade and other payables	30,166	(14,759)
Increase in other liabilities	311,343	5,519,171
Increase in accrued expenses and deferred income	170,460	245,309
Interest received	0	0
Interest paid	(1,615,754)	(400,162)
Net cash inflow from operating activities	3,203,167	5,037,304

Valour Inc.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(Expressed in USD)

	June 30, 2022	November 1, 2020 to June 30, 2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments at fair value through profit or loss	(120,765)	(302,200)
Disposals of investments at fair value through profit or loss	0	1,389,937
Purchase of property, plant, and equipment	0	(906,577)
Additions to right-of-use assets	-	(2,157)
Purchase of Goodwill and participations	-	0
Net cash outflow from investing activities	(120,765)	(179,003)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	-	-
Increase in share premium	-	-
Increase in amounts due to digital asset liquidity provider	37,015,366	-
Increase in amounts due from related parties	(43,181,702)	-
(Decrease) / Increase in lease liabilities	(4,453)	(35,050)
Net cash (outflow)/inflow from financing activities	(6,170,789)	(35,050)
Net (decrease)/ increase in cash and cash equivalents	(3,088,387)	5,181,257
Cash and cash equivalents as at beginning of the period	7,011,404	1,712,630
Effect of exchange rate differences on cash and cash equivalents	(18,915)	(380)
Cash and cash equivalents as at the end of the period	3,904,102	6,893,507
Net (decrease)/increase in cash and cash equivalents	(3,088,387)	5,181,257
Supplemental disclosure of non-cash financing activities		
Digital assets transferred for digital asset loans receivable	6,247,857	-

The accompanying notes form an integral part of these consolidated financial statements.

1. General Information

Valour Inc. (formerly Valour Structured Products, Inc.) (the "Company") was incorporated on June 18, 2019 under the Companies Act of the Cayman Islands as an exempted company with limited liability. The Company's intended operations consists of being an issuer of exchange-traded certificates ("ETP") linked to various digital currencies and the hedging thereof. On March 31, 2021 the Company became a wholly owned subsidiary of Valour Inc. Canada (formerly DeFi Technologies Inc.), a publicly listed company incorporated in Canada with shares listed on the NEO Exchange, through acquisition of 100% of the Company's share capital.

The Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands.

In October 2019, Valour Inc. Canada purchased Defi Europe AG (formerly Catenafin AG), Zug Switzerland, and in June 2020, Crypto 21 AB (formerly C de Geer 2 AB), Sweden.

In December 2021, Valour Management Limited, UK was incorporated.

As at June 30, 2022, the Valour Group (the "Group") consisted of the following consolidated companies:

Entity	Domicile	Principal activities	Ownership
Valour Inc.	Cayman Islands	Trading & investment activities	**Parent**
Crypto 21 AB	Sweden	Marketing activities	**100% Subsidiary**
Defi Europe AG	Zug, Switzerland	Management services	**100% Subsidiary**
Valour Management Limited	UK	Finance and management services	**100% Subsidiary**

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to the periods presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 – Interim Financial Reporting. These financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2021, which was prepared in accordance with IFRS as issued by the IASB. Standards that are not relevant to the Group have not been disclosed.

These consolidated financial statements are presented in United States dollars ("USD"), which is the Group's functional and presentation currency.

The current accounting period is for the six-month period from January 1, 2022 to June 30, 2022. The previous accounting period is the fourteen months ended December 31, 2021.

There are no other new or revised standards that have a material impact on the consolidated financial statements.

These consolidated financial statements of the Group were approved for issue by the Board of Directors on May 19, 2022.

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intragroup transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses are presented in the statement of profit or loss, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

2. Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 Income tax

Under current laws of the Cayman Islands, there are no income or other taxes payable by the Company. The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. Summary of significant accounting policies (continued)

2.5 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.6 Impairment of assets

Goodwill that has an indefinite useful life is not subject to amortisation and is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

2.8 Trade receivables

Trade receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.9 Financial instruments

At the initial recognition of financial instruments, the Group classifies financial assets into the following categories: at fair value through profit or loss, amortised cost and fair value through other comprehensive income. The Group classifies financial liabilities into the following categories: designated at fair value through profit or loss and at amortised cost.

Financial instruments are classified according to their nature and use by the Group at the time of initial recognition. Financial instruments carried in the statement of financial position include loans to related parties. The recognition methods adopted are disclosed in the individual policy statements associated with each item. The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

2. Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Fair value is based on active quoted market rates (bid for assets/ask for liabilities) prices. If there is no active market, fair value is based on prevailing market prices for instruments with similar characteristics and risk profiles or internal or external valuation models using observable market-based inputs. Fair value could be based on valuation models using unobservable inputs that are supported by little or no market activity.

Fair value measurement hierarchy:

In accordance with IFRS 7, "Financial Instruments: Disclosures", financial instruments measured at fair value are disclosed by the source of the inputs used in determining fair value. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined based on the lowest level input that is significant to the fair value measurement.

2.10 Investments and financial instruments

(a) Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. Summary of significant accounting policies (continued)

2.10 Investments and financial instruments (continued)

(b) Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in unrealized gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(e) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(f) Financial assets and liabilities

Financial assets and liabilities not held at amortised cost and whose business objectives are not achieved through trading or contractual cashflows are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include digital assets and investments. Financial assets at amortized cost included digital asset loans receivable. Changes in the loans receivable balance due to translation from a currency other than USD are recognised in profit or loss. Financial liabilities at fair value through profit or loss held by the Group includes ETP holders payable. Liabilities arising in connection with ETPs issued by the Group referencing the performance of digital assets are measured at fair value through profit or loss. Their fair value is a function of the unadjusted quoted price of the digital asset underlying the ETP, less any accumulated management fees. The fair value basis is consistent with the measurement of the underlying digital assets which are measured at fair value.

Financial assets and liabilities (or part thereof) are derecognised when, and only when, the Group's rights or obligations are discharged, cancelled, or they expire. Any difference between the carrying amount of a financial asset or liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Property, plant and equipment

Property, plant, and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced parts are derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to recognise their cost less their residual values over their estimated useful lives, as follows:

IT and telecommunication	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.12 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is assessed for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.13 Digital assets

The IFRS Interpretations Committee (the "Committee") published its agenda decision on Holdings of Cryptocurrencies in June 2019. The Committee concluded that IAS 2 – Inventories applies to cryptocurrencies when they are held for sale in the ordinary course of business, otherwise an entity should apply IAS 38 - Intangible Assets to holdings of cryptocurrencies. The Company has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2 - Inventories, in characterizing certain of its holdings as inventory, or more specifically, digital assets. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value less costs to sell are recognized in profit or loss.

2. Summary of significant accounting policies (continued)

2.13 Digital assets (continued)

Digital assets consist of cryptocurrency denominated assets (see Note 10) and are included in current assets. Digital assets are measured using unadjusted quoted prices taken from active markets, where available. The fair value measurement for digital assets of USD 210,278,155 with available active market prices has been classified as Level 1 in the fair value hierarchy. The Fair Value of digital assets is determined by taking the price at 17:30 CET from Kraken, Bitstamp, Bitfinex, Binance and Coinbase exchanges consistent with the pricing of the ETPs.

Disclosure

The Group applies the disclosure requirements in the IFRS Standard applicable to its holding of cryptocurrencies. Accordingly, the Group applies the disclosure requirements in IAS 2 – Inventories for holdings of cryptocurrencies. If an entity measures its holding in cryptocurrencies at fair value, IFRS 13 Fair Value Measurement specifies applicable disclosure requirements. In applying IAS 1 Presentation of Financial Statements, the Group discloses judgements that its management has made regarding its accounting for holdings of cryptocurrencies if those are part of the judgements that had a significant effect on the amounts recognised in the consolidated financial statements.

The Group has evaluated the impact of the Agenda Paper and has determined that cryptocurrencies with an active market should be classified as digital assets and measured at fair value through other profit or loss.

Increases and decreases in the fair value of digital assets are recognised through profit or loss. Digital assets are derecognised when the Group has transferred substantially all the risks and rewards of ownership on disposal.

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Operating expenses

Operating expenses are recorded as expenses in profit or loss in the period to which they relate.

2.17 Revenue recognition

The group recognises revenue from the following sources for operating revenues:

(a) Revenue from management fees

Management fee revenue is charged on ETP's as per the terms of each product. These are computed daily and deducted from the net asset value of the ETP's. The management fees are valued in the underlying ETP's base currency and converted into USD daily for financial reporting purposes.

(All amounts are expressed in USD, unless otherwise indicated)

2. Summary of significant accounting policies (continued)

2.17 Revenue recognition (continued)

(b) Lending and staking revenue

The Group earns a yield based on digital assets that are lent or staked with various reputable digital asset exchanges. Consistent with the market convention, the yields are earned in digital assets and are measured by using a daily USD conversion rate, recorded in profit or loss in the period they are earned.

Lending of digital assets allows the Group to earn a yield based on overnight lending rates available from digital asset exchanges and other borrowers for different digital assets.

Staking allows the Group to earn passive income through a process that is used to verify cryptocurrency transactions. In involves committing holdings on an overnight basis to support a blockchain network and confirming transactions. Cryptocurrencies that allow staking use a “consensus mechanism” called Proof of Stake, which is the way they ensure that all transactions are verified and secured without a bank or payment processor in the middle. Not all cryptocurrencies operate in this manner (for example BitCoin and Ethereum 1.0 use a different protocol called “Proof of Work”), and therefore staking is limited to a subset of cryptocurrencies only.

(b) Other revenues

The Group earns revenue from aggregating small individual trades during the day to facilitate hedging and optimise liquidity and hedging them periodically. These are computed as net fiat receivables and are measured based on the average daily USD exchange rates at the end of each day.

3. Critical accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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; while management believes that the amounts included in the consolidated financial statements reflect the Group’s best estimates and assumptions, actual results could differ from those estimates.

4. Cash and cash equivalents

	June 30, 2022	December 31,2021
Cash at banks	**597,388**	**593,408**
Cash at brokers	**2,618,705**	**4,773,823**
Cash at digital currency exchanges	**688,009**	**1,644,173**
Total cash and cash equivalents	**3,904,102**	**7,011,404**

(All amounts are expressed in USD, unless otherwise indicated)

5. Investments at fair value through profit or loss

	June 30, 2022	December 31, 2021
Valour Inc., Canada	**1,208,225**	**9,545,709**
3iQ Corporation, Canada	**2,896,751**	**2,955,488**
Smart Valor	**63,896**	**-**
Total investments at fair value through profit or loss	**4,168,873**	**12,501,197**

The Group purchased common shares in Valour Inc. Canada, a company building shareholder value through building and managing assets in the decentralized finance sector. Valour Inc. Canada common shares trade on the Toronto-based stock exchange NEO and have a fair value market value equal to the closing price on NEO at 31 March 2022. Valour Inc is the Company's sole shareholder, and ultimate parent company to the Group.

The Group also purchased Smart Valor Swedish Depositary Receipts ("SDR"). Smart Valor offers trading, brokerage, custody, and discretionary asset management to a global customer base. The SDR's trade on public exchanges and have a fair value equal to the closing price on Frankfurt Exchange as at June 30, 2022.

In the year ended 31 December 2021, the Group purchased class B common shares in 3iQ Corporation, a bitcoin and digital asset fund manager. 3iQ Corporation is not publicly traded and the fair value as at June 30, 2022 reflects price per the most recent market transaction at that date.

Valour Inc. Canada common shares and the Smart Valor SDR's are categorised as Level 1 within the fair value hierarchy. 3iQ Corporation class B common shares are categorised as Level 3 within the fair value hierarchy.

As at June 30, 2022 the fair values of investments at fair value through profit or loss were equal to their initial cost and therefore measured on this basis.

6. Key management personnel

The aggregate remuneration made to members of key management of the Group is set out below.

	June 30, 2022	November 1, 2020 to June 30, 2021
Short-term employee benefits	**362,322**	**171,515**
Post-employment benefits	**52,334**	**20,814**
Total	**414,656**	**192,329**

(All amounts are expressed in USD, unless otherwise indicated)

7. Related party transactions

7.1 Transactions with key management personnel

Remuneration paid to key management personnel for services rendered during the year and prior period has been disclosed in Note 6.

7.2 Directors' fees

Fees paid to directors of the Company for services rendered during the period were USD 250,315 and are included within administrative expenses in the statement of profit or loss and other comprehensive income.

7.3 Amounts due from related party

As at June 30, 2022, the Company lent USD 36,985,000 to Valour Inc, the Company's sole shareholder, and ultimate parent company to the Group, under a credit line agreement. The credit line agreement carries an interest rate of 0.85% over the interest incurred by the Company on any loans and is reviewed by both parties on a quarterly basis. There is no repayment schedule for the repayment of the loan.

7.4 Digital asset loans receivable from related party

As of April 31, 2022, digital asset loans were repaid to the Group from Hehmeyer Trading AG ("Hehmeyer"), a related party to the Group. Interest earned on digital asset loans receivable from Hehmeyer during the period ended June 30, 2022 was USD 326,327 (2021 USD 376,358). The loan balances were denominated in Bitcoin and Ethereum and earned interest at 4% - 5.125%. The loans renewed monthly and could be terminated with 5 days' notice.

8. Property, plant, and equipment

Cost:	**IT and tele-communication**	**Total**
Closing balance at December 31, 2021	**9,841**	**9,841**
Additions	**2,451**	**2,451**
Closing balance at June 30, 2022	**12,292**	**12,292**
Accumulated depreciation:		
Closing balance at December 31, 2021	**3,832**	**3,832**
Depreciation	**984**	**984**
Closing balance at June 30, 2022	**4,816**	**4,816**
Net book values:		
Opening balance at January 1, 2022	**6,009**	**6,009**
Closing balance at June 30, 2022	**7,476**	**7,476**

(All amounts are expressed in USD, unless otherwise indicated)

9. Secured Loans

On January 14, 2022 and January 17, 2022, the Company obtained a series of short-term loans with a digital asset liquidity provider totalling US$37,000,000. Interest was accrued and calculated at rates between 8.15% to 8.27% per annum. Principal plus accrued interest were due and payable on April 14, 2022 and April 17, 2022. There was a partial repayment of one of the loans of $3,500,000 in April, while the remainder of these loans have since been rolled and continue to be outstanding as the reporting date. The Company has spread the loans among 3 different digital asset liquidity providers to reduce single entity concentration and be able to obtain more competitive rates. Subsequent to June 30, 2022, the loans were extended with new maturity dates varying between Open Term, September 14, 2022 and October 14, 2022 with interest rates ranging from 7.6% to 8.65%. The extended loans were secured with 1895 BTC and 18216 ETH.

10. Leases

This note provides information for leases where the Group is a lessee.

The balance sheet shows the following amounts relating to leases:

	June 30, 2022	December 31, 2021
Right-of-use assets		
Property	**0**	**42,862**
Total right-of-use assets	**0**	**42,862**
Lease liabilities		
Non-Current	**0**	**42,862**
Total lease liabilities	**0**	**42,862**

Additions to the right-of-use assets during the year to December 31, 2021 were USD 103,196.

The statement of profit or loss includes the following amounts relating to leases:

	June 30, 2022	December 31, 2021
Depreciation charge of right-of-use assets		
Property	**0**	**61,718**
Total depreciation charge of right-of-use assets	**0**	**61,718**

(All amounts are expressed in USD, unless otherwise indicated)

11. Digital assets

Digital assets

As explained in Note 2, the Group classifies its holdings in digital assets as inventory and measures its holdings at fair value through profit or loss.

The fair value of digital assets staked at June 30, 2022 is USD 13,082,293.44. There are no staked digital assets with a lock-up period as at that date.

Valuation of digital assets

Fair value for digital assets is determined by taking the price at 17:30 CET from Kraken, Bitstamp, Bitfinex, Binance and Coinbase exchanges consistent with the pricing of the ETPs. The Directors may permit any other method of valuation to be used if they consider that such method of valuation better reflects fair value.

As at June 30, 2022 and December 31, 2021, the value of the digital assets was adjusted to their fair value through the consolidated statement of profit or loss.

Digital asset loans receivable

Digital asset loans receivables are denominated in various digital assets. These balances are translated into USD at the reporting date using the same valuations method as digital assets at fair value through profit or loss. Changes in the value of digital asset loans receivable as a result of changes in the values of the underlying digital assets are recognised in profit or loss. Interest earned from these loans is recognised in profit or loss. The digital currencies in which the loan balances are denominate is as follows:

	June 30, 2022	December 31 ,2021
Bitcoin	**0**	**47,996,380**
Ethereum	**0**	**32,334,311**
Polkadot	**6,247,857**	**4,197,622**
Total digital asset loans receivable	**6,247,857**	**84,528,313**

12. Goodwill

The acquisition of Crypto 21 AB, Sweden during the year ended October 31, 2020 resulted in goodwill of USD 10,255. Goodwill is assessed for impairment annually.

(All amounts are expressed in USD, unless otherwise indicated)

13. Share capital

	Number of shares	March 31, 2022	December 31, 2021
Authorised:			
Shares with a par value of USD 0.0001 each	**500,000,000**	**50,000**	**50,000**
Issued:			
Shares with a par value of USD 0.0001 each	**67,065,959**	**6,707**	**6,707**

14. Risk Management

The Group was formed for the sole intended business of issuing exchange traded certificates and the hedging thereof. The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign currency risk, and market risk (including foreign currency risk). The Group's activities also expose it to risk factors relating to digital currencies.

(a) Credit risk

Credit risk is the risk of economic loss to the Group if a counterparty fails to meet its contractual obligations. The Group manages and control this credit risk by only lending to related parties and setting limits on the amount of risk they are willing to accept from the counterparties.

The Group manages credit risk exposed from receivables by monitoring reputation, credit ratings and limiting the aggregate risk to any individual counterparty. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty defaults rates. The allowance for expected credit losses on trade receivables and other financial assets is not considered to be material.

The carrying amount of financial assets represents the maximum credit exposure.

Financial Assets

	June 30, 2022	December 31, 2021
Cash and cash equivalents	**3,904,102**	**7,011,404**
Digital asset loans receivable	**6,247,857**	**84,283,963**
Short-term receivables from related parties	**36,985,018**	**0**
Accounts receivable and other short-term receivables	**1,806,191**	**23,758**
Total financial assets	**48,94,3168**	**91,319,125**

As at June 30, 2022 and December 31, 2021, cash is held at banks, brokers and digital currency exchanges (see Note 4). Management monitors the financial position of the digital currency exchange on a continuous basis.

(All amounts are expressed in USD, unless otherwise indicated)

14. Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient access to cash and cash equivalents to meet liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The contractual maturities of financial liabilities, including accounts payable as June 30, 2022 and December 31, 2021 are all due within 12 months.

Liquidity risk relating to ETP payable balances is mitigated by purchasing and holding the same underlying digital assets and digital asset loans receivable on which the valuation of the ETP payable balances is calculated. It is the policy of the Group to hold an additional percentage (overhedge) of digital assets in order facilitate daily liquidity.

(c) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. The Group may enter into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to the risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than United States dollars. The Group's total net exposure to fluctuations in foreign currency exchange rates is disclosed in the table below.

(c) Foreign exchange risk (continued)

At June 30, 2022	Monetary assets	Monetary liabilities
Euro	539,244	(313,229)
Swiss Franc	102,338	(87,132)
Swedish Krona	2,050,744	(3,035)
Canadian Dollars	56,685	0
Great British Pounds	24,546	(5,822)
	2,773,557	(409,218)

At December 31, 2021	Monetary assets	Monetary liabilities
Euro	3,855,600	(4,258,462)
Swiss Franc	33,132	-
Swedish Krona	1,634,392	-
Canadian Dollars	61,545	-
Great British Pounds	11,166	-
	5,595,835	(4,258,462)

14. Risk Management (continued)

(d) Digital currency risk factors: Perception, Evolution, Validation and Valuation

A digital currency does not represent an intrinsic value or a form of credit. Its value is a function of the perspective of the participants within the marketplace for that digital currency. The price of the digital currency fluctuates as a result of supply and demand pressures that accumulate in the market for it.

Having a finite supply (in the case of many but not all digital currencies), the more people who want to own that digital currency, the more the market price increases and vice-versa.

The most common means of determining the value of a digital currency is through one or more cryptocurrency exchanges where that digital currency is traded. Such exchanges publicly disclose the "times and sales" of the various listed pairs. As the marketplace for digital currencies evolves, the process for assessing value will become increasingly sophisticated.

(e) Digital currency risk factors: Risks due to the technical design of cryptocurrencies

The source code of many digital currencies, such as Bitcoin, is public and may be downloaded and viewed by anyone. As with all code, there may be a bug in the respective code which is yet to be found and repaired and can ultimately jeopardize the integrity and security of one or more of these networks.

Should miners for reasons yet unknown cease to register completed transactions within blocks which have been detached from the block chain, the confidence in the protocol and network will be reduced, which will reduce the value of the digital currency associated with that protocol, and the ETP payable balances that are valued with reference to the respective digital asset.

Protocols for most digital assets or cryptocurrencies are public open-source software and could be particularly vulnerable to hacker attacks, which could be damaging for the digital currency market and adversely affect confidence of investors in such assets.

(f) Digital currency risk factors: Political, regulatory risk in the market of digital currencies

The legal status of digital currencies and inter alia Bitcoin varies between different countries. The lack of consensus concerning the regulation of digital currencies and how such currencies shall be handled tax wise causes insecurity regarding their legal status. As all digital currencies remain largely unregulated assets, there is a risk that politics and future regulations may negatively impact the market of digital currencies and companies operating in such market. It is impossible to estimate how politics and future regulations may affect the market. However, future regulations and changes in the legal status of the digital currencies is a political risk which may affect the price development of the tracked digital currencies.

The perception (and the extent to which it is held) that there is significant usage of the digital assets in connection with criminal or other illicit purposes, could materially influence the development and regulation of digital assets (potentially by curtailing the same).

(g) Market Risk

The digital asset market is still a relatively new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position.

A significant change in the value of digital assets would significantly affect the fair value of digital assets at fair value through profit or loss and amounts receivable from digital asset loans, however this would be mitigated by an opposite, but not necessarily equal, change in the fair value of ETP holders payable.

14. Risk Management (continued)

(h) Financial assets and liabilities

As at June 30, 2022 and December 31, 2021 all the Group's financial assets and liabilities, other than investments at fair value through profit or loss, are carried at amortised cost, which is a reasonable approximation of their fair value.

15. Subsequent events

During July 2022, the Group rolled their outstanding short-term secured loans as highlighted in note 9 above. There were no other noteworthy events to disclose.

Confirmed on behalf of Valour Inc.

Authorized Signature on behalf of the Board of Directors
Johan Wattenstrom, Director
Date: August 15, 2022

Confirmed on behalf of Valour Inc.

Authorized Signature on behalf of the Board of Directors
Olivier Francois Roussy Newton, Director
Date: August 15, 2022