

# ETHER CAPITAL CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period ended and year-to-date March 31, 2019

The purpose of this Management's Discussion and Analysis ("MD&A") is to help the reader understand and assess the material changes and trends in Ether Capital Corporation (the "Company", "Ether Capital", "we" or "us"), (formerly Movit Media Corp.) ("Movit"), results and financial position. It presents management's perspective on the Company's current and past activities and financial results, as well as an outlook on planned activities.

This MD&A is dated as of May 13, 2019 and reflects the interim results of operations and financial position for the period from January 1, 2019 to March 31, 2019 with comparative figures for the period from the date of incorporation on January 11, 2018 to March 31, 2018 and as at December 31, 2018. Given that the Company completed its reverse takeover transaction on April 18, 2018 and thereafter established a new business strategy, the financial measures for the quarter ended March 31, 2018 do not provide meaningful comparative information. This interim MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the period from January 1, 2019 to March 31, 2019 (the "Financial Statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless otherwise noted.

*This Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2019 (first quarter of fiscal 2019) is as of May 13, 2019 and provides information on the operating activities, performance and financial position of Ether Capital and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the first quarter of fiscal 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The Company assumes that the reader of this MD&A has access to, and has read, the audited consolidated financial statements prepared in accordance with IFRS and the MD&A of the Company for the period from the date of incorporation on January 11, 2018 to December 31, 2018 and as at December 31, 2018 (fiscal 2018), and, accordingly, the purpose of this document is to provide a fiscal 2019 first quarter update to the information contained in the fiscal 2018 MD&A. Additional information is contained in the Company's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [ethcap.co](http://ethcap.co).*

### Caution on Forward-Looking Information and disclosure of non-IFRS Measures

This MD&A may contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Such forward-looking statements, if and when made, include projections or estimates made by the Company and its management as to the Company's future objectives and business operations. Forward-looking statements include all disclosures regarding possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions the reader not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Often, but not always, forward-looking statements can be identified by the use of words or phrases such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", "believes", and similar expressions or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved, and may be based on management's current assumptions and expectations related to all aspects of the Company's business, industry and the global economy.

Forward-looking statements relate to, among other things, executing on the Company's strategic plan.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions. Readers are cautioned not to place undue reliance on forward-looking information. Additional information identifying risks and uncertainties relating to the Company's business and the Transaction (as such term is defined below) are outlined in the Company's Filing Statement and its other filings available on-line at [www.sedar.com](http://www.sedar.com). Additional information on the Company is available on its website at [ethcap.co](http://ethcap.co).

Forward-looking information will be updated as required pursuant to National Instrument 51-102 – Continuous Disclosure Obligations and except as required by applicable laws, the Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

#### Use of Non-IFRS Measures

The MD&A includes non-IFRS measures, including adjusted EPS, that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company believes that these financial measures provide information that is useful to investors in understanding the Company's performance and facilitate comparison of quarterly and full year results from period to period. Information provided on market prices and ranges related to MakerDAO are not considered to be IFRS measures and are not appropriate for accounting purposes under IFRS for purposes of measuring asset these values as currently this market is not considered active or reliable for purposes of valuing these assets. Descriptions of these non-IFRS measures and reconciliation to or disclosure of the nearest IFRS measures, where necessary, are provided in the MD&A.

## 1.1 OVERVIEW

### 1.1.1 The Company

Ether Capital Corporation (the "Company"), formerly Movit Media Corp. ("Movit"), is incorporated under the laws of the Province of Ontario, Canada. The Company is the resulting entity following a reverse takeover transaction (the "Transaction") between Movit, Ethereum Capital Inc. ("Ethereum Capital") and 2617564 Ontario Inc. completed on April 18, 2018. Ethereum Capital Inc. was incorporated on January 11, 2018. The consolidated financial statements are a continuation of the financial statements of Ethereum Capital. The registered office and head office of the Company is located at 130 Adelaide Street West, Suite 1700, Toronto, Ontario M5H 3P5.

The Company's shares are listed on the Aequitas NEO Exchange Inc. (the "NEO Exchange") under the symbol "ETHC."

Ether Capital provides public market investors access and exposure to Ethereum and decentralized ("Web 3") technologies. Ether Capital's business strategy is to become the central business and investment hub of the Ethereum and Web 3 ecosystem.

As Phase 1 of its business strategy, the Company acquired the native Ethereum crypto-asset known as Ether, a digital intangible asset, and, as at March 31, 2019, held 35,209 Ether, the fair value of which was \$6.6 million. As Ether is the commodity-like fuel used to access the Ethereum network and broadcast transactions, the Company believes it is important to own as demand picks up for use cases that may become prevalent in the months and years to come.

Phase 2 of the Company's strategy is to invest in projects, protocols, technologies and businesses that leverage the Ethereum ecosystem and Web 3 technologies. The Company's holdings in MakerDAO ("Maker") and Wyre, Inc. ("Wyre") are reflective of the Company's ongoing Phase 2 investment efforts.

The Company currently holds 2,300 MKR, which is a digital intangible asset that is the governance token of Maker. Maker is a decentralized credit platform built on Ethereum in which collateral is leveraged to produce a stablecoin. Maker uses a dual token model: (1) the Dai token: a stablecoin whose value is pegged at approximately US\$1.00 and (2) the MKR token: a token that provides voting and governance rights over the Maker platform and whose value derives from fees to use the credit system. As at March 31, 2019, based on information from CoinMarketCap, the value of the Company's MKR tokens was \$2.2 million, which represents a non-IFRS (see "Use of Non-IFRS Measures"). The carrying value of the Company's MKR assets, classified as digital intangible assets, is recorded at cost and tested for impairment at each reporting period. At March 31, 2019 the recorded amount is \$ \$1.3 million.

The Company currently holds a minority interest Wyre, a cryptocurrency exchange and technology platform based in San Francisco, California that is focused on building compliant fiat-to-crypto on and off ramps. In connection with the Company's investment in Wyre, it was granted a board observer position on Wyre's Board of Directors. As at March 31, 2019, the fair value of the Company's minority interest in Wyre was \$2.0 million.

Ether Capital is pursuing a long-term business model built on three pillars: (i) asset management through holdings of Ether and tokens or equity of other projects, (ii) technology development aimed at decentralized application adoption, and (iii) ancillary blockchain services that generate income from passive assets.

The Company's investment thesis is guided by a view of the development of the Ethereum and Web 3 ecosystem over the next few years. Before mass use and adoption of the Ethereum platform can occur, the Company believes that several challenges need to be addressed. These include (i) the lack of a decentralized stable unit-of-account, (ii) inefficient fiat-to-crypto onramps, and (iii) insufficient blockchain scaling. The Company's investment in Maker, as a credit platform that produces a stablecoin, is representative of the Company's strategy to address the challenge of a decentralized stable unit-of-account. The Company's investment in Wyre is representative of the Company's strategy to address inefficient fiat-to-crypto onramps. The Company's investment and technology development efforts are focused on projects that address these important challenges.

### 1.1.2 Highlights of the Quarter

Key development milestones that occurred during the three month period ended March 31, 2019:

- **Ether Capital Completed Private Placement:** On February 7, 2019, the Company announced that it had closed a non-brokered private placement of 2,208,875 units ("Units") of the Company for gross proceeds of approximately \$1.1 million. Each Unit is comprised of one common share ("Common Share") and one Common Share purchase warrant ("Warrant") of the Company. Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.48 prior to 5:00 p.m. (Eastern time) on February 6, 2021. The expiry date of the Warrants may be accelerated by the Company in the event that the daily volume weighted average price of the Common Shares on the Aequitas NEO Exchange Inc. (the "NEO Exchange") is \$1.00 or greater for a period of ten consecutive trading days.
- **Ether Capital Invested in MakerDAO:** On March 14, 2019, the Company announced that it made a US\$1.0 million investment in MKR ("MKR"), the digital intangible asset that is the governance token of MakerDAO ("Maker"). Maker is a decentralized credit platform built on Ethereum in which collateral is leveraged to produce a stablecoin. Ether Capital purchased 2,300 MKR tokens from the Maker Ecosystem Growth Foundation (the "Maker Foundation") in exchange for 7,374 Ether ("ETH"). Following the Maker transaction, Ether Capital's ETH balance was at 35,210.

## 1.2 RESULTS OF OPERATIONS

### Financial Position:

At March 31, 2019 the Company had:

- Total assets of \$11.0 million; total liabilities of \$0.9 million and a working capital surplus of \$0.1 million.
- Accumulated deficit of \$35.5 million the majority of which represents a non-cash unrealized loss on the value of Ether.

Based on information from CoinMarketCap, during the period ended March 31, 2019, Ether has ranged in price from a low of US\$105 to a high of US\$159, and as of the date of this MD&A is trading at approximately US\$195 per Ether. The 24-hour trading volume, which includes transfers from fiat currency to cryptocurrency as well as transfers between cryptocurrencies, during the period ended March 31, 2019 has ranged from a low of US\$2.2 billion to a high of US\$6.0 billion but has generally been in the US\$3.6 billion per day range.

Based on information from CoinMarketCap, during the period ended March 31, 2019, MKR has ranged in price from a low of US\$369 to a high of US\$743, and as of the date of this MD&A is trading at approximately US\$585 per MKR. The 24-hour trading volume, which includes transfers from fiat currency to cryptocurrency as well as transfers between cryptocurrencies, during the period ended March 31, 2019 has ranged from a low of US\$0.1 million to a high of US\$48.0 million but has generally been in the US\$2.8 million per day range. As a reliable and active market does not currently exist for MKR, the price ranges disclosed are considered to be Non-IFRS measures and are provided for information purposes and have not been applied in the valuation of the MKR digital assets reported in the condensed interim consolidated financial statements as at March 31, 2019. Under IFRS, these digital intangible assets are recorded at initial cost and when indicators of impairment exist, the carrying value is tested for impairment. See "Use of Non-IFRS Measures."

Volatility of price and trading volume of Ether and MKR remains elevated relative to levels seen in other asset classes, such as stocks and bonds, and the Company expects this volatility to persist for cryptocurrencies, in general, and for both Ether and MKR, specifically.

### Revenue

For the period ended March 31, 2019, the Company reported revenue of \$2,418 from interest earned on cash deposits compared to \$38,630 for the period ended March 31, 2018 as a higher cash balance in the prior quarter reflected the issuance of subscription receipts for gross proceeds of \$45 million. During the period the Company sold 2 Ether for testing of internal controls relating to the ownership and control of Ether held by the Company.

## Operating Expenses

For the quarter ended March 31, 2019, operating expenses were \$266,457. The expenses during the period were primarily driven by salaries & benefits of \$241,337 and insurance of \$170,775, which were offset by the net change in unrealized loss on fair value remeasurement of digital intangible assets of \$327,955 when adjusted for the realized loss on the sale of digital intangible assets. Below is a summary of key financial measures:

Financial Measures	For the period from incorporation on January 11, 2018 to March 31, 2018 (as adjusted) <sup>(2)</sup>	Quarter ended June 30, 2018 (as adjusted) <sup>(2)</sup>	Quarter ended September 30, 2018 (as adjusted) <sup>(2)</sup>	Quarter ended December 31, 2018	Quarter ended March 31, 2019
Revenue	\$38,630	\$31,709	\$7,027	\$45,919	\$2,418
Operating expenses excluding loss on digital intangible assets	\$60,224	\$3,533,888	\$901,815	\$878,917	\$594,515
Unrealized loss on digital intangible assets	\$-	\$12,766,461	\$12,759,879	\$4,474,212	(\$5,540,461)
Realized Loss on digital intangible assets	\$-	\$-	\$-	\$-	\$5,212,403
Operating expenses	\$60,224	\$16,300,349	\$13,661,694	\$5,354,134	\$266,457
Filing and listing fees	\$22,500	\$2,762,675	\$7,908	\$54,279	\$123,094
Net loss	\$21,595	\$16,300,349	\$13,654,667	\$5,276,506	\$264,039
Net loss before unrealized loss on digital intangible assets	\$21,595	\$3,502,325	\$894,788	\$834,002	\$692,097
Basic weighted average shares outstanding	8,677,778	17,268,631	20,776,251	20,776,251	22,077,033
Diluted weighted average shares outstanding	8,677,778	17,268,631	20,776,251	20,776,251	22,077,033
Basic net loss per share	\$0.00	\$0.94	\$0.66	\$0.25	\$0.01
Diluted net loss per share	\$0.00	\$0.94	\$0.66	\$0.25	\$0.01
Basic net loss per share before unrealized loss on intangibles <sup>(1)</sup>	\$0.00	\$0.20	\$0.04	\$0.04	\$0.03
Diluted net loss per share before unrealized loss on intangibles <sup>(1)</sup>	\$0.00	\$0.20	\$0.04	\$0.04	\$0.03
Total assets	\$44,917,905	\$29,101,776	\$14,781,393	\$10,002,363	\$10,954,134
Total liabilities	\$39,277	\$1,268,344	\$375,148	\$873,761	\$912,383
Shareholders' equity	\$44,878,627	\$27,833,432	\$14,406,245	\$9,128,602	\$10,041,751
Working capital surplus (deficit)	\$44,878,628	\$3,022,894	\$2,356,467	-\$450,982	\$134,568

<sup>(1)</sup> See non-IFRS measures. Basic and diluted loss per share before unrealized loss on digital intangible assets( "adjusted loss per share") are non-IFRS measures and are not a substitute for the IFRS measures basic and diluted loss per share. These non-IFRS measures are computed by adding back the non-cash unrealized loss on the re-measurement of digital intangible assets in the determination of loss per share to provide the reader with additional information on the loss per share from operating activities.

<sup>(2)</sup> The Company completed its reverse takeover transaction on April 18, 2018; as a result, financial measures for the quarter ended March 31, 2018 do not provide meaningful comparative information.

### **1.3 LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2019, the Company had a working capital surplus of \$0.1 million. Excluding amounts payable to the Company's non-executive directors for cash fees earned for services rendered as directors, which the Company expects will be settled through the issuance of common shares of the Company subject to shareholder approval (see note 6 of the consolidated financial statements for the three-month period ended March 31, 2019), the Company had a working capital surplus of \$0.5 million.

The Company continues to pursue ongoing cost management and has forecast that it has sufficient resources on hand, including its Ether balance and the ability to monetize portions thereof, to continue operations and discharge its liabilities in the normal course of business. Please refer to the Going Concern Risk in section 1.6.6 of this MD&A as well as note 2(f) of the unaudited interim condensed consolidated financial statements of the Company for the three-month period ended March 31, 2019.

### **1.4 FINANCIAL AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the short-term or demand nature of the instruments.

### **1.5 ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

Please refer to note 3 of the consolidated financial statements for the three-month period ended March 31, 2019 for full disclosure of all other significant accounting policies and critical accounting estimates.

### **1.6 ADDITIONAL DISCLOSURES**

#### **1.6.1 Off-Balance Sheet Arrangements**

No off-balance sheet arrangements were made in this reporting period.

#### **1.6.2 Outlook and Growth Strategy**

The Company is focused on making selective investments in projects, protocols, technologies and businesses that leverage the Ethereum ecosystem and Web 3 technologies. Through its highly experienced Board of Directors, Advisory Board and management team, Ether Capital sees a strong opportunity pipeline to invest in industry-shifting disruptive technologies. However, our investment strategy will be implemented based on our ability to fund future investments.

#### **1.6.3 Outstanding Share Data**

As at March 31, 2019:

- Authorized share capital – unlimited common shares, with no par value.
- 22,985,126 common shares issued and outstanding.
- 1,038,814 stock options outstanding.

#### **1.6.4 Dividend Policy**

To date, the Company has neither declared nor paid any dividends, nor does the Company anticipate that dividends will be declared or paid in the foreseeable future. Rather, the Company intends to retain any earnings to finance its future growth and development. Any future payment of cash dividends will be dependent upon, amongst other things, the Company's future earnings, financial condition, capital requirements, and such other factors as the board of directors may deem relevant at that time.

### **1.6.5 Board of Directors**

As of the date of this MD&A, the Company's board of directors consists of Stefan Coolican, Camillo di Prata, Liam Horne, Joey Krug, Colleen McMorrow, Brian Mosoff, Benjamin Roberts, John Ruffolo, Som Seif, and Boris Wertz.

### **1.6.6 Risk Factors**

The following risks should be considered when evaluating the Company's business and prospects:

#### ***General Investment Risk***

An investor's return on investment in the Company will vary directly with the Company's market value, which in turn relies on numerous factors, including, but not limited to, its financial condition and operating results.

#### ***No Guaranteed Return***

There is no guarantee that an investment in the Company will earn any positive return. An investment in the Company is risky and highly speculative and should be considered only by persons who can bear the risk of losing all of their investment in the Company.

#### ***Limited Operating History***

Although all persons involved in the management of Ether Capital have significant experience in their respective fields of specialization, Ether Capital has a limited operating or performance history upon which prospective investors can evaluate the Company's likely performance. There can be no assurances that the Company will earn profits in the future or that any profitability will be sustained.

#### ***Going Concern Risk***

Ether Capital has undertaken to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will not be able to meet its obligations as they become due for a period at least twelve months from the statement of financial position date. Ether Capital believes that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. However, if the price of Ether declines, the Company may not be able to meet its business and investment objectives. The Company has forecast that it has sufficient resources on hand to continue operations and discharge its liabilities in the normal course of business. In addition, we note that the Company continues to make investments dedicated towards the Ethereum and Web 3 ecosystem. While the Company holds some illiquid investments, it still holds a significant amount of Ether which it considers to be sufficiently liquid to convert to cash for operating purposes, if need be. If the price of Ether begins to trade in the \$30 USD to \$50 USD range, the Company may be unable to continue as a going concern and therefore may be required to realize its assets and discharge its liabilities other than in the normal course of business.

#### ***Reliance on Management, the Board of Directors and Track Record***

The success of the Company, including sourcing and closing on investment opportunities, is dependent upon the skill, judgment, industry relationships and expertise of the board of directors and management. The loss of a director or of a key person of management may materially and adversely affect the business of the Company. There can be no assurance that these individuals will continue to be employed by or remain involved with the Company for a particular period of time. Recruiting and retaining highly qualified personnel is critical to the success of the Company.

### ***Changes in Applicable Law***

Changes in applicable laws, regulations or taxation arrangements, including those relating to blockchain technologies and crypto assets, which may occur at any time, may materially and adversely affect the Company's business strategy.

### ***Focused Investment Strategy***

The Company is focused on investments related to the Ethereum ecosystem and Web 3 technologies. The specific investment focus is inherently more risky than traditional investments and could cause the Company to be more susceptible to particular economic, political, regulatory, technological or industry conditions or occurrences when compared with a company that has a more mature business model.

### ***Access to Funding***

The Company may require additional capital and financing to fund future operations or to fulfill its obligations under future agreements. There are no assurances that the Company will have access to sufficient funding for such purposes.

### ***Potential Conflicts of Interest***

The Company's directors and officers may serve as directors or officers of other companies, or may have significant investment positions or shareholdings in other projects, protocols or companies including those in the same sector as Ether Capital. Situations may arise where the directors and/or officers of the Company may be in competition with the Company and may have interests that conflict with, or differ from, the Company's interests. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' fiduciary duties.

### ***Liquidity of Shares***

An active and liquid market for the Company's common shares may not develop, or if developed, may not be maintained.

The following risks are associated with investments in Ethereum and blockchain technologies and should be considered:

### ***Speculative and Volatile Nature of Ether***

To date, the Company has deployed most of the capital it has raised into Ether. The price of Ether is subject to significant volatility. In addition, the supply of Ether is currently controlled by the source code of the Ethereum platform, and there is a risk that the developers of the code and the participants in the Ethereum network could develop and/or adopt new versions of the Ethereum software that significantly increase the supply of Ether in circulation, negatively impacting the trading price of Ether. Any significant decrease in the price of Ether may materially and adversely affect the Company and the value of the Company's shares.

### ***Speculative and Volatile Nature of Blockchain***

The participation and investment in blockchain, Web 3 technologies and digital assets are speculative activities as these are relatively new sectors involving a high degree of financial risk. The price and value of blockchain technologies and digital assets have historically been subject to dramatic fluctuations and are highly volatile, which may materially and adversely affect the Company. The Company's business plan depends upon the growth and adoption of blockchain and Web 3 technology generally and Ethereum in particular. If industry participants determine that Ethereum is not an effective protocol, due to security risks or other shortcomings, or if another technology emerges which is superior to Ethereum, then it is highly likely that the value of the Company's assets, which are primarily held in Ether, will fall and could become worthless.



### ***Development of the Ethereum Platform***

The Ethereum platform is an open source project being developed by a network of software developers, including Vitalik Buterin. Mr. Buterin or another key participant within the core development group could cease to be involved with the Ethereum platform. Factions could form within the Ethereum community, resulting in different and competing versions of Ethereum being adopted by network participants. Furthermore, network participants running the Ethereum software may choose not to update their versions of the software, resulting in different versions of the Ethereum software running on the network. Any of the foregoing developments could have a significant negative impact on the viability and overall health of the Ethereum platform, the value of Ether and the Company's business model and assets.

### ***Functioning of Exchanges***

The Company has acquired Ether and MKR, and may acquire additional Ether, MKR or other crypto-assets in the future. The Company expects to acquire crypto-assets on liquid, regulated exchanges with robust anti-money laundering ("AML") and know-your-client ("KYC") policies and procedures. However, there are no assurances that these exchanges will continue to operate effectively, maintain adequate liquidity or that their AML and KYC policies will be effective, which could negatively impact the Company and its ability to acquire or sell Ether and other crypto-assets.

### ***Period of Cryptocurrency Speculation***

The market prices of Ether, Bitcoin and other cryptocurrencies have been subject to extreme fluctuations and have depreciated significantly since the date of the Transaction. Nevertheless, some market participants believe that cryptocurrencies remain overvalued. If the price of Ether falls, the value of the Company would fall accordingly.

### ***Regulation of Blockchain & Crypto-Assets***

The regulatory and legal regimes governing blockchain technologies and digital assets across the globe are uncertain and evolving, and new regulations, protocols or policies, including a change of laws, including potential bans or restrictions on the trading of crypto-assets, may materially and adversely affect the Company.

### ***Uncertainty Regarding the Growth of Blockchain and Web 3 Technologies***

The further development and use of blockchain, Web 3 technologies and digital assets are subject to a variety of factors that are difficult to evaluate and predict. The slowing of or stopping of the development or acceptance of blockchain networks, specifically Ethereum, and blockchain assets would have an adverse material effect on the Company. Furthermore, blockchain and Web 3 technologies, including Ethereum, may never be implemented to a scale that provides identifiable economic benefit to blockchain based-businesses, including the Company.

### ***Security Risks***

Several security risks may adversely affect the Company. Blockchain, Web 3 technologies and digital assets are at risk of cyber-security breaches and attacks. Accordingly, the Company and the projects, protocols and businesses that it may invest in are subject to these threats. Furthermore, the Company's information technology and infrastructure may be vulnerable to security breaches and cyber-attacks or breaches due to employee error, malfeasance or other disruptions. The Company holds crypto-assets through self-custody which includes various security measures. Despite all reasonable security measures being introduced by the Company, if the credentials to a digital wallet are lost, stolen or destroyed, the crypto-assets are not recoverable and would be lost by the Company.

### ***Competition Risks***

Because there may be other companies with a business plan similar to the Company seeking to effectuate similar investments, the Company faces significant competition in the blockchain and digital asset 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.

### ***Sourcing of Investments***

Ether Capital depends on its senior management and directors to source suitable investment opportunities for the Company. In addition, the Company encounters competition for such investment opportunities from other entities having similar business objectives including private investors, pension funds and private equity firms and such competition may impact the Company's ability to close on an investment as well as the purchase price for any such investment. There is no assurance that the Company will be able to source suitable investment opportunities or that it will be able to do so at an appropriate price.

A more complete discussion of the risks and uncertainties facing the Company is disclosed in the Company's continuous disclosure filings with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com).

All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.

### **1.6.7 Controls and procedures**

In compliance with the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), the Company has filed with applicable Canadian securities regulatory authorities, certificates signed by its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design of internal controls over financial reporting.

#### ***Disclosure controls and procedures***

Disclosure controls and procedures have been designed under the supervision of the CEO and CFO, to provide reasonable assurance that all relevant information required to be disclosed by the Company is recorded, processed, summarized and reported on a timely basis to senior management, as appropriate, to allow timely decisions regarding required public disclosure. Pursuant to NI 52-109, as of March 31, 2019, an evaluation of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision of the CEO and CFO. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation considered the Company's disclosure policy, a sub-certification process and the functioning of the Company's Disclosure Committee.

#### ***Internal controls over financial reporting***

The Company's CEO and CFO are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS. As at March 31, 2019, an evaluation was carried out of the effectiveness of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting. Based on that evaluation, the Company's CEO and CFO have concluded that, as at March 31, 2019, the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards established in "Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission", and the requirements of NI 52-109. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes to the Company's internal control over financial reporting during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **1.6.8 Legal Proceedings**

There are no legal proceedings, current or pending, to which the Company is a party or to which any of its assets are subject.

#### **1.6.9 Appointment of Auditor**

KPMG LLP, of Toronto, Ontario was appointed as the Company's auditor on May 9, 2019.

#### **Approval and Further Information**

This MD&A is dated as of the close of business on May 13, 2019.

The board of directors of the Company has approved the disclosure contained in this MD&A. Additional information relating to the Company is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).