



ETHER CAPITAL CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three- month period ended March 31, 2020
(UNAUDITED)

Ether Capital Corporation
Unaudited Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian Dollars)

Assets	As at March 31, 2020	As at December 31, 2019
Current Assets		
Cash	\$ 122,906	\$ 271,394
Accounts receivable & prepaid expenses	223,708	130,896
	346,614	402,290
Investments (note 9)	1,948,200	1,948,200
Digital intangible assets (note 4)	7,286,486	6,972,494
Total Assets	\$ 9,581,300	\$ 9,322,984
Liabilities		
Current Liabilities		
Accounts payable & accrued liabilities (note 6)	\$ 199,151	\$ 317,058
Total Liabilities	199,151	317,058
Shareholders' Equity		
Share capital (note 5)	45,834,198	45,466,839
Warrants (note 5)	-	297,943
Accumulated deficit	(36,395,349)	(36,702,156)
Accumulated other comprehensive loss	(56,700)	(56,700)
Total Shareholders' Equity	9,382,149	9,005,926
Total Liabilities & Shareholders' Equity	\$ 9,581,300	\$ 9,322,984

Going Concern (note 2(b))

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

Approved by the Directors:

"Som Seif"
Director

"Stefan Coolican"
Director

Ether Capital Corporation
Unaudited Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive
Income (Loss)
(expressed in Canadian Dollars)

	For the three- months ended March 31, 2020	For the three- months ended March 31, 2019
Revenue		
Interest income on cash	\$ 620	\$ 2,418
Total Revenue	620	2,418
Expenses		
Net change in unrealized (gain) loss on fair value remeasurement of digital intangible assets (note 4)	(1,358,747)	(5,540,461)
Impairment of MKR digital intangible asset (note 4)	333,203	-
Realized (gain) loss on sale of digital intangible assets (note 4)	499,496	5,212,403
Salaries, benefits and professional fees (note 6 and 7)	140,109	241,337
Insurance	27,000	170,775
Marketing & investor relations	-	49,090
Filing, listing & transfer agent fees	17,077	123,094
Other general & administrative (note 7)	35,675	10,219
Total operating expenses	(306,187)	266,457
Net Income (Loss) & Comprehensive Income (Loss)	\$ 306,807	\$ (264,039)
Net Income (Loss) per Common Share, Basic	\$ 0.01	\$ (0.01)
Net Income (Loss) per Common Share, Diluted	\$ 0.01	\$ (0.01)
Basic Weighted Average Number of Shares Outstanding	22,985,126	22,077,033
Diluted Weighted Average Number of Shares Outstanding	22,985,126	22,077,033

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

Ether Capital Corporation
Unaudited Condensed Interim Consolidated Statements of Changes in Equity
(expressed in Canadian Dollars)

For the three-months ended March 31, 2020 and March 31, 2019:

	Share Capital	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Loss on Fair value through OCI Securities	Total Equity
Balance January 1, 2020	\$ 45,466,839	\$ 297,943	\$ (36,702,156)	\$ (56,700)	\$ 9,005,926
Stock Option Plan (note 5)	69,416	-	-	-	69,416
February 6, 2020, Warrants Expired (note 5)	297,943	(297,943)	-	-	-
Net Income	-	-	306,807	-	306,807
Balance, March 31, 2020	\$ 45,834,198	\$ -	\$ (36,395,349)	\$ (56,700)	\$ 9,382,149
Balance, January 1, 2019	\$ 44,360,124	\$ -	\$ (35,231,522)	\$ -	\$ 9,128,602
Stock Option Plan (note 5)	141,504	-	-	-	141,504
February 7, 2019 - Private Placement (note 6)	768,644	297,943	-	-	1,066,587
Commissions on Private Placement	(24,576)	-	-	-	(24,576)
Net Loss	-	-	(264,039)	-	(264,039)
Balance, March 31, 2019	\$ 45,245,696	\$ 297,943	\$ (35,495,561)	\$ -	\$ 10,048,078

Ether Capital Corporation
Unaudited Condensed Consolidated Interim Statements of Cash Flows
(expressed in Canadian Dollars)

	For the three- months ended March 31, 2020	For the three- months ended March 31, 2019
Cash Provided by (Used In) Operating Activities		
Net gain (loss) for the period	\$ 306,807	\$ (264,039)
Items not affecting cash:		
Stock option expense	69,416	141,504
Exchange loss on sale of digital intangible assets	(19)	102
Realized loss on sale of digital intangible assets	499,496	5,212,403
Impairment of MKR digital intangible asset	333,203	
Gain on fair value remeasurement of digital intangible assets (note 5)	(1,358,747)	(5,540,461)
	(149,844)	(450,491)
Changes in Non-Cash Working Capital		
(Increase) decrease in current assets:		
Accounts receivable & prepaid expenses	(92,812)	161,775
Increase (decrease) in current liabilities:		
Accounts payable & accrued liabilities	(117,907)	38,622
Net Cash Used in Operating Activities	(210,719)	200,397
Cash Provided by Investing Activities		
Proceeds from sale of Digital Intangible assets	212,075	356
Net Cash Provided by (Used in) Investing Activities	212,075	356
Cash Provided by (Used in) Financing Activities		
Issuance of share capital - private placement	-	768,644
Issuance of warrants - private placement	-	291,616
Issuance costs	-	(24,576)
Net Cash Provided by Financing Activities	-	1,035,684
Increase (decrease) in Cash	\$ (148,488)	\$ 785,946
Cash, beginning of period	271,394	244,257
Cash, end of period	\$ 122,906	\$ 1,030,203
Interest received	\$ 620	\$ 2,418

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

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Ether Capital Corporation (the "Company") is incorporated under the laws of the Province of Ontario, Canada (incorporated on December 11, 2009). The Company's shares are listed on the Aequitas NEO Exchange Inc. under the symbol "ETHC." The Company is the resulting entity following a reverse takeover transaction between Movit Media Corp. ("Movit"), Ethereum Capital Inc. and 2617564 Ontario Inc. ("Movit SubCo") completed on April 18, 2018. Ethereum Capital Inc. was incorporated on January 11, 2018 and Movit SubCo was incorporated on January 29, 2018.

The Company's wholly-owned subsidiary, Ethereum Capital Inc. ("Ethereum Capital"), is a Toronto based technology company whose objective is to provide public market investors access and exposure to Ethereum and decentralized ("Web 3") technologies and infrastructure. The Company's business strategy is to become the central business and investment hub of the Ethereum and Web 3 ecosystem. The registered offices are located at 130 Adelaide Street West, Suite 3100, Toronto, Ontario M5H 3P5.

2. BASIS OF PREPARATION

(a) Statement of compliance:

The condensed consolidated interim financial statements of the Company and its subsidiary have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Account Standards Board ["IASB"]. The policies set out below have been consistently applied to all periods presented unless otherwise noted.

The condensed consolidated interim financial statements were approved by the Board of Directors of the Company on May 14, 2020.

(b) Measurement Uncertainties

(i) COVID-19:

The novel coronavirus (COVID-19) continues to affect countries and business world-wide causing companies and various governments to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and the measures taken by companies and governments to combat the coronavirus have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of Ether. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects developing and the Company will continue to monitor the impact of the outbreak on its business. The extent to which the COVID-19 pandemic may materially affect the Company's financial results and condition in future periods are subject to significant uncertainty. Realizable values of intangible assets and investments, liquidity and financial condition post March 31, 2020 may be materially affected as a result of this outbreak.

(ii) Going Concern:

In the preparation of condensed consolidated interim financial statements, management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

2. BASIS OF PREPARATION *(continued from previous page)*

The mitigating effect of management's plans are considered to the extent that; i) it is probable that the plans will be effectively implemented and, if so, ii) it is probable that the plans will mitigate the conditions or events that raise significant doubt about the Company's ability to continue as a going concern.

The accompanying condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the continued realization of assets and satisfaction of liabilities and commitments in the normal course of business. At March 31, the Company has a working capital surplus of \$147,463 (December 31, 2019 – \$85,232), an operating gain for the current period of \$306,807 (March 31, 2019 – (\$264,039)), and an accumulated deficit of \$36.4 million (December 31, 2019 – \$36.8 million). The gain for the period is primarily driven by the unrealized gain from the revaluation of the Company's Digital Intangible Assets.

If the price of Ether were to significantly decline, the Company may not be able to meet its business and investment objectives. The Company has undertaken measures to improve its cash position, including ongoing cost management and the periodic sales of Ether that are required to fund its operations. In addition, we note that the Company continues to pursue investments dedicated towards the Ethereum ecosystem, and Web 3 movement. These investments are generally not highly liquid, but reflect the core of management's investment strategy. 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. The Company forecasts the need to raise additional capital or monetize a portion of its Ether balance to fund its operations and execute its business strategy. In 2020 the Company sold 804 Ether for proceeds of \$209,920 in the context of a systematic sales program to convert Ether into cash with reference to market conditions and the Company's forecasted cash requirements in the future. The Company's ability to raise additional capital, or to raise capital on satisfactory terms, may be adversely impacted by uncertain market conditions, including substantial price volatility of Ether and including market conditions resulting from the COVID-19 pandemic, the duration and impact of which is not certain.

After considering its plans to mitigate the going concern risk, management has concluded 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. Furthermore, the estimates made by management in reaching this conclusion are based on information available as of the date these condensed consolidated interim financial statements were authorized for issuance. These condensed consolidated interim financial statements do not indicate any adjustments that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities other than in the normal course of business. Actual circumstances may differ from those estimates and the variation may be material.

(c) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for the following items: (i) Ether, which is accounted for using the revaluation method; (ii) Investment, which is measured at fair value. The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary Ether Capital Inc.

(d) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional currency as the Company's equity instruments are issued in CAD. CAD represents the currency in which funds from equity financing activities were generated.

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

2. BASIS OF PREPARATION *(continued from previous page)*

(e) Translation of foreign currency

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position dates are translated into Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through the consolidated statements of loss and comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. When revaluing non-monetary assets denominated in foreign currencies, the gain or loss on foreign exchange is recognized consistent with the gain or loss on the underlying non-monetary asset.

(f) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. These areas of critical accounting estimates were impacted when the World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. There is significant uncertainty as to the likely effects of this pandemic which may, among other things, impact the realizable value of digital assets and investments. Actual results may differ from those estimates. Significant judgement is involved in accounting for digital intangible assets, Level 3 investments that do not have observable inputs and equity settled share options.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant estimates used in determining the recorded amount of assets and liabilities in the unaudited condensed consolidated interim financial statements include the following:

Accounting of Digital Intangible Assets

There is no specific IFRS guidance on the accounting for Ether, MakerDAO tokens ("MKR") and other cryptocurrencies. As a result, the Company had to make a judgement that the most applicable standard would be IAS 38 Intangible Assets ("IAS 38"), based on the Company's understanding of the characteristics of the assets. Ether and MKR are Digital Intangible Assets, where after recognition, Ether is measured using the revaluation method as per IAS 38, and MKR is measured at cost less any accumulated impairment losses, based on the Company's understanding of the characteristics of the market for Ether and MKR. Management is required to use significant judgement, estimates and assumptions when calculating an impairment and reversal of an impairment of digital intangible assets that are not readily apparent from other sources. Any impairment of the Company's digital intangible assets is recorded in net income in the period in which the impairment is identified. Impairment losses on digital intangible assets may be subsequently reversed in net income.

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

Accounting for Level III Investments

In determining the fair value of level III investments valuation techniques with significant unobservable market inputs will be used. The estimated fair values for these securities may be significantly different from the values that would have been used had a ready market for the investment existed.

Accounting for Equity Settled Share Option Plan

All options are to be settled by physical delivery of shares. The fair value of the services received in return for share options granted is based on the fair value of the share options granted, measured using the Black-Scholes model.

Cash

Cash is comprised of cash on deposit with a Canadian financial institution and is stated at fair value.

Financial Instruments

Financial instruments consist of investments. Investments will be carried at fair value in accordance with IFRS 9. Investments are initially recognized at cost, which is an appropriate measure of fair value, and subsequently classified as fair value through other comprehensive income ("FVOCI"). Subsequent revaluations of fair value will be recorded in other comprehensive income on the consolidated statements of net loss and comprehensive loss.

All other financial instruments, which include receivables and payables which are short term in nature and approximate fair value, are carried at amortized cost. For financial assets, no expected credit loss is recorded since the carrying amount of these assets approximates their fair value and the Company does not expect any default events to occur within the short term of these financial assets.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Company uses valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Company maximizes the use of observable data when developing estimates and assumptions but this is not always available. In that case management uses the best information available.

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

- Level 2: Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

- Level 3: Valuation techniques with significant unobservable market inputs. Various valuation techniques are utilized, depending on each individual security. As a base, investments are recorded at cost for recent acquisitions for which the cost is appropriate. Valuation methods and procedures may be applied to update fair values and include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining relevant information from issuers and/or other analytical data relating to the investment, and recent arm's length transactions. Key inputs and assumptions used are usually security specific and may include estimated discount rates, credit risk, volatility, correlations, and future cash flows. Changes in key inputs and assumptions could affect

the reported fair value of these financial instruments held by the Company. The estimated fair values for these securities may be significantly different from the values that would have been used had a ready market for the investment existed.

For assets and liabilities that are recognized in the condensed consolidated interim financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

Digital Intangible Assets

The Company accounts for digital assets consisting of Ether as an intangible asset in accordance with IAS 38. Upon acquisition the Ether is recorded at cost. On an ongoing basis the revaluation method will be used to measure the value of the Ether. The revaluation method has been applied as an active market exist for the Ether. Under the revaluation model, revaluation decreases will be recognized in the Consolidated Statements of Net Loss and Comprehensive Loss, and revaluation increases are recognized in other comprehensive income and accumulated in the revaluation surplus within equity except to the extent that they reverse a revaluation decrease previously recognized in the Consolidated Statements of Net Loss and Comprehensive Loss.

For MKR, an active market does not currently exist and, accordingly, the revaluation method cannot be applied. MKR is therefore carried at cost less any accumulated impairment losses. MKR is tested for impairment at each reporting period. When assessing the determination of an impairment charge, the following factors may be considered: market price, core developer engagement, use and performance of the protocol and expected upgrades to the protocol. Impairment charges may be reversed in subsequent periods up to the original cost of the asset if appropriate evidence exists to support an increase in its carrying value.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, the Company applies the following specific revenue recognition policies:

Under IFRS 15, revenue is recognized at an expected amount of consideration in exchange for transferring promised goods or services to a customer. Currently, the Company does not have products and services delivered to customers, and thus no recurring revenue from operations exists. Interest income is recognized as earned. Interest income is earned on cash deposits held at the bank. Consulting revenue is recognized as services performed and are recognized on an accrual basis.

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

Income Taxes

Current income tax liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the consolidated statement of financial position date.

The liability method of tax allocation is used in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the carrying amount and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are recognized for taxable

temporary differences arising in investments in subsidiaries and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognized on temporary differences that arise from the initial recognition of goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

As at March 31, 2020, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards including share issuance costs charged directly to equity as the Company has determined that it is not probable as at March 31, 2020 that taxable income will be available against which deductible timing differences can be utilized.

Equity

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments. When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, with the residual value being allocated to shares.

Net Income (Loss) per share

The Company presents basic and diluted net income (loss) per share data for its common shares. Basic net income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding if all the options outstanding were exercised during the year.

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

4. DIGITAL INTANGIBLE ASSETS

Digital Intangible Assets consist of Ether and MKR tokens. Below is a continuity schedule of Digital Intangible Assets:

	<u>Units (Ether)</u>	
Balance at December 31, 2019	34,208	\$ 5,679,050
Revaluation ^[i]	-	859,251
Sale of Ether ^[ii]	(804)	(212,075)
Balance at March 31, 2020	33,404	\$ 6,326,226
	<u>Units (MKR)</u>	
Balance at December 31, 2019	2,300	\$ 1,293,463
Impairment ^[iii]		(333,203)
Balance at March 31, 2020^[iv]	2,300	960,260
Total Digital Intangible Assets at March 31, 2020		\$ 7,286,486
Total Digital Intangible Assets at December 31, 2019		\$ 6,972,494

^[i] As there is an active market that exists for Ether, the revaluation method has been used. In applying the revaluation method, the fair value of the Ether has been determined by the price quoted by the primary exchange that has been determined by the Company. As at March 31, 2020, the Company held 33,404 Ether (2019 – 34,208 Ether), which have been valued at \$133.49 USD (2019 - \$127.82 USD) per Ether, which is the 4PM EST price quote reported by Gemini Trust Company. On the revaluation of Ether as at March, 31, 2020, \$499,496 of realized losses on Ether were recorded as a result of selling 804 Ether during the period as explained in footnote ^[ii]. These realized losses are entirely offset by a change in unrealized losses in the same amount. In addition, there was a net change of \$1,358,747 in unrealized gains on the fair value remeasurement of Ether over the period, reflecting changes in the price of Ether and foreign exchange rates.

^[ii] During three-month period ended March 31, 2020, the Company sold 804 Ether, for proceeds of \$212,075. The sales were pursuant to a board approved Ether sales program to increase the Company's cash position for balance sheet flexibility and to cover ongoing operating expenses of the business, as well as pursuant to the testing of internal controls around the ownership and control of Ether.

^[iii] As there currently does not exist an active market for MKR, the asset is measured at cost less any accumulated impairment losses. MKR is tested for impairment at each reporting period. As at March 31, 2020 there were indicators of impairment based on an assessment of a variety of factors, including the market price of MKR as well as the use, performance and capitalization of the Maker protocol. As at March 31, 2020, the Company held 2,300 MKR (2019 – 2,300 MKR) which have been valued at \$294.29 USD (2019 - \$562.98). As a result, there is a \$333,203 impairment recorded during the three month period. The fair value of the Ether exchanged for MKR on the initial acquisition date, which was \$1,293,463, was used in determining cost prior to any accumulated impairment.

^[iv] MKR is subject to market price risks, liquidity risks, regulatory risks, competition risks and security risks, many of which also apply to Ether and the Company generally. See Note 2(b).

Ether Capital Corporation
Notes to the unaudited condensed consolidated interim financial statements
(expressed in Canadian Dollars)

5. SHARE CAPITAL

Authorized

The authorized share capital of the Company is an unlimited number of common shares. All issued shares, consisting only of common shares are fully paid.

Share Capital

	Common Shares	\$ Amount
Balance, as at December 31, 2019	22,985,126	45,764,782
Issuance of equity settled stock options	-	69,416
Balance, as at March 31, 2020	22,985,126	45,834,198
Balance, as at December 31, 2018	20,776,251	44,360,124
Issuance of equity settled stock options	-	141,504
Issuance of private placement	2,208,875	768,644
Commissions on private placement	-	(24,576)
Balance, as at March 31, 2019	22,985,126	45,245,696

On January 27, 2018, Ethereum Capital completed an initial seed share financing through the issuance of 22,222,222 Ethereum Capital shares at a price of \$0.0001 per share to the founders (the "Founder Issuance").

The shares issued on the Founder Issuance were subject to forfeiture on a pro rata basis among the founders such that the Ethereum Capital shares issued pursuant to the Founder Issuance represent, in the aggregate, 10% of the Ethereum Capital shares following the conversion of the subscription receipts issued under the private placement to Ethereum Capital shares. As a result, an aggregate of 20,222,222 Ethereum Capital shares were forfeited prior to the closing of the private placement and an aggregate of 2,000,000 Ethereum Capital shares issued to the Founder Issuance remain issued and outstanding.

Ether Capital Corporation
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5. SHARE CAPITAL (continued from previous page)

On February 23, 2018, 18,000,000 subscription receipts were issued at a price of \$2.50 per subscription receipt for gross proceeds of \$45,000,000. Immediately prior to the amalgamation of Ethereum Capital Inc. with Movit Media Corp., the subscription receipts were each automatically exchangeable into one share of Ethereum Capital's shares without payment of any additional consideration and without further action on the part of the subscription receipts holder.

On April 18, 2018, Movit shares outstanding were consolidated on a 12.5:1 basis resulting in an outstanding balance of 776,251 shares.

On April 18, 2018 the subscription receipts and founder shares were exchanged on a 1:1 basis resulting in the issuance of 20,000,000 shares.

On February 7, 2019, the Company closed a non-brokered private placement of 2,208,875 units ("Units") of the Company for gross proceeds of approximately \$1.1 million (\$768,644 in common shares, \$297,943 in warrants). Commissions of \$30,904 were paid as issuance costs. Each Unit is comprised of one common share and one common share purchase warrant of the Company. In connection with the private placement, the Company issued 51,200 non-transferable warrants ("Finder Warrants") pursuant to the subscriptions arranged by such finders. Each Finder Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.48 prior to 5:00 p.m. on February 6, 2020. On February 6, 2020, 51,200 Finder Warrants expired unexercised.

Share Option Plan

On April 17, 2018, the Company established an equity settled share option plan for directors, senior officers, employees, management company employees and consultants of the Company and its subsidiary. The purpose of the plan is to advance the interest of the Company through the motivation, attraction and retention of participants to the plan.

As at March 31, 2020, the Company has granted: (i) 1,038,814 options on August 15, 2018, (ii) 51,940 options on April 1, 2019, and (iii) 400,000 options to directors on December 16, 2019, all of which were granted under the Company's share option plan.

The contractual life of the options is 10 years and one-third of the shares under such options will be vested annually. The fair value of the option grants were estimated using the Black-Scholes option-pricing model. In determining the fair value there were no market or non-market performance conditions taken into account in measuring fair value. The following inputs were used in the measurement of the fair values at grant date of the share option plan:

Grant Date	August 15, 2018	April 1, 2019	December 16, 2019
Fair value at grant date	\$0.89	\$0.25	\$0.22
Share price at grant date	\$1.04	\$0.26	\$0.24
Exercise price	\$1.20	\$1.30	\$0.35
Expected volatility (*)	91%	140%	118%
Expected life (weighted-average)	6 Years	6 Years	6 Years
Expected dividends	0%	0%	0%
Risk-free rate	2.89%	2.17%	2.07%

*Based on historical volatility of the Company's share price.

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5. SHARE CAPITAL (continued from previous page)

The number of warrants outstanding at March 31, 2020 is summarized below:

	Units	Weighted Average Exercise Price (\$)
Outstanding, December 31, 2019	2,260,076	0.48
Finder Warrants expired, February 6, 2020	(51,200)	0.48
Outstanding, March 31, 2020	2,208,876	0.48
Outstanding, January 1, 2019	-	-
Issued on private placement, February 7, 2019	2,208,876	0.48
Finder Warrants issued, February 7, 2019	51,200	0.48
Outstanding, December 31, 2019	2,260,076	0.48

The fair values of the outstanding warrants were estimated using the Black-Scholes options model with the following assumptions:

	Issued on Private Placement
Fair value at grant date	\$0.13
Share price at grant date	\$0.35
Exercise price	\$0.48
Expected volatility (*)	100%
Expected life (weighted-average)	2 Years
Expected dividends	0%
Risk-free rate	2.154%

*Based on historical volatility of the Company's share price.

6. RELATED PARTY TRANSACTIONS

Through the relation of Som Seif being the CEO of Purpose LP as well as the Chairman & Co-CIO of Ether Capital, it is determined that Purpose LP is a related party. The Company has also entered into a services agreement with Purpose LP in order for the Company to receive accounting, tax, financial reporting, administrative, human resources, information technology, legal, management and product services from Purpose LP. During the quarter Ether Capital paid Purpose LP \$nil (2019 - \$8,475) including amounts that were direct cost reimbursements and general administration service fees, which are included in other general & administrative cost. As at March 31, 2020, the Company had a balance outstanding of \$9,595 (2019 - \$79,983) under the services agreement with Purpose LP and as direct cost reimbursements. In addition, during the three months ended March 31, 2020 the Company provided consulting services to a related party of Purpose LP of \$nil (2019 -\$89,100).

Through the relation of Benjamin Roberts being the CEO of Citizen Hex Inc. ("Citizen Hex") as well as the Co-CIO and a Director of Ether Capital, it is determined that Citizen Hex is a related party. The Company has also entered into a services agreement with Citizen Hex, to help develop and implement crypto asset custody procedures at the direction of the Company, consult on blockchain security, provide crypto asset exchange and investment analysis and provide due diligence and trade execution support. During the period Ether Capital has paid Citizen Hex \$nil (2019 - \$nil). To date the amounts paid to Citizen Hex relate to direct cost reimbursement, in particular travel

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6. RELATED PARTY TRANSACTIONS *(continued from previous page)*

expenses included in marketing & investor relations on the consolidated statements of net loss and comprehensive loss), and no fees have been paid or incurred by Ether Capital under the services agreement with Citizen Hex. See Subsequent Event – Note 12.

7. EXECUTIVE COMPENSATION

The remuneration of key management personnel was as follows:

Executive Compensation		
	For the period ended March 31, 2020	For the period ended March 31, 2019
Salaries	\$75,000	\$75,000
Share-based payments	\$55,331	\$121,729
Total	\$130,331	\$196,729

In addition, the Company offers a bonus pool of cash and share-based compensation for all employees, executives and directors based on Company and personal performance during the period. Decisions for cash and share-based bonuses are to be made by the compensation committee at period's end. For the three-months ended March 31, 2020 and 2019, no bonuses were awarded or paid.

8. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to maintain a capital structure that allows the Company to meet its growth strategies and build long term shareholder value, while satisfying its financial obligations and meeting its long-term strategic goals. The Company's capital is comprised solely of shareholders' equity, with no long-term debt or credit facilities outstanding.

The Company's capital consists of the following:

Capital	As at March 31, 2020	As at December 31, 2019
Shareholder's equity	9,382,149	9,005,924
Total Capital	9,382,149	9,005,924

At March 31, the Company has a working capital surplus of \$147,463 (December 31, 2019 – \$85,232), an operating gain for the current period of \$306,807 (March 31, 2019 – (\$264,039)), and an accumulated deficit of \$36.4 million (December 31, 2019 – \$36.8 million). The gain for the period is primarily driven by the unrealized gain from the revaluation of the Company's Digital Intangible Assets. To address its liquidity position in 2019, the Company completed a financing round on February 7, 2019 as disclosed in Note 5. The Company has forecast that it has sufficient resources on hand to continue operations and discharge its liabilities in the normal course of business (see Note 2(b)).

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9. INVESTMENTS

Financial Instruments consist of the following as at March 31, 2020 and December 31, 2019:

	Total	Level 1	Level 2	Level 3
Series B Preferred Stock	1,948,200	-	-	1,948,200
Total Financial Instruments	1,948,200	-	-	1,948,200

Investments consists of a Series B preferred stock in the private U.S. company Wyre, Inc. ("Wyre"). The investment was made for US\$1,500,000. There is no active market for the investment. The investment was initially carried at cost, which was an appropriate approximation of fair value. The investment is subsequently carried at fair value, and in accordance with IFRS 9, measured at FVOCI specifically. Revaluations are carried through other comprehensive income on the consolidated statements of net loss and comprehensive loss. Management of the Company, assessing the risk of the asset, determines when revaluations are necessary. In particular, considerations will be made based on new valuations of the equity for future equity financings of Wyre, and any third party appraisals as disclosed to the Company. Accordingly, the investment could increase or decrease in value based on subsequent valuations.

As at March 31, 2020, management has assessed that the carrying value of the investment in Wyre approximates fair value. The fair value assessment of Wyre considered operating metrics and operating results for the year ended December 31, 2019 in the absence of new valuations of equity or third party appraisals. Subsequent revaluations of fair value will be carried through other comprehensive income on the consolidated statements of net loss and comprehensive loss, in accordance with the Company's policy on FVOCI.

During the period there were no transfers of assets between Level 1, Level 2 and Level 3.

10. RISK MANAGEMENT ON FINANCIAL INSTRUMENTS AND DIGITAL INTANGIBLE ASSETS

Risk management is an integrated process with oversight on several levels. Management and corporate governance evaluates several key areas of risk on a regular basis using a quantitative and qualitative approach and analysis. Current and future risk factors are assessed and decisions are made to mitigate the various events that could impact Ether Capital's financial position and business prospects.

Ether Capital's business and financial instruments bear the following financial risks:

Market Risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors, such as interest rates, foreign exchange rates, and cryptocurrency prices. A description of each component of market risk is described below:

- Interest rate risk is the risk of gain or loss due to the volatility of interest rates. The Company is not significantly exposed to this risk as it currently has no interest-bearing debt or any credit facility in place.
- Foreign exchange rate risk is the risk of gain or loss due to volatility of foreign exchange rates. The company's investment in Wyre and holdings of Ether are subject to the volatility of the USD to CAD exchange rate.
- Cryptocurrency risk is the risk of gain or loss due to the changes in prices and volatility of the cryptocurrencies held by the Company. If the price of Ether changes by 5%, the impact on the condensed consolidated interim financial statements of the Company will be \$316,310 (2019 - \$283,952). The following is price information about Ether for the three-month period ended March 31, 2020 and for the year ended December 31, 2019:

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10. RISK MANAGEMENT ON FINANCIAL INSTRUMENTS AND DIGITAL INTANGIBLE ASSETS *(continued from previous page)*

	2020	2019
Average price of Ether during the period	\$184.20 USD	\$181.77 USD
Highest price of Ether during the period	\$284.22 USD	\$336.75 USD
Lowest price of Ether during the period	\$110.61 USD	\$104.54 USD
Period price of Ether	\$133.49 USD	\$127.82 USD
Average cost of Ether	\$686.85 USD	\$686.85 USD

The Company reviews the exposure to interest rate risk, foreign exchange risk and price risk by identifying, monitoring and reporting potential market risks to the Chief Financial Officer.

Liquidity Risk

Liquidity risk arises from the possibility that Ether Capital will encounter difficulties in meeting its financial obligations as they fall due. Ether Capital manages its liquidity risk through a cash and a highly liquid digital asset. At March 31, the Company has a working capital surplus of \$147,463 (December 31, 2019 – \$85,232), an operating gain for the current period of \$306,807 (March 31, 2019 – (\$264,039)), and an accumulated deficit of \$36.4 million (December 31, 2019 – \$36.8 million). The gain for the period is primarily driven by the unrealized and realized loss from the revaluation of the Company's Digital Intangible Assets. The Company forecasts the need to raise additional capital or monetize a portion of its Ether balance to fund its operations and execute its business strategy. Liquidity is monitored through a monthly cash management process to ensure Ether Capital meets its funding obligations (see Note 2(b)).

Credit Risk

The Company assumes no exposure to credit risk on cash or other financial instruments. Additionally, the Company has no loans or credit facilities in place.

Regulatory Risk

The Company is subject to regulatory risks of being a reporting issuer under the jurisdiction of the Ontario Securities Commission. Additionally, the Company's operations are subject to regulations that may apply to businesses in the blockchain or cryptocurrency industry.

11. INCOME TAXES

As at March 31, 2020 and December 31, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$15,712,577 (2018 - \$15,712,577) of which \$5,737,520 expiring in 2028, \$2,925,057 expiring in 2038 and \$7,050,000 expiring in 2039. The net deferred tax assets which originated during the year have also not been recognized in the condensed consolidated interim financial statements.

12. SUBSEQUENT EVENT

On April 30, 2020, the Company received notice of the termination of the services agreement between Citizen Hex Inc. ("Citizen Hex") and the Company due to the ongoing winding down of Citizen Hex. Citizen Hex is an associate of Benjamin Roberts, a Director of the Company (see Note 6 – Related Party Transactions). The Company will continue to benefit from Mr. Roberts' investment and technical expertise in crypto-assets through his role as Co-Chief Investment Officer and Director of the Company. No fees have been paid or are outstanding by the Company under the services agreement with Citizen Hex.