ETHER CAPITAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ether Capital Corporation

Opinion

We have audited the consolidated financial statements of Ether Capital Corporation (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019
- the consolidated statements of net income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kathleen L. McGarry.

Toronto, Canada

March 25, 2021

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

Assets		As at December 31, 2020		As at December 31, 2019
Current Assets				
Cash	**$**	**413,742**	$	271,394
Accounts receivable & prepaid expenses		**145,381**		130,896
		559,123		402,290
Investments (note 9)		**1,905,000**		1,948,200
Digital Intangible Assets (note 4)		**31,554,097**		6,972,494
Total Assets	**$**	**34,018,220**	$	9,322,984
Liabilities				
Current Liabilities				
Accounts payable & accrued liabilities (note 6)	**$**	**92,538**	$	317,058
Total Liabilities		**92,538**		317,058
Shareholders' Equity				
Share capital (note 5)		**46,547,115**		45,466,839
Warrants (note 5)		**107,975**		297,943
Accumulated deficit		**(14,270,047)**		(36,702,156)
Accumulated other comprehensive gain (loss)		**1,540,639**		(56,700)
Total Shareholders' Equity		**33,925,682**		9,005,926
Total Liabilities & Shareholders' Equity	**$**	**34,018,220**	$	9,322,984

Subsequent Events note 12

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

Approved by the Directors:

"Som Seif"	*"Stefan Coolican"*
Director	**Director**

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

		For the year ended December 31, 2020		For the year ended December 31, 2019
Revenue				
Service income	$	-	$	89,100
Interest income on cash		702		6,910
Total Revenue		702		96,010
Expenses				
Net change in unrealized (gain) on fair value remeasurement of Digital Intangible Assets (note 4)		(24,505,067)		(5,495,864)
Realized loss on sale of Digital Intangible Assets (note 4)		1,086,084		5,873,936
Salaries, benefits and professional fees (notes 6 and 7)		802,180		520,798
Insurance		108,000		251,775
Marketing & investor relations		1,354		65,630
Filing, listing & transfer agent fees		68,854		197,551
Other general & administrative (note 6)		7,188		152,818
Total operating expenses		(22,431,407)		1,566,644
Net Income (Loss)	$	22,432,109	$	(1,470,634)
Other Comprehensive income (loss)				
Unrealized gain on fair value remeasurement of Digital Intangible Assets (note 4)		1,640,539		-
Unrealized loss on investment FV OCI (note 9)		(43,200)		(56,700)
Other Comprehensive Income (Loss)		1,597,339		(56,700)
Net Income (Loss) & Comprehensive Income (Loss)	$	24,029,448	$	(1,527,334)
Earnings (Loss) per Common Share, Basic	$	0.97	$	(0.06)
Earnings (Loss) per Common Share, Diluted	$	0.97	$	(0.06)
Basic Weighted Average Number of Shares Outstanding		23,014,876		22,761,213
Diluted Weighted Average Number of Shares Outstanding		23,215,516		22,761,213

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

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

	Share Capital	Warrants	Accumulated Deficit	Accumulated Other Comprehensive Gain on Fair Value through Digital Intangible Assets	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 Expense (note 5)	222,628	-	-	-	-	222,628
February 6, 2020 - Warrant Expiry (note 5)	6,328	(6,328)	-	-	-	-
Warrants Exercised (note 5)	851,320	(183,640)	-	-	-	667,680
Other Comprehensive Income (Loss)	-	-	-	1,640,539	(43,200)	1,597,339
Net Income	-	-	22,432,109	-	-	22,432,109
Balance, December 31, 2020	**$ 46,547,115**	**$ 107,975**	**$ (14,270,047)**	**$ 1,640,539**	**$ (99,900)**	**$ 33,925,682**
Balance, January 1, 2019	**$ 44,360,124**	**$ -**	**$ (35,231,522)**	**$ -**	**$ -**	**$ 9,128,602**
Stock Option Plan (note 5)	368,975	-	-	-	-	368,975
February 7, 2019 - Private Placement (note 5)	768,644	297,943	-	-	-	1,066,587
Commissions on Private Placement	(30,904)	-	-	-	-	(30,904)
Other Comprehensive Loss	-	-	-	-	(56,700)	(56,700)
Net Loss	-	-	(1,470,634)	-	-	(1,470,634)
Balance, December 31, 2019	**$ 45,466,839**	**$ 297,943**	**$ (36,702,156)**	**$ -**	**$ (56,700)**	**$ 9,005,926**

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

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

		For the year ended December 31, 2020		For the year ended December 31, 2019
Cash Provided by (Used In) Operating Activities				
Net income (loss) for the year	$	**22,432,109**	$	(1,470,634)
Items not affecting cash:				
Stock option expense		**222,628**		368,975
Foreign exchange gain on sale of Digital Intangible Assets		**(2,044)**		-
Realized loss on sale of Digital Intangible assets		**1,086,084**		5,873,936
Change in unrealized gain on fair value remeasurement of Digital Intangible Assets (note 4)		**(24,505,067)**		(5,495,864)
		(766,290)		(723,587)
Changes in Non-Cash Working Capital				
(Increase) decrease in current assets:				
Accounts receivable & prepaid expenses		**(14,485)**		47,626
Increase (decrease) in current liabilities:				
Accounts payable & accrued liabilities		**(224,520)**		(556,703)
Net Cash Used in Operating Activities		**(1,005,295)**		(1,232,664)
Cash Provided by (Used in) Investing Activities				
Proceeds from sale of Digital Intangible Assets (note 4)		**505,087**		224,118
Payments for purchase of Digital Intangible Assets		**(25,124)**		-
Net Cash Provided by Investing Activities		**479,963**		224,118
Cash Provided by Financing Activities				
Issuance of share capital - private placement		**-**		768,644
Issuance of warrants - private placement		**-**		297,943
Exercise of warrants		**667,680**		-
Issuance costs		**-**		(30,904)
Net Cash Provided by Financing Activities		**667,680**		1,035,683
Increase in Cash	$	**142,348**	$	27,137
Cash, beginning of year		**271,394**		244,257
Cash, end of year	$	**413,742**	$	271,394
Interest received	$	**702**	$	6,910

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

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 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 consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors of the Company on March 25, 2021.

(b) Measurement Uncertainties

COVID-19:

The ongoing global pandemic involving the novel coronavirus, COVID-19, has caused companies and various governments to take measures and impose restrictions to combat the pandemic, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and such measures and restrictions have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of Ether and other digital assets. Although the market price of Ether has risen since the pandemic began, the extent to which any worsening or continuation of the pandemic may negatively impact the market price of Ether and, in turn, the market price of our Digital Intangible Assets, is uncertain and cannot be predicted. The realizable values of assets, liquidity and financial condition may be materially affected as a result, and the Company will continue to monitor the impact of the pandemic on its business. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19 and re-open the economy, and any successive waves of coronavirus outbreaks.

(c) Basis of measurement

These consolidated 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) Investments, which are measured at fair value. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Ether Capital Inc.

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

(d) Functional and presentation currency

These consolidated 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.

(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 Statements 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 Net Income (Loss) and Comprehensive Income (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 consolidated 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, financial instruments classified as Level 3 investments (“Level 3 Investments”) that do not have observable inputs and equity settled share options. As of the date of this report the impact of the pandemic continues.

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

Accounting of Digital Intangible Assets

There is no specific IFRS guidance on the accounting for Ether, Staked 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, Staked Ether and MKR are Digital Intangible Assets. After recognition, Ether is measured using the revaluation method as per IAS 38 based on the Company’s understanding of the characteristics of the market of Ether, Staked Ether and MKR is measured at cost less any accumulated impairment losses, based on the Company’s understanding of the characteristics of the market of Staked 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.

The Company classifies Staked Ether as a Digital Intangible Asset, but one that is currently distinct from Ether since staking requires Ether to migrate to Ethereum’s “beacon chain” where transfers are not currently enabled. As a result, the characteristics of the market for Ether and Staked Ether are currently dissimilar. Ether is measured using the revaluation method and the Staked Ether is currently measured at cost less any accumulated impairment losses.

Accounting for Level 3 Investments

In determining the fair value of level 3 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements as set out below have been applied consistently to all periods presented in these consolidated financial statements:

Cash

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

Financial Instruments

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 (loss) on the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss).

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

All other Investments, 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 consolidated 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.

• 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 consolidated 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.

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

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 Income (Loss) and Comprehensive Income (Loss), and revaluation increases are recognized in other comprehensive income (loss) 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 Income (Loss) and Comprehensive Income (Loss).

For Staked Ether, an active market does not currently exist and, accordingly, the revaluation method cannot be applied. Staked Ether is therefore carried at cost less any accumulated impairment losses.

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, use and performance of the MakerDAO protocol, any expected upgrades to the MakerDAO protocol and core developer engagement. Impairment charges may be reversed in subsequent periods up to the original cost of the asset if appropriate evidence, based on the factors noted above, 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.

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 Statements 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

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

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 December 31, 2020 and 2019 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 December 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 warrants and options outstanding were exercised during the year.

4. DIGITAL INTANGIBLE ASSETS

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

	Units (Ether)		
Balance at December 31, 2019	34,208	$	5,679,031
Revaluation *[i]*			25,061,566
Sale of Ether *[ii]*	(1,801)		(505,087)
Purchase of Ether *[ii]*	33		25,124
Transferred to Staked Ether *[ii]*	(32)		(24,363)
Balance at December 31, 2020 *[iv]*	**32,408**	**$**	**30,236,271**

	Units (Staked Ether)		
Balance at December 31, 2019	-	$	-
Transfer from Ether *[ii]*	32		24,363
Balance at December 31, 2020 *[iv]*	**32**	**$**	**24,363**

	Units (MKR)		
Balance at December 31, 2019	2,300	$	1,293,463
Impairment, January 1, 2020 - March 31, 2020*[iii]*			(333,203)
Impairment reversal, July 1, 2020 - September 30, 2020*[iii]*			333,203
Balance at December 31, 2020 *[iv]*	**2,300**	**$**	**1,293,463**
Total Digital Intangible Assets at December 31, 2020		**$**	**31,554,097**

	Units (Ether)		
Balance at December 31, 2018	42,585	$	7,574,684
Revaluation *[i]*	-		(378,072)
Sale of Ether for MKR *[ii]*	(7,374)		(1,293,463)
Sale of Ether *[ii]*	(1,003)		(224,118)
Balance at December 31, 2019 *[iv]*	34,208	$	5,679,031

	Units (MKR)		
Balance at January 1, 2019	-	$	-
Purchase of MKR for ETH *[iii]*	2,300		1,293,463
Balance at December 31, 2019 [*iv*]	2,300	$	1,293,463
Total Digital Intangible Assets at December 31, 2019		$	6,972,494

4. DIGITAL INTANGIBLE ASSETS (*continued from previous page*)

[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 December 31, 2020, the Company held 32,408 Ether (2019 – 34,208 Ether) classified as Digital Intangible Assets. Ether has been valued at $732.78 USD (2019 - $127.82 USD) per Ether, which is the 4PM EST price quote reported by Gemini Trust Company. On the revaluation of Ether on December 31, 2020, $1,086,084 (2019-$5,873,936) of realized losses on Ether, which includes a realized loss of $2,044 (2019 – NIL) on foreign currency translations, were recorded as a result of selling 1,801, Ether during the year as explained in footnote [ii]. In addition, during the year 2020, there was a net change of $24,505,067 (2019 - $5,495,864) in unrealized gains on the fair value remeasurement of Ether over the year, reflecting changes in the price of Ether and foreign exchange rates and reflecting the reversal of previously recorded unrealized losses on Ether. A net change in other comprehensive gains on fair value of Digital Intangible Assets of $1,640,539 (2019 - Nil) reflects the fair value gain on the revaluation of Ether greater than cost, which is now recorded as other comprehensive income (“OCI”).

[ii] During the year ended December 31, 2020, the Company sold 1,801 (2019 – 1,003) Ether, for proceeds of $505,087 (2019 - $224,118). 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. During 2020, the Company purchased an additional 33 Ether at a cost of $25,124, of which 32 were transferred to Staked Ether with a cost of $24,363 (2019 - Nil). The purchase of Ether for the purposes of staking was made pursuant to a board approved purchase. On March 14, 2019, the Company announced that it made a US$1.0 million (C$1.3 million) investment in MKR, 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").

[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. In the first quarter of 2020, management determined that an impairment of $333,203 existed on the MKR asset. In the third quarter of 2020, due to changes in a variety of factors, including the market price of MKR as well as the use, performance and capitalization of the MKR protocol management reversed the impairment of $333,203 (2019 - Nil). As at December 31, 2020, the Company held 2,300 MKR (2019 – 2,300 MKR) which has a cost of $1,293,463 (2019 - $1,293,463). 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.

Digital Intangible Assets consist of the following as at December 31, 2020 and December 31, 2019:

December 31, 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Ether	30,236,271	30,236,271	-	-

December 31, 2019	**Total**	**Level 1**	**Level 2**	**Level 3**
Ether	5,679,031	5,679,031	-	-

(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	45,466,839
Issuance of equity settled stock options	-	222,628
Warrants expiry	-	6,328
Warrants exercised	1,391,000	851,320
Balance, as at December 31, 2020	**24,376,126**	**46,547,115**
Balance, as at December 31, 2018	20,776,251	44,360,124
Issuance of equity settled stock options	-	368,975
Issuance of private placement	2,208,875	768,644
Commissions on private placement	-	(30,904)
Balance, as at December 31, 2019	**22,985,126**	**45,466,839**

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. Each common share purchase warrant entitles the holder thereof to purchase one common share at an exercise price of $0.48 prior to 5.00 p.m. (Eastern time) on February 8, 2021. During the year ended December 31, 2020, 1,391,000 common shares were issued pursuant to the exercise of common share purchase warrants. In connection with the 2019 private placement, the Company also issued 51,200 non-transferable warrants ("Finder Warrants") pursuant to the subscriptions arranged by such finders. 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 December 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. No options have been granted during the fiscal year 2020.

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:

(expressed in Canadian Dollars)

5. SHARE CAPITAL (*continued from previous page*)

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.

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

	Units	Weighted Average Exercise Price ($)
Outstanding, January 1, 2020	2,260,075	0.48
Finder Warrants expired, February 6, 2020	(51,200)	0.48
Common Share Purchase Warrants, exercised (August 21, 2020 to December 31, 2020)	(1,391,000)	0.48
Outstanding, December 31, 2020	817,875	0.48
Outstanding, January 1, 2019	-	-
Issued on private placement, February 7, 2019	2,208,875	0.48
Finder Warrants issued, February 7, 2019	51,200	0.48
Outstanding, December 31, 2019	2,260,075	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.

(expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

As Som Seif is the CEO of Purpose LP as well as the Chairman & Co-CIO of Ether Capital, Purpose LP is considered a related party to the Company. The Company has 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 year, no amounts were paid or incurred under the services agreement (2019 - $110,278) with Purpose LP. As at December 31, 2020, the Company had a balance outstanding of $9,595 (2019 - $9,595) included in accounts payable & accrued liabilities, under the services agreement with Purpose LP and as direct cost reimbursements. The services agreement was amended and restated as of February 23, 2021 to reflect the fact that the scope of accounting, tax, financial reporting, administrative, human resource, information technology, legal, management and product services from Purpose LP, or any qualified third parties who may be engaged by Purpose LP has been reduced considerably as the CEO and CFO of Ether Capital have primary responsibility for managing the Company.

As Benjamin Roberts is an affiliate of Citizen Hex Inc. (“Citizen Hex”) as well as the Co-CIO and a Director of Ether Capital, Citizen Hex is considered a related party to the Company. The Company has 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). On April 30, 2020, the Company received notice of the termination of the services agreement between Citizen Hex and the Company due to the ongoing winding down of Citizen Hex.

7. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of key management personnel was as follows:

Key Management Personnel Compensation

	For the year ended December 31, 2020	For the year ended December 31, 2019
Salaries	$300,000	$300,000
Share-based payments	$222,628	$387,319
Total	$522,628	$687,319

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. Decisions for cash and share-based bonuses are to be made by the compensation committee. For the years ended December 31, 2020 and 2019, no bonuses were awarded or paid. In 2020, the Company’s board of director’s waived any fees payable or incurred during 2020.

(expressed in Canadian Dollars)

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 December 31, 2020	As at December 31, 2019
Shareholder's equity	$33,925,682	$9,005,926
Total Capital	$33,925,682	$9,005,926

9. INVESTMENTS

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

December 31, 2020	Total	Level 1	Level 2	Level 3
Series B Preferred Stock	1,905,000	-	-	1,905,000

December 31, 2019	Total	Level 1	Level 2	Level 3
Series B Preferred Stock	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 Income (Loss) and Comprehensive Income (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 December 31, 2020 and 2019, 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, which included but were not limited to processing volumes, revenue, gross margin and net income figures as compared to prior periods and forecasts, for the year ended December 31, 2020 and 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 (loss) on the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss), in accordance with the Company's policy on FVOCI.

During the year 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 and MKR are subject to the volatility of the USD to CAD exchange rate. If the exchange rate changes by 5%, the impact on the consolidated financial statements of the Company will be $1,672,954 (2019 - $452,456).
- 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 consolidated financial statements of the Company will be $1,513,031 (2019 - $283,952) recorded as a net change in unrealized (gain) loss on fair value in the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss). The following is price information about Ether for the year ended December 31, 2020 and for the year ended December 31, 2019:

	2020	**2019**
Average price of Ether during the year	$308.57 USD	$181.77 USD
Highest price of Ether during the year	$751.62 USD	$336.75 USD
Lowest price of Ether during the year	$110.61 USD	$104.54 USD
Market price of Ether at the end of the year	$732.78 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 cash and Ether, a liquid digital asset. At December 31, 2020 the Company has a working capital surplus of $466,585 (December 31, 2019 – $85,232), net income (loss) for the year of $22.4 million (December 31, 2019 – ($1.5 million)), and an accumulated deficit of $14.3 million (December 31, 2019 – $36.7 million). The net income for the year is primarily driven by the unrealized gain from the revaluation of the Company's Digital Intangible Assets. Liquidity is monitored through a monthly cash management process to ensure Ether Capital meets its funding obligations.

(expressed in Canadian Dollars)

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

If the price of Ether were to significantly decline, the Company may not be able to meet its long term business and investment objectives. 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 has adopted a sales program pursuant to which a limited amount of Ether is transferred to the Company's account on a regulated digital asset exchange each quarter and sold on a monthly basis for the purpose of generating cash to fund operations. For the year ended December 31, 2020, the Company sold 1,801 Ether for proceeds of $505,087 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 suspended its monthly sales program in September 2020. The Company does not expect to resume the monthly Ether sales program in the next 12 months. Rather, the Company will use its available cash to fund operations. However, the Company may continue to need to sell Ether from time to time, particularly if a material portion of its revenues are denominated in Ether.

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

The following are the major components of income tax expense for the year ended December 31:

	2020 ($)	2019 ($)
Current income tax		
Current income tax on net loss for the year	-	-
Total current income tax expense (benefit)	-	-
Deferred income tax		
Origination and reversal of temporary differences	(692,480)	(414,024)
Adjustment for non-recognition of deferred tax assets	692,480	414,024
Total deferred income tax expense (benefit)	-	-

(expressed in Canadian Dollars)

11. INCOME TAXES (*continued from previous page*)

Income tax expense (benefit) -

The Company's effective income tax rate for continuing operations is comprised as follows:

	2020	2019
Canadian corporate tax rate 26.5% on net tax loss of $2,613,131 (2019 -$1,562,356)	$ (692,480)	$ (414,024)
Adjustment / Change in deferred tax assets not recognized in the year	$ 692,480	$ 414,024
Effective income tax rate	-%	-%

As at December 31, 2020, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $18,509,584 (2019 - $15,896,453) of which $5,737,520 expires in 2037, $2,925,057 expires in 2038, $7,233,759 expires in 2039 and $2,613,131 expires in 2040. The net deferred tax assets which originated during the year have also not been recognized in the consolidated financial statements.

12. SUBSEQUENT EVENTS

On February 8, 2021, the share purchase warrants issued under the 2019 private placement expired. An additional 817,375 warrants were exercised prior to the expiry, resulting in the issuance of an equivalent number of common shares of the Company.

On February 16, 2021, the Company announced that it had entered into a consulting arrangement with Purpose Investments Inc. ("Purpose Investments") relating to digital asset investment products managed by Purpose Investments.

On March 15, 2021, the Company closed an offering (the "2021 Offering") of 8,283,950 units of the Company ("2021 Units"), including the underwriters' partial exercise of their over-allotment option to acquire an additional 820,950 2021 Units, at a price of $3.35 per 2021 Unit. The Company also completed an additional concurrent unbrokered private placement of 298,500 2021 Units at a price of $3.35 per 2021 Unit (the "Private Placement"). The combined gross proceeds of the 2021 Offering and the Private Placement were approximately $28.75 million, before deducting commissions and expenses of the 2021 Offering. Each 2021 Unit issued consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a "2021 Warrant"). Each 2021 Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, one common share at an exercise price of $4.00 per 2021 Warrant prior to March 15, 2023. In the event that the closing price of the common shares listed on the NEO Exchange is greater than $8.00 per Common Share for a period of 15 consecutive trading days at any time after the closing of the 2021 Offering, the Company may accelerate the expiry date of the 2021 Warrants by giving written notice to the holders thereof and in such case the 2021 Warrants will expire 30 days after the date on which such notice is given by the Company. The 2021 Warrants were listed on the NEO Exchange under the symbol ETHC.WT on March 18, 2021.

On March 16, 2021, the Company announced that it had purchased 11,264 Ether for a purchase price of US$19,616,110 following the closing of the 2021 Offering.