



# **ETHER CAPITAL CORPORATION**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three and six month periods ended June 30, 2019, and comparative  
period**

**(UNAUDITED)**

**Ether Capital Corporation**

(expressed in Canadian Dollars) (unaudited)

**NOTICE TO SHAREHOLDERS**

The accompanying unaudited condensed consolidated interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), the Corporation discloses that its independent auditor has not performed a review of the Corporation's condensed consolidated interim financial statements for the comparative period (for the period from incorporation on January 11, 2018 to June 30, 2018).

**Ether Capital Corporation**  
**Condensed Consolidated Interim Statement of Financial Position**  
(expressed in Canadian Dollars) (unaudited)

<b>Assets</b>	<b>As at June 30, 2019</b>	<b>As at December 31, 2018</b>
<b>Current Assets</b>		
Cash	\$ 354,863	244,257
Account receivables & prepaid expenses	195,431	178,522
	550,294	422,779
Investments (note 8)	1,963,050	2,004,900
Digital intangible assets (notes 3 and 4)	15,609,147	7,574,684
<b>Total Assets</b>	<b>\$ 18,122,491</b>	<b>10,002,363</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable & accrued liabilities (note 6)	\$ 247,841	473,761
Director fees payable (note 6)	500,000	400,000
<b>Total Liabilities</b>	<b>747,841</b>	<b>873,761</b>
<b>Shareholders' Equity</b>		
Share capital (note 5)	45,387,210	44,360,124
Warrants	291,616	-
Accumulated deficit	(28,262,326)	(35,231,522)
Accumulated other comprehensive gain (loss)	(41,850)	
<b>Equity Attributable to Equity Holders of the Company</b>	<b>17,374,650</b>	<b>9,128,602</b>
<b>Total Shareholders' Equity</b>	<b>17,374,650</b>	<b>9,128,602</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 18,122,491</b>	<b>10,002,363</b>

Going Concern (note 2)

**Approved by the Directors:**

*"Som Seif"*  
**Director**

*"Stefan Coolican"*  
**Director**

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

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

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the period from incorporation on January 11, 2018 to June 30, 2018
<b>Revenue</b>				
Service Income (note 6)	\$ 89,100	\$ -	\$ 89,100	\$ -
Interest income on cash	2,511	31,709	4,929	70,338
<b>Total Revenue</b>	<b>\$ 91,611</b>	<b>\$ 31,709</b>	<b>\$ 94,029</b>	<b>\$ 70,338</b>
<b>Expenses</b>				
Net change in unrealized loss (gain) on fair value remeasurement of digital intangible assets (note 4)	(7,706,864)	12,766,461	(13,247,223)	12,766,461
Realized loss on sale of digital intangible assets (note 4)	-	-	5,212,403	-
Professional Fees	231,028	287,996	205,115	287,996
Salaries and benefits	239,458	-	480,795	-
Insurance	27,000	170,775	197,775	170,775
Marketing and investor relations	3,289	82,250	52,379	112,847
Filing, listing and transfer agent fees	59,960	2,762,675	183,054	2,785,175
Other general and administrative	4,505	230,192	40,535	237,317
<b>Total operating expenses</b>	<b>(7,141,624)</b>	<b>16,300,349</b>	<b>(6,875,167)</b>	<b>16,360,571</b>
<b>Net Income (Loss)</b>	<b>\$ 7,233,235</b>	<b>\$ (16,268,640)</b>	<b>\$ 6,969,196</b>	<b>\$ (16,290,233)</b>
<b>Other Comprehensive Income (Loss), net of taxes</b>				
Unrealized gain (loss) on investment FVOCI	(41,850)	-	(41,850)	-
<b>Net Income (Loss) &amp; Comprehensive Income (Loss)</b>	<b>\$ 7,191,385</b>	<b>\$ (16,268,640)</b>	<b>\$ 6,927,346</b>	<b>\$ (16,290,233)</b>
<b>Net Income (Loss) per Common Share, Basic</b>	<b>\$ 0.31</b>	<b>\$ (0.94)</b>	<b>\$ 0.31</b>	<b>\$ (1.23)</b>
<b>Net Income (Loss) per Common Share, Diluted</b>	<b>\$ 0.31</b>	<b>\$ (0.94)</b>	<b>\$ 0.31</b>	<b>\$ (1.23)</b>
<b>Basic Weighted Average Number of Shares Outstanding</b>	<b>22,985,126</b>	<b>17,268,631</b>	<b>22,533,588</b>	<b>13,249,518</b>
<b>Diluted Weighted Average Number of Shares Outstanding</b>	<b>22,985,126</b>	<b>17,268,631</b>	<b>22,533,588</b>	<b>13,249,518</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statement*

**Ether Capital Corporation**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
(expressed in Canadian Dollars) (unaudited)

For the six months ended June 30, 2019 and the period from incorporation on January 11, 2018 to June 30, 2018

	Share Capital	Subscription Receipts	Warrants	Accumulated Deficit	Accumulated Other Compressive Loss	Total Equity
Balance as at January 11, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
January 27, 2018 - Issuance of founder shares (note 5)	2,222	-	-	-	-	2,222
February 23, 2018 - Issuance of subscription receipts (note 5)	-	45,000,000	-	-	-	45,000,000
April 18, 2018 - Conversion of subscription receipts (note 5)	-	(45,000,000)	-	-	-	(45,000,000)
April 18, 2018 - Issuance of share capital (sub-receipt conversion) (note 5)	45,000,000	-	-	-	-	45,000,000
Issuance costs (note 5)	(2,795,077)	-	-	-	-	(2,795,077)
April 18, 2018 - Issuance of share capital (reverse take-over of Movit) (note 5)	1,916,522	-	-	-	-	1,916,522
Net Income (Loss)	-	-	-	(16,290,233)	-	(16,290,233)
Balance as at June 30, 2018	\$ 44,123,667	\$ -	\$ -	\$ (16,290,233)	\$ -	\$ 27,833,434
<b>Balance as at January 1, 2019</b>	<b>\$ 44,360,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(35,231,522)</b>	<b>-</b>	<b>\$ 9,128,602</b>
<b>Stock Option Expense (note 5)</b>	<b>283,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283,018</b>
<b>February 7, 2019 - Private Placement</b>	<b>768,644</b>	<b>-</b>	<b>291,616</b>	<b>-</b>	<b>-</b>	<b>1,060,260</b>
<b>Commissions on Private Placement</b>	<b>(24,576)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,576)</b>
<b>Other Comprehensive Income (Loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(41,850)</b>	<b>(41,850)</b>
<b>Net income (Loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,969,196</b>	<b>-</b>	<b>6,969,196</b>
<b>Balance as at June 30, 2019</b>	<b>\$ 45,387,210</b>	<b>\$ -</b>	<b>\$ 291,616</b>	<b>(28,262,326)</b>	<b>(41,850)</b>	<b>\$ 17,374,650</b>

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

**Ether Capital Corporation**  
**Condensed Consolidated Interim Statement of Cash Flows**  
(expressed in Canadian Dollars) (unaudited)

	For the six months ended June 30, 2019	For the period from incorporation on January 11, 2018 to June 30, 2018
<b>Cash Provided by (Used In) Operating Activities</b>		
Net income (loss) for the period	\$ 6,969,196	\$ (16,290,234)
Items not affecting cash:		
Stock option expense	283,018	-
Realized loss on sale of Digital Intangible assets	5,212,403	-
Gain (loss) on fair value remeasurement of Digital Intangible assets (note 4)	(13,247,223)	12,766,461
Shares issued for the completion of the RTO	-	1,940,722
	<b>(782,606)</b>	<b>(1,583,051)</b>
<b>Changes in Non-Cash Working Capital</b>		
(Increase) decrease in current assets:		
Acquisition of cash from Movit	-	24,200
Prepaid expenses & deposits	(16,908)	(512,325)
Increase (Decrease) in Current Liabilities:		
Accounts payable & accrued liabilities	(125,920)	1,268,344
<b>Net Cash Used in Operating Activities</b>	<b>(925,434)</b>	<b>(802,832)</b>
<b>Cash Provided by (Used in) Investing Activities</b>		
Proceeds from sale of Digital Intangible assets	356	-
Payments for purchase of Digital Intangible assets	-	(37,576,999)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>356</b>	<b>(37,576,999)</b>
<b>Cash Provided by Financing Activities</b>		
Issuance of share capital - private placement	768,644	-
Issuance of warrants - private placement	291,616	-
Issuance costs	(24,576)	-
Shares issued, net proceeds	-	42,158,745
<b>Net Cash Provided by Financing Activities</b>	<b>1,035,684</b>	<b>42,158,745</b>
<b>Increase in Cash</b>	<b>\$ 110,606</b>	<b>\$ 3,778,914</b>
<b>Cash, beginning of period</b>	<b>244,257</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 354,863</b>	<b>\$ 3,778,914</b>
<b>Interest received</b>	<b>\$ 4,929</b>	<b>\$ 38,630</b>

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

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

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**1. NATURE OF OPERATIONS**

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Ether Capital Corporation (the "Company") formerly Movit Media Corp. ("Movit") 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, 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. These condensed consolidated interim financial statements are a continuation of the financial statements of Ethereum Capital Inc. as described in Note 5.

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.

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**2. BASIS OF PREPARATION**

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(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 August 12, 2019.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for Digital Intangible assets, which have been accounted for using the revaluation method. It has been adopted as described below and for investments which have been measured at fair value. The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary Ethereum Capital Inc. as set out in note 1.

(c) 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.

(d) 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 condensed consolidated interim 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.

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

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

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(e) 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. Actual results may differ from those estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Accounting for Digital Intangible Assets*

There is no specific IFRS guidance on the accounting for Ether, MakerDAO ("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.

*Accounting for Equity Settled Share Option Plan and Warrants*

All options and warrants 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. The fair value of warrants is also measured using the Black-Scholes model.

(f) Going Concern

In the preparation of 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 relevant conditions and events, considered in the aggregate, indicate that it is probable that the Company will not be able to meet its obligations as they become due for a period at least, but not limited to twelve months from the statement of financial position date. 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. 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.



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

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

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The accompanying interim 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 June 30, 2019, the Company has a working capital deficit of \$0.2 million (December 31, 2018 - \$0.5 million), an operating loss for the current period of \$0.5 million before gain on fair value remeasurement of digital intangible assets (June 30, 2018 - \$3.5 million loss), and an accumulated deficit of \$28.3 million (June 30, 2018 - \$16.1 million).

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. The Company has forecast that it has sufficient resources on hand to continue operations and discharge its liabilities in the normal course of business. In addition, we note that the Company continues to 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, if need be. 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 and in July the Company sold 90 Ether 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, as is further described in Note 9. The ability to raise additional capital may be adversely impacted by uncertain market conditions or raising capital on satisfactory terms.

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 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. Accordingly, actual circumstances may differ from those estimates and the variation may be material.

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**3. SIGNIFICANT ACCOUNTING POLICIES**

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*Cash*

Cash is comprised of cash on deposit with a Canadian financial institution and is stated at fair 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 condensed consolidated interim financial statements**  
(expressed in Canadian Dollars) (unaudited)

*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 condensed consolidated interim statements of net gain (loss) and comprehensive gain (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.
- **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.

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

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

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*Digital Intangible Assets*

The Company accounts for digital assets consisting of Ether and MKR, as an intangible asset in accordance with IAS 38. Upon acquisition the Ether and MKR are recorded at cost. On an ongoing basis the revaluation method will be used to measure Ether. The revaluation method has been applied as an active market exists for the Ether. Under the revaluation model, revaluation decreases are recognized in profit or 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 profit or loss, in which case amounts should be recognized in profit or 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.

*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 condensed consolidated interim 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 not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

In December 2017, as part of its process to make non-urgent but necessary amendments to IFRS, the IASB issued narrow-scope amendments to IAS 12 Income Taxes. The amendments to IAS 12 clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits. The Company has evaluated the effect of the amendment and no adjustment was required as a result.

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

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

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As at June 30, 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 June 30, 2019 that taxable income will be available against which deductible timing differences can be utilized.

*Leases*

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and will replace IAS 17, Leases ("IAS 17"). The standard requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for most lease contracts.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1 2019. As the Company does not have any lease contracts, there is no effect of the initial application of IFRS 16 on these financial statements.

*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 condensed consolidated interim financial statements**  
(expressed in Canadian Dollars) (unaudited)

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**4. DIGITAL INTANGIBLE ASSETS**

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Digital Intangible Assets consist of Ether and MKR tokens.

Below is a continuity schedule of Ether assets:

	<u>Units (Ether)</u>		
Balance at January 11, 2018	-	\$	-
Purchase of Ether	42,587		37,576,999
Revaluation	-		(30,000,552)
Sale of Ether	(2)		(1,763)
Balance at December 31, 2018	<u>42,585</u>		<u>7,574,684</u>
Revaluation <sup>[i]</sup>	-		8,034,819
Sale of Ether for MKR <sup>[ii]</sup>	(7,374)		(1,293,463)
Sale of Ether <sup>[iii]</sup>	<u>(2)</u>		<u>(356)</u>
Balance at June 30, 2019 <sup>[iv]</sup>	<u>35,209</u>	\$	<u>14,315,684</u>

Below is a continuity schedule of MKR assets:

	<u>Units (MKR)</u>		
Balance at January 1, 2019	-	\$	-
Purchase of MKR for ETH <sup>[ii]</sup>	<u>2,300</u>		<u>1,293,463</u>
Balance at June 30, 2019 <sup>[v]</sup>	<u>2,300</u>	\$	<u>1,293,463</u>

<sup>[i]</sup> 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 June 30, 2019, the Company held 35,209 Ether, which have been valued at \$310.49 USD per Ether, which is the 4PM EST price quote reported by Gemini Trust Company. On the revaluation of Ether from December 31, 2018, \$5,212,403 of realized losses on Ether were recorded as a result of exchanging Ether for MKR as explained in footnote [ii]. These realized losses are entirely offset by a change in unrealized losses in the same amount. In addition, there were revaluation gains of \$2,494,461 over the period, reflecting changes in the price of Ether and foreign exchange rates, which results in a net change in unrealized losses on the fair value remeasurement of Ether. The result is a net change of (\$7,706,864) in unrealized losses on the fair value remeasurement of Ether which also includes a realized loss for 2 Ether sold during the period.

<sup>[ii]</sup> 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").

<sup>[iii]</sup> On January 8, 2019, the Company sold 1 Ether, for proceeds of \$177 and realized a loss of \$705. Similarly, on March 26, 2019, the Company sold 1 Ether, for proceeds of \$179 and realized a loss of \$703. The Company sold 1 Ether during each of these quarters to test the internal controls around the ownership and control of Ether.

<sup>[iv]</sup> The cost base of the Company's Ether balance as at June 30, 2019 is \$31,067,339 (December 31, 2018 - \$37,575,236).

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

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[v] As there currently does not exist an active market for MKR, the asset will be measured at cost less any accumulated impairment losses. MKR is tested for impairment at each reporting period. As at June 30, 2019 there were no indicators of impairment since the date of acquisition. The fair value of the Ether exchanged on the initial acquisition date, which was \$1,293,463, was used in determining cost.

[vi] 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.

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**5. SHARE CAPITAL**

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Authorized

The authorized share capital of the Company is an unlimited number of common shares with no par value. All issued shares, consisting only of common shares are fully paid.

Share Capital

	Common Shares	\$ Amount
Balance, as at January 11, 2018	–	–
Issuance of Founder Shares	22,222,222	2,222
Forfeiture of founder shares	(20,222,222)	–
Issuance of share capital for subscription receipts	18,000,000	45,000,000
Issuance cost for subscription receipts	–	(2,795,076)
Issuance of share capital to shareholders of Movit	776,251	1,940,722
Issues of equity settled stock options	–	212,256
Balance, as at December 31, 2018	<u>20,776,251</u>	<u>44,360,124</u>
Issuance of Private Placement	2,208,875	768,644
Issuance of equity settled stock options	–	283,018
Issuance cost for Private Placement	–	(24,576)
Balance, as at June 30, 2019	<u>22,985,126</u>	<u>45,387,210</u>

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.

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.

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

On April 18, 2018, Movit shares outstanding were condensed consolidated interim 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 announced that it 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, \$291,616 in warrants). Commissions of \$24,576 were paid as issuance costs. Each Unit is comprised of one common share and one common share purchase warrant of the Company. These common share purchase warrants entitle a holder of a warrant to purchase one common share at an exercise price of \$0.48 prior to 5:00 p.m. (Eastern time) on February 6, 2021.

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. On August 15, 2018, the Company granted 1,038,814 options under the share option plan to management and on April 1, 2019 granted an additional 51,940 options under the share option plan to an advisory board member. The contractual life of the options is 10 years and one-third of the shares under such option agreement will be vested annually. The fair value of the 2018 and 2019 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. There are still 1,090,754 options outstanding as at June 30, 2019. The following inputs were used in the measurement of the fair values at grant date of the share option plan:

	August 15, 2018	April 1, 2019
Fair value at grant date	\$0.89	\$0.0013
Share price at grant date	\$1.04	\$0.26
Exercise price	\$1.20	\$1.30
Expected volatility (*)	91%	140%
Expected life (weighted-average)	10 Years	10 Years
Expected dividends	0%	0%
Risk-free rate	2.89%	2.02%

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

Common Share Purchase Warrants

The number of warrants outstanding at June 30, 2019 is summarized below:

	Units	Weighted Average Exercise Price
Outstanding, January 1, 2019	-	-
Issued on private placement, February 7, 2019	2,208,876	0.48
<b>Outstanding, June 30, 2019</b>	<b>2,208,876</b>	<b>0.48</b>

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

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

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.

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**6. RELATED PARTY TRANSACTIONS**

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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. As at June 30, 2019, Ethereum Capital had a balance outstanding of \$9,595 (June 30, 2018 - \$196,373), included in accounts payable and accrued liabilities, under the services agreement with Purpose LP and as direct cost reimbursements.

During the period ended, June 30, 2019 the Company provided blockchain consulting services to Purpose LP for a total expense of \$89,100. As at June 30, 2019, Purpose LP had a balance outstanding payable to the Company of \$100,683.

Through the relation of Benjamin Roberts being the CEO of 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. To date the amounts paid to Citizen Hex relate to direct cost reimbursement, in particular travel expenses included in marketing & investor relations on the condensed consolidated interim 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.

Director fees payable reflects an amount of \$500,000 payable to the Company's non-executive directors for cash fees earned for services rendered for the period ended June 30, 2019. On June 19, 2019, the issuance of 400,000 common shares of the Company to settle \$400,000 of indebtedness to certain directors relating to accrued directors' fees, was passed as an ordinary resolution of the shareholders of the Company.



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**7. CAPITAL MANAGEMENT**

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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:

	<b>As at</b>	<b>As at</b>
	June 30, 2019	December 31, 2018
<b>Capital</b>		
Shareholder's equity	<b>17,374,650</b>	<b>9,128,602</b>
<b>Total Capital</b>	<b>17,374,650</b>	<b>9,128,602</b>

At June 30 2019, the Company has working capital deficit of \$0.2 million, an operating income for the current period of \$7.2 million, and an accumulated deficit of \$28.3 million. The net income for the period is primarily driven by the unrealized gain on the Company's Digital Intangible Assets. The Company has forecast that with its balance of Digital Intangible Assets, and has the ability to liquidate sufficient resources on hand, if needed, to continue operations and discharge its liabilities in the normal course of business. See note 2(f).

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**8. INVESTMENTS**

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Financial Instruments consist of the following as at June 30, 2019 and December 31, 2018 comparatively:

	<b>June 30, 2019</b>	December 31, 2018
Level 1	-	-
Level 2	-	-
Level 3		
Wyre, Inc., Series B Preferred Stock	<b>1,963,050</b>	2,004,900
Total Financial Instruments	<b>1,963,050</b>	2,004,900

Investments consists of 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 is an appropriate approximation of fair value. The investment is then carried at fair value, and in accordance with IFRS 9, measured at FVOCI specifically. Subsequent revaluations are carried through other comprehensive income on the condensed consolidated interim statements of net income or loss and comprehensive gain or loss. Management of the Company appropriately assesses the risk of the asset, and determines when revaluations are necessary on an ongoing basis and at each reporting period. 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 or financings.

The investment in Wyre has been measured at cost as it is a recent acquisition with no observable market price. Management has assessed that cost of the investment in Wyre approximates fair value as at June 30, 2019. Subsequent revaluations of fair value will be carried through other comprehensive income on the condensed consolidated interim statements of net loss and comprehensive loss, in accordance with the Company's policy on FVOCI.

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During the period there were no transfers of assets between Level 1, Level 2 and Level 3. As the fair value of the investment approximates cost there were no unobservable inputs used in the valuation of Wyre as at June 30, 2019.

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**9. SUBSEQUENT EVENT**

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On July 3, 2019, the Company sold 90 Ether for proceeds of \$25,873 USD. The Ether was sold to increase the Company's cash position for balance sheet flexibility and to cover ongoing operating expenses of the business.

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**10. FUTURE ACCOUNTING POLICY CHANGES**

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The following standards have been issued, but are not yet effective on the date of issuance of the financial statements.

**IFRIC 23:**

IFRIC 23 - Uncertainty over Tax Treatments has been expected by the Company to not have a significant impact on the Company's condensed consolidated interim financial statements.