Netcoins Inc.

Financial Statements

Year Ended December 31, 2017

Independent Auditors' Report

To the Shareholders of Netcoins Inc.

We have audited the accompanying financial statements of Netcoins Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Netcoins Inc. as at December 31, 2017, December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 of the financial statements, which states that Netcoins Inc. incurred net losses from operations and has an accumulated deficit. This, along with other matters described in Note 2, raise substantial doubt about the ability of Netcoins Inc. to continue as a going concern.

Vancouver, British Columbia

April 30, 2018

MNP LLP
Chartered Professional Accountants

Netcoins Inc.

Statement of Financial Position
(in Canadian dollars)
As at

		December 31, 2017		*December 31, 2016*
ASSETS				
Current assets:				
Cash and cash equivalents *(Note 7)*	**$**	**761,071**	$	25,654
Trade receivables *(Note 8)*		**142,876**		7,372
Inventory		**17,072**		-
Total assets	**$**	**921,019**	$	33,026
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Trade and other payables *(Note 9)*	**$**	**369,222**	$	4,149
Due to related party *(Note 12)*		**138,700**		52,879
Convertible debenture (*Note 10*)		**493,139**		-
Total liabilities		**1,001,061**	$	57,028
SHAREHOLDERS' EQUITY				
Share capital *(Note 11)*		**1**		1
Contributed surplus *(Note 11)*		**35,848**		-
Deficit		**(115,891)**		(24,003)
		(80,042)		(24,002)
Total liabilities and shareholders' equity	**$**	**921,019**	$	33,026

Going concern *(Note 2)*
Subsequent events *(Note 16)*

Approved by the sole director:

(signed) "Michael Vogel"
Director

The accompanying notes are an integral part of the financial statements.

(in Canadian dollars)

		Year ended December 31, 2017		*Year ended December 31, 2016*
REVENUE				
Bitcoin sales	**$**	**14,133,570**	$	97,276
Bitcoin purchases		**13,556,257**		92,996
Gross margin		**577,313**		4,280
Consulting revenue		**16,320**		24,960
TOTAL REVENUE		**593,633**		29,240
EXPENSES				
General and administrative		**636,694**		6,705
Bank charges		**3,783**		653
Compensation		**6,796**		25,015
TOTAL EXPENSES		**647,273**		32,373
LOSS BEFORE OTHER EXPENSES		**(53,640)**		(3,133)
OTHER EXPENSES				
Interest expense		**(28,987)**		-
Foreign exchange loss		**(9,261)**		-
TOTAL OTHER EXPENSES		**(38,248)**		-
NET LOSS AND COMPREHENSIVE LOSS	**$**	**(91,888)**	$	(3,133)
Basic and diluted loss per share	**$**	**(91.89)**	$	(3.13)
Basic and diluted weighted average shares outstanding		**1,000**		1,000

The accompanying notes are an integral part of the financial statements.

(in Canadian dollars)

	Share capital $	Contributed Surplus $	Deficit $	Total $
Balance, December 31, 2015 (unaudited)	1	-	(20,870)	(20,869)
Net loss and comprehensive loss	-	-	(3,133)	(3,133)
Balance, December 31, 2016	1	-	(24,003)	(24,002)
Equity portion of convertible debenture	-	35,848	-	35,848
Net loss and comprehensive loss	-	-	(91,888)	(91,888)
Balance, December 31, 2017	**1**	35,848	(115,891)	(80,042)

The accompanying notes are an integral part of the financial statements.

(in Canadian dollars)

		Year ended December 31, 2017		*Year ended December 31, 2016*
OPERATING ACTIVITIES				
Net loss	**$**	**(91,888)**	$	(3,133)
Add items not involving cash				
Interest expense		**28,987**		-
Changes in non-cash working capital items:				
Inventory		**(17,072)**		-
Trade receivables		**(135,504)**		(5,356)
Trade and other payables		**365,073**		2,591
Cash flow provided by (used in) operating activities		**149,596**		(5,898)
FINANCING ACTIVITIES				
Proceeds from convertible debenture		**500,000**		-
Due to related party		**85,821**		2,259
Cash flow provided by financing activities		**585,821**		2,259
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**735,417**		(3,639)
Cash and cash equivalents, beginning of the year		**25,654**		29,293
Cash and cash equivalents, end of the year	**$**	**761,071**		25,654

The accompanying notes are an integral part of the financial statements.

1. DESCRIPTION OF BUSINESS

Netcoins Inc. (the "Company" or "Netcoins") was incorporated on July 8, 2014 under the provisions of the British Columbia Business Corporations Act. The Company develops and markets software that enable the efficient purchasing of Bitcoin and uses its software to purchase and sell Bitcoin to customers.

The Company's head office is located at 301-3007 Glen Drive, Unit 28, Coquitlam, British Columbia V3B 0L8, Canada.

2. GOING CONCERN

These financial statements have been prepared by management on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. To date, the Company has been in the early research and development phase and has not attained profitable operations.

For the year ended December 31, 2017, the Company incurred a net loss of $91,888, a working capital deficiency of $80,042 and has an accumulated deficit of $115,891. The Company's ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and to generate funds therefrom. If the Company is unable to generate sufficient revenue from Bitcoin sales, it will cast significant doubt on the Company’s ability to continue as a going concern (Note 15).

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

3. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved by the Company’s sole Director for issue on April 30, 2018.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency and presentation currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consists of amounts held in current bank accounts and amounts on deposit with fiat to Bitcoin exchanges.

Revenue recognition

Revenue from Bitcoin sale transactions are recognized based on the gross proceeds received from the customer or receivable from vendors acting on behalf of the Company. Revenue is recognized at the time of transfer of control over the Bitcoin, which is when the Bitcoin is credited to the customer’s virtual wallet. Proceeds collected by vendors on behalf of the Company are typically settled within 1 to 15 days.

Consulting revenues are recognized monthly, when services are rendered, based on the agreed upon invoiced amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

Convertible Debentures

Convertible debentures are separated into their liability and equity components on the statements of financial position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest rate method, until extinguished upon conversion, maturity or a normal course issuer bid. The fair value of the equity component of the convertible debentures is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component.

Cost of sales

Bitcoin purchases are measured based on the price paid by the Company in fiat to purchase the Bitcoin from Bitcoin exchanges.

Bitcoin inventory

Bitcoin held for sale in the ordinary course of business is measured at fair value determined by reference to quoted prices published by bitcoin exchange brokers, with changes in fair value recorded in profit or loss.

Non-derivative financial instruments

The Company aggregates its non-derivative financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally on the date of purchase.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment annually and written down when there is evidence of impairment based on certain specific criteria as detailed further on.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets when they will be realized within twelve months of the reporting date, otherwise they are classified as non-current. The Company includes cash and cash equivalents and trade receivables in this category.

The financial instruments included in this category are initially recognized at fair value plus transaction costs and subsequent measurement is at amortized cost. Due to the short-term nature of these balances, the carrying values approximate fair value.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire.

(ii) Other financial liabilities

The financial instruments included in this category are initially recognized at fair value less transaction costs and subsequent measurement is at amortized cost. They are classified as current liabilities when they are payable within twelve months of the reporting date, otherwise they are classified as non-current. The Company includes trade and other payables, due to related party in this category and convertible debentures in this category.

The Company derecognizes these liabilities when its obligation is discharged or replaced by a new liability with substantially modified terms.

(iii) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Share capital is recorded at the cost of shares issued. Costs related to the issuance of shares are reported in equity, net of tax, as a deduction of the issuance proceeds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment: Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flow of that asset that can be estimated reliability.

In assessing impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the date of the statement of financial position for monetary items. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction date. Revenues and expenses are translated using exchange rates prevailing at the dates of the transaction. Any exchange gain or loss that arises on translation is included in the statement of loss and comprehensive loss.

Per share amounts

Basic per share amounts are calculated by dividing the net profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted per share amounts are determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments. All instruments that could have a dilutive effect are considered anti-dilutive when the Company is in a loss position.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets and liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of its financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued from previous page)*

Areas of judgment:

(i) Revenue recognition

In recognizing revenue, the Company determines if it acts as a principal in executing transactions with third parties, judgment is required to determine if the Company is acting as the principal or an agent in order to determine if revenue should be recognized on a gross or net basis for bitcoin sales and purchases.

(ii) Going concern

Determining if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations. Certain judgments are made when determining if the Company will be able to continue as a going concern. Further disclosure is included in Note 2.

(iii) Deferred tax assets

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probably that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Management applies judgment in determining the likelihood of future taxable profits.

Assumptions and critical estimates:

(i) Determination of fair values

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

(ii) Provision for doubtful account

The allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis. Trade and other receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment.

(iii) Tax assets and liabilities

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rate as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

(iv) Convertible debentures

For convertible debentures containing an equity component, the Company assesses the value of the debt component which is calculated at the estimated fair value of the future interest and principal payments due under the terms he estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, using an estimated discount rate based on Management's estimated cost of capital.

For convertible debentures which do not contain an equity component, the Company is required to estimate the fair value of the embedded derivative liability which is calculated based on using a model which considers inputs requiring significant judgement.

(in Canadian dollars, unless stated otherwise)

6. ACCOUNTING STANDARDS ISSUED AND APPLICABLE TO THE COMPANY

(i) IFRS 9 Financial Instruments

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. IFRS 9 will be applied by the Company on January 1, 2018 and the Company has evaluated the effect on its financial statements and no significant impact is anticipated.

(ii) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The standard is required to be adopted for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by the Company on January 1, 2018 and the Company has evaluated the effect on its financial statements and no significant impact is anticipated.

(iii) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements.

7. CASH AND CASH EQUIVALENTS

		December 31, 2017		*December 31, 2016*
Cash held with banks	**$**	**530,340**	$	3,628
Cash on deposit with fiat to Bitcoin Exchanges		**230,731**		22,026
	$	**761,071**	$	25,654

8. TRADE RECEIVABLES

		December 31, 2017		*December 31, 2016*
Bitcoin sales	**$**	**97,196**	$	5,452
Consulting revenue		-		1,920
Other receivables		**45,680**		-
	$	**142,876**	$	7,372

As at December 31, 2017 and 2016, all of the Company's trade receivables are current and no allowance for doubtful accounts were considered necessary.

(in Canadian dollars, unless stated otherwise)

9. TRADE AND OTHER PAYABLES

		December 31, 2017		*December 31, 2016*
Goods and services tax	**$**	**13,472**	$	279
Customer deposits		**25,000**		-
Payroll remittances		-		3,870
Trade payables		**330,750**		-
	$	**369,222**	$	4,149

Trade and other payables are non-interest bearing and are normally settled on 30 to 60 day terms.

10. CONVERTIBLE DEBENTURES

		December 31, 2017		*December 31, 2016*
Convertible debentures	**$**	**493,139**	$	-
	$	**493,139**	$	-

On October 13, 2017, the Company issued 25,000,000 convertible debenture units (the "Debenture Units") for gross proceeds of $500,000. Each Debenture Unit is convertible into a unit of the Company (the "Netcoins Units") at a conversion price of $0.02 per Debenture Unit. Each Netcoins Unit consists of one Class B share of the Company and one share purchase warrant to purchase one Class B share ("Class B Warrant"). Each Class B Warrant entitles the holder to acquire an additional Class B share at an exercise price of $0.05 per share for a period of 3 years.

The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. The conversion feature value has been determined to be $35,848. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost, using a discount rate of 28%, at December 31, 2017.

11. SHARE CAPITAL

a. Authorized

The Company is authorized to issue an unlimited number of Class A voting common shares.

b. Issued and outstanding

On July 8, 2014, the Company issued 1,000 class A voting common shares for nominal consideration of $1.

(in Canadian dollars, unless stated otherwise)

12. RELATED PARTY BALANCES AND TRANSACTIONS

Due to related party

The amount due to related party, $138,700 (2016 - $52,879), is non-interest bearing and due on demand. The individual is related by virtue of being the majority shareholder, sole director, president and chief executive officer of the Company. The balance consists of funds advanced to the Company, expenses paid on behalf of the Company and key management compensation payable.

Compensation of key management

		December 31, 2017		*December 31, 2016*
Short-term employee benefits and consulting fees	**$**	**6,796**	$	25,015
	$	**6,796**	$	25,015

13. INCOME TAXES

The differences between the tax provisions calculated using the statutory rates and the reported tax provision are as follows:

December 31,		***2017***		*2016*
Loss before income tax	**$**	**(91,888)**	$	(3,133)
Statutory income tax rate		**15.88%**		13%
Expected income tax recovery		**(14,590)**		(407)
Non-deductible expenses		**-**		13
Change in tax rate		**(13,522)**		-
Change in deferred tax asset not recognised		**28,142**		394
Deferred tax recovery	**$**	**-**	$	-

The statutory tax rate is reduced to 15.88% (2016: 13%) effective April 1, 2017 due to a change in the federal legislation.

No deferred tax assets have been recognized in respect of the following deductible temporary differences as the probability that future taxable profit will allow the deferred tax asset to be recovered cannot be predicted at this time.

December 31,		***2017***		*2016*
Non-capital loss carry-forwards	**$**	**63,295**	$	23,799
Deductible temporary differences not recognized	**$**	**63,295**	$	23,799

As at December 31, 2017, the Company has non-capital loss carry forwards of approximately $63,295 (2016 - $23,799).

	$
Non-Capital losses expire as follows:	
2034	4,053
2035	16,712
2036	3,034
2037	39,496
	63,295

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to research, develop and market its products, and to maintain a flexible capital structure which optimizes the cost of capital with a framework of acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and due to related party.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remained unchanged during the periods presented.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk management policies are established to identify, analyze and manage the risks faced by the Company and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Company's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Company's use of financial instruments include credit risk, liquidity risk, market risk and currency risk. These risks, and the actions taken to manage them, include:

(a) Fair value

Due to the short-term nature of cash and cash equivalents, trade receivables, trade and other payables and due from related party, the Company determined that the carrying amounts of these financial instruments approximate their fair value.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks, cash on deposit with fiat to Bitcoin Exchanges and from outstanding trade receivables. The Company minimizes credit risk associated with its cash balance substantially by dealing with financial institutions deemed to be reliable due to their history of operations. Credit risk associated with Bitcoin sale proceeds collected by vendors on behalf of the Company is limited as transactions are usually settled within 1 or 15 days.

(c) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they come due. As at December 31, 2017, the Company's current liabilities exceeded current assets by $80,043. The Company's ability to meet its financial obligations as they become due is discussed in Note 2.

(d) Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies, other than the functional currency of the Company, will fluctuate due to changes in foreign currency exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company is exposed to foreign currency risk through cash on deposit with fiat to Bitcoin exchanges which is denominated in United States dollars (USD). As at December 31, 2017 the Company had $230,731 (USD 184,334 **jan 2/18 rate) on deposit with fiat to Bitcoin exchanges. A 5% change in the value of Canadian dollar in comparison to USD would cause a change in net loss of approximately $11,537.

16. SUBSEQUENT EVENTS

(a) Convertible Debenture

On October 13, 2017, the Company issued 25,000,000 convertible debenture units (the "Debenture Units") for gross proceeds of $500,000. Each Debenture Unit is convertible into a unit of the Company (the "Netcoins Units") at a conversion price of $0.02 per Debenture Unit. Each Netcoins Unit consists of one Class B share of the Company and one share purchase warrant to purchase one Class B share ("Class B Warrant"). Each Class B Warrant entitles the holder to acquire an additional Class B share at an exercise price of $0.05 per share for a period of 3 years. The 25,000,000 Debenture Units were converted into 25,000,000 Class B shares, and 25,000,000 Class B Warrants were issued to the Debenture Unit holders on January 30, 2018. The proceeds of the Debenture Units were held in escrow until certain conditions were satisfied by the Company, and were released to the Company on January 301, 2018. On February 1, 2018 the Class B Warrants were exercised for gross proceeds of $1,250,000.

Proposed Transaction

On November 16, 2017, the Company and GAR Limited., ("GAR") a company listed on the Canadian Securities Exchange ("CSE" or the "Exchange") entered into a share exchange agreement (the "Share Exchange Agreement"). The Share Exchange Agreement effectively provides for the acquisition of all the outstanding equity interest in Netcoins by GAR in a transaction (the "Proposed Transaction") in which Netcoins shareholders will receive shares of GAR. As a result of the acquisition of Netcoins, GAR will become the sole registered owner of all the issued and outstanding shares of Netcoins.

Pursuant to the Share Exchange Agreement:

- In consideration for the acquisition of all of the Class A Shares, GAR will (i) pay to the Class A shareholders pro rata in proportion to their holdings of Netcoins Class A Shares, an aggregate of $4,000,000, and (ii) issue from treasury to the Class A shareholders pro rata in proportion to their holdings of Class A shares, an aggregate of 2,857,142 common shares in the equity of GAR, free and clear of any encumbrances.
- In consideration for the acquisition of the Netcoins Class B shares, GAR will issue from treasury to the Class B shareholders one common share in the equity of GAR for each Netcoins Class B share held, free and clear of any encumbrances.
- At the time of closing of the Proposed Transaction, each of the holders of Class B Warrants shall dispose of their respective right to acquire Netcoins Class B shares under the outstanding Class B Warrants held by such warrant holders at that time and those outstanding Class B Warrants shall be deemed immediately cancelled. In consideration for the disposition by a Class B Warrant holder of each right to acquire one Netcoins Class B share pursuant to a Class B Warrant, the Class B Warrant holder shall receive the right to acquire one common share of GAR (each a "Replacement Warrant" and collectively, the "Replacement Warrants"), rounded down to the nearest whole number of common shares. The exercise price under each Replacement Warrant will be equal to the exercise price of the particular Class B Warrant that was cancelled in consideration for such Replacement Warrant.
- It is anticipated that this Proposed Transaction will result in GAR issuing an aggregate of 25,000,000 GAR common shares to Netcoins shareholders. Following the completion of this Proposed Transaction, it is expected that 58,837,419 GAR common shares will be outstanding, without giving effect to warrants to purchase 25,000,000 GAR common shares pursuant to the outstanding Replacement Warrants.
- Upon closing of this Proposed Transaction, the shareholders of Netcoins will hold 45.3% of GAR. Accordingly, Netcoins will be considered to have acquired GAR with the transaction being accounted for as a reverse takeover of GAR by Netcoins shareholders (the "RTO").

16. SUBSEQUENT EVENTS *(continued from previous page)*

The Proposed Transaction is subject to a number of conditions precedent, including:

- Netcoins having received shareholder approval of the Proposed Transaction by a special majority of the Netcoins shareholders;
- The Proposed Transaction being effective on or prior to February 28, 2018;
- GAR and Netcoins obtaining all necessary consents, orders and regulatory approvals, including the conditional approval of the CSE subject to customary conditions of closing;
- Dissent rights not having been exercised by greater than 5% of the Netcoins shareholders;
- No material change occurring to the business of GAR or Netcoins;
- The satisfaction of obligations under the Share Exchange Agreement relating to each of the parties; and, the delivery by each of the parties of standard closing documents, including legal opinions.

On March 9, 2018, the Company completed the Proposed Transaction whereby the Company, pursuant to the Share Exchange Agreement, received $4,000,000 cash payment and 52,857,142 common shares in the capital of GAR (the "Payment Shares") at a deemed price of $0.35 per Payment Share.