



**GAR LIMITED  
(D/B/A NETCOINS)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTHS ENDED MARCH 31, 2018**

**(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM  
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of GAR Limited. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor, MNP LLP, has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.



**GAR LIMITED (D/B/A NETCOINS)**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018 (UNAUDITED)**

*(Expressed in Canadian Dollars)*

	<b>March 31, 2018</b>		<b>December 31, 2017</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 7)	\$ 6,928,684	\$	761,071
Accounts and other receivables (Note 8)	564,870		142,876
Bitcoin inventory (Note 10)	8,992		17,072
Prepaid expenses (Note 9)	1,052,382		-
	<b>8,554,928</b>		<b>-</b>
Property, plant and equipment	85,777		-
<b>Total Assets</b>	<b>\$ 8,640,705</b>	<b>\$</b>	<b>921,019</b>
<b>LIABILITIES AND SHARHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables (Note 11)	\$ 551,310	\$	344,222
Deferred revenue	96,364		25,000
Due to related party (Note 21)	-		138,700
Convertible debenture (Note 12)	-		493,139
<b>Total Liabilities</b>	<b>647,674</b>		<b>1,001,061</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 13)	21,250,000		1
Reserves (Notes 14 and 15)	3,816,616		35,848
Deficit	(17,073,585)		(115,891)
	<b>7,993,031</b>		<b>(80,042)</b>
	<b>\$ 8,640,705</b>	<b>\$</b>	<b>921,019</b>

Going concern (Note 2)

Subsequent events (Note 22)

**Approved on behalf of the Board of Directors**

/s/ Mark Binns

Mark Binns,  
Director

/s/ Desmond Balakrishnan

Desmond Balakrishnan,  
Director



**GAR LIMITED (D/B/A NETCOINS)**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars)*

	Three months ended March 31, 2018	Three months ended March 31, 2017
<b>REVENUE</b>		
Bitcoin sales	\$ 5,315,326	\$ 236,651
Bitcoin purchases	(5,169,077)	(225,845)
Gross Profit	146,249	10,806
Consulting revenues	-	6,240
<b>TOTAL REVENUE</b>	<b>146,249</b>	<b>17,046</b>
<b>OPERATING EXPENSES</b>		
Marketing and advertising	129,155	-
Consulting fees	221,740	-
Office and administrative	373,947	4,434
Legal and professional fees	203,149	-
Listing fees (Note 6)	15,048,088	-
Share-based payments (Note 15)	1,129,484	-
Transfer agent and regulatory fees	-	-
Travel	10,446	-
<b>Operating Expenses</b>	<b>17,116,009</b>	<b>4,434</b>
<b>OTHER EXPENSES</b>		
Interest expenses	(6,861)	-
Foreign exchange gain	4,165	-
Other income	14,762	-
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (16,957,694)</b>	<b>\$ 12,612</b>
<b>Basic and diluted gain (loss) per share (Note 20)</b>	<b>\$ (0.55)</b>	<b>\$ 12.61</b>
<b>Weighted average number of shares outstanding (basic and diluted) (Note 20)</b>	<b>30,712,085</b>	<b>1,000</b>

The accompanying notes are integral to these condensed interim financial statements



**GAR LIMITED (D/B/A NETCOINS)**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars)*

	Three months ended March 31, 2018	Three months ended March 31, 2017
<b>Cash Flows from (used in) Operating Activities</b>		
Net income (loss)	\$ (16,957,694)	\$ 12,612
Adjustments for items not affecting cash		
Interest expense	6,861	-
Share-based payments	1,129,484	-
Listing expense	11,048,088	-
	(4,773,261)	12,612
Changes in non-cash working capital:		
Inventory	8,080	-
Trade and other receivables	4,317,019	-
Trade and other payables	123,158	149
Due to related party	(138,700)	51,145
Customer deposits	71,634	-
	(392,340)	63,907
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(85,777)	-
Reverse takeover of GAR Limited	5,395,730	-
	5,309,953	-
<b>Cash Flows from Investing Activities</b>		
Proceeds from warrant exercises	1,250,000	-
	1,250,000	-
<b>Changes in cash during the period</b>	6,167,613	63,907
<b>Cash and cash equivalents – Beginning of period</b>	761,071	19,135
<b>Cash and cash equivalents – End of period</b>	\$ 6,928,684	\$ 83,042

Supplemental Information (Note 18)



**GAR LIMITED (D/B/A NETCOINS)**  
**CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

	<b>Common Shares</b>		<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>			
<b>Balance – December 31, 2017</b>	1,000	\$ 1	\$ 35,848	\$ (115,891)	\$ (80,042)
Net loss for the period		-	-	(16,957,694)	(16,957,694)
Shares issued for:					
Conversion of convertible debentures (Note 12)	25,000,000	500,000	-	-	500,000
Exercise of warrants (Note 12)	25,000,000	1,250,000	-	-	1,250,000
Vendors' shares (Note 6)	2,857,143	1,000,000	-	-	1,000,000
Reverse acquisition (Note 6)	58,837,419	18,500,000	2,651,284	-	21,151,284
Finders' fee shares (Note 13)	5,000,000	-	-	-	-
Netcoins Class A shares exchanged (Note 6)	(1,000)	(1)	-	-	(1)
Issuance of stock options (Note 15)	-	-	1,129,484	-	1,129,484
<b>Balance – March 31, 2018</b>	<b>116,694,562</b>	<b>\$ 21,250,000</b>	<b>\$ 3,816,616</b>	<b>\$ (17,073,585)</b>	<b>\$ 7,993,031</b>

The accompanying notes are integral to these condensed interim financial statements



**GAR LIMITED (D/B/A NETCOINS)**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

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*(Expressed in Canadian Dollars, except per share amounts)*

## **1. General Information**

Gar Limited ("Gar" or the "Company") was incorporated on February 20, 1987 under the Business Corporation Act (Ontario). These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

Gar is a public company which is listed on the Canadian Securities Exchange ("CSE") under the symbol "NETC". The Company's head office is 1199 West Pender Street, Suite 410, Vancouver, BC, V6E 2R1, and registered and records office is located 1055 W. Georgia Street, Suite 1500, PO Box 11117, Vancouver, BC, V6E 4N7.

### **Reverse Takeover**

On March 9, 2018, the Company completed the acquisition of Netcoins Inc. ("Netcoins"), a private British Columbia corporation incorporated on July 8, 2014. Netcoins develops and markets software that enable the efficient purchasing of Bitcoin and uses its software to purchase and sell Bitcoin to customers. The Company acquired all of the issued and outstanding shares of Netcoins under a share purchase agreement (the "Reverse Takeover Transaction", the "Transaction", or the "RTO"). In connection to the Transaction, the Company is doing business under the business name "Netcoins Holdings Inc." and operating the primary business of Netcoins.

On the closing of the RTO, Netcoins became a wholly-owned subsidiary of the Company. As Netcoins is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on July 8, 2014 are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are included from March 9, 2018 onwards, the closing date. Please refer to the Reverse Acquisition (Note 6) for more details.

## **2. Nature of Operations and 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 not attained profitable operations.

For the three months ended March 31, 2018, the Company incurred a net loss of \$16,657,694, a working capital of \$7,907,254 and has an accumulated deficit of \$17,073,585. 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.

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. Significant Accounting Policies and Basis of Preparation**

### **(i.) Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.



**GAR LIMITED (D/B/A NETCOINS)**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

**3. Significant Accounting Policies and Basis of Preparation (continued)**

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Netcoins' audited financial statements for the year ended December 31, 2017. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of May 30, 2018, the date the Board of Directors approved the financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Netcoins' consolidated financial statements for the year ended December 31, 2017.

**(ii.) Functional and Presentation Currency**

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entity is in Canadian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and
- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

**(iii.) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries has been consolidated for all dates presented within these financial statements:

Subsidiary	Ownership	Location
Netcoins Inc..	100%	Canada

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.



#### **4. Critical Accounting Estimates and Judgements**

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.

##### *Areas of judgement*

(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 Asset

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 of 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.

#### **4. Critical Accounting Estimates and Judgements (continued)**

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.

#### **5. 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.



**GAR LIMITED (D/B/A NETCOINS)**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

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## **6. Reverse Acquisition**

On March 9, 2018, pursuant to the terms of the share exchange agreement (the "Agreement") the Company and Netcoins completed an amalgamation, whereby the Company acquired all of the issued and outstanding share capital of the Netcoins, being 52,857,143 common shares, as a means by which Netcoins will attain a public listing of its common shares.

Pursuant to the Share Exchange Agreement:

- In consideration for the acquisition of all of the Class A Shares, GAR will (i) paid 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) issued 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 issued 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 Transaction, each of the holders of Class B Warrants disposed 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 were 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 received 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 equaled to the exercise price of the particular Class B Warrant that was cancelled in consideration for such Replacement Warrant.
- As a result of the Transaction, GAR issued an aggregate of 52,857,142 GAR common shares to Netcoins shareholders. At the completion of the Transaction, 116,694,562 GAR common shares are outstanding.
- At the closing Transaction, the shareholders of Netcoins hold 45.3% of GAR. Accordingly, Netcoins is considered to have acquired GAR with the transaction being accounted for as a reverse takeover of GAR by Netcoins shareholders (the "RTO").

The acquisition constitutes an asset acquisition as the Company does not met the definition of a business, as defined in IFRS 3, Business Combinations. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company share capital, contributed surplus and accumulated deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of \$15,048,088 has been recorded. This reflects the difference between the estimated fair value of Netcoins shares deemed to have been issued to the Company's shareholders less the fair value of the assets of the Company's acquired.



**GAR LIMITED (D/B/A NETCOINS)**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

**6. Reverse Acquisition (continued)**

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

<b>Purchase Price</b>		
52,837,421 common shares of Gar Limited	\$	18,500,000
8,798,556 warrants of Gar Limited		2,651,283
<b>Total Purchase Price</b>	<b>\$</b>	<b>21,151,283</b>
<b>Allocation of Purchase Price</b>		
Cash		9,742,999
Prepaid expenses and other current assets		1,579,345
Accounts and accrued liabilities		(219,149)
Charge related to public company listing		10,048,088
	<b>\$</b>	<b>21,151,283</b>

**7. Cash and Cash Equivalents**

		<b>March 31, 2018</b>		<b>December 31, 2017</b>
Cash held with banks	\$	6,065,042	\$	530,340
Cash on deposit with fiat to Bitcoin Exchanges		863,642		230,731
	<b>\$</b>	<b>6,928,684</b>	<b>\$</b>	<b>761,071</b>

**8. Trade and Other Receivables**

		<b>March 31, 2018</b>		<b>December 31, 2017</b>
Bitcoin sales	\$	54,657	\$	97,196
Other receivables		510,213		45,680
	<b>\$</b>	<b>564,870</b>	<b>\$</b>	<b>142,876</b>

As at March 31, 2018 and December 31, 2017, the Company's trade receivables are current and no allowances for doubtful accounts were considered necessary.

**9. Prepaid Expenses**

		<b>March 31, 2018</b>		<b>December 31, 2017</b>
Deposits	\$	6,389	\$	-
Prepaid expenses		1,045,993		-
	<b>\$</b>	<b>1,052,382</b>	<b>\$</b>	<b>-</b>



**GAR LIMITED (D/B/A NETCOINS)**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

**10. Bitcoin Inventory**

		<b>March 31, 2018</b>		<b>December 31, 2017</b>
Bitcoins on-hand	\$	8,992	\$	17,072
	\$	8,992	\$	17,072

**11. Trade and Other Payables**

		<b>March 31, 2018</b>		<b>December 31, 2017</b>
Goods and services tax (GST)	\$	162,186	\$	13,472
Customer deposits		-		-
Payroll remittances		-		-
Trade payables		389,124		330,750
	\$	551,310	\$	369,222

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts total \$13,493 (December 31, 2017 - \$nil) due to related parties (see note 21).

**12. Convertible Debentures**

		<b>March 31, 2018</b>		<b>December 31, 2017</b>
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.

During the three months ended March 31, 2018, Netcoins converted the convertible debenture into 25,000,000 Class B shares of the Netcoins. In addition, 25,000,000 Class B Warrants were into Class B shares for gross proceeds of \$1,250,000. As part of the share exchange agreement, all Class B shares were exchanged for public company shares on closing of the RTO (see note 6). As at March 31, 2018, there are no convertible debentures outstanding.



**GAR LIMITED (D/B/A NETCOINS)**  
**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

**13. Share Capital**

**(a) Authorized Share Capital**

The Company is authorized to issue unlimited number of common shares without par value. At March 31, 2018, the Company had 116,694,564 (December 31, 2017 - 1,000) common shares outstanding.

**(b) Issued Share Capital**

During the three-month period ended March 31, 2018, the Company issued common shares as follows:

- On March 9, 2018, 52,837,143 common shares of the Company were deemed to have been issued on completion of the RTO. The fair value of the 52,837,143 deemed to have issued (\$18,493,097) was determined using a fair value of \$0.35 per share.
- In connection with the closing of the RTO, the Company issued an aggregate of 5,000,000 common shares to an arms' length third party as a finder's fee. The fair value of services is \$1,750,000.
- In connection with the closing of the RTO, the Company issued 2,857,143, at a deemed value of \$1,000,000 or \$0.35 per share, to vendors of Netcoins.
- On January 30, 2018, the Company issued 25,000,000 Class B shares on conversion of the Debenture Units (see note 6). The Company also issued 25,000,000 Class B shares on exercise of Class B share purchase warrants for gross proceeds of \$1,250,000. In connection with the closing of the RTO, all Class B shares were exchanged for common shares of the Company.

During the year ended December 31, 2017, the Company did not issue any common shares.

**14. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average exercise price	Number of shares issued or issuable on exercise
Balance – December 31, 2017	\$ -	-
Issuance of warrants on RTO (Note 6)	\$ 0.10	7,000,000
Issuance of warrants on RTO (Note 6)	\$ 0.35	1,798,556
Balance – March 31, 2018	\$ 0.15	8,798,556

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
October 31, 2017	October 31, 2019	7,000,000	\$ 0.10
December 20, 2017	December 20, 2018	1,798,556	\$ 0.35
		8,798,556	\$ 0.15



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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)**

*(Expressed in Canadian Dollars, except per share amounts)*

**14. Warrants (continued)**

On March 9, 2018, pursuant the RTO all issued and outstanding share purchase warrants of 8,798,556 were cancelled and share purchase warrants of 8,798,556 were issued as replacements. Under IFRS 2 ‘Share-based payment’, the cancellation and reissuance was considered a modification of the terms and conditions on which the equity instrument were granted. As such, the Company is required to recognize the effects of modification that increases the total fair value of the share-based payment arrangements or are otherwise beneficial to the option holders. The incremental fair value was \$2,651,284 for warrant reserves respectively, as calculated by the difference between the total fair value of the modified share purchase warrants and the total fair value of the original share purchase warrants.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.61% - 4.55%, an expected life of 1 to 2 years, an expected volatility of 201% - 204% and no expected dividends. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Company has limited historical information.

**15. Stock Options**

The Company adopted a stock option plan (the “Plan”) whereby it can grant stock options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company at any time.

The changes in incentive share options outstanding are summarized as follows:

		<b>Weighted Average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>	<b>Amount</b>
Balance – December 31, 2017	\$	-	-	\$ -
Stock options granted	\$	0.35	9,770,000	-
Stock options vested	\$	0.35	-	1,129,484
<b>Balance – March 31, 2018</b>	<b>\$</b>	<b>0.35</b>	<b>9,770,000</b>	<b>\$ 1,129,484</b>

During the three-month period year ended March 31, 2018, the Company granted 9,770,000 incentive stock options to employees, consultants, and directors. The options may be exercised within 5 years from the date of grant at a price of \$0.35 per share and have vesting periods ranging from 0 to 2 years.

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 1.41% per annum, an expected life of options of 5 years, an expected volatility of 183%, and no expected dividends.



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**15. Stock Options (continued)**

Incentive share options outstanding and exercisable March 31, 2018 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.35	9,770,000	4.95	\$0.35	2,942,500	\$0.35
	9,770,000	4.95	\$0.35	2,942,500	\$0.35

**16. Capital Management**

The Company manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Company for its future operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out its planned operations and pay for future general and administrative expenses, the Company expects to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31 2018 and for the year ended December 31, 2017.

**17. Financial Instruments**

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.





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**17. Financial Instruments (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as low.

**(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 March 31, 2018 the Company had \$863,642 (USD\$669,802) 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 \$43,182.

**18. Supplemental Cash Flow Information**

The Company did not make any cash payments and had no cash receipts for interest or income taxes during the three months ended March 31, 2018 and 2017.

The acquisition of the Gar Limited (see note 6) is a non-cash transaction, whereby, 52,857,142 shares and 8,798,556 warrants at a price of \$0.35 per share is exchanged as consideration for the net assets.

**19. Segmented Information**

The Company's operates a single business unit of Bitcoin sales via it's virtual ATMs. The Company's primary business activities are located in Canada. All of the Company's assets, including head office, are located in Canada.

**20. Loss Per Share**

The following table sets forth the computation of basic and diluted loss per share for three months ended March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017
<b>Numerator</b>		
Net income (loss) for the period	\$ (16,957,694)	\$ 12,612
<b>Denominator</b>		
Basic – weighted average number of shares outstanding	30,712,085	1,000
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	30,712,085	1,000
<b>Gain (Loss) Per Share – Basic and Diluted</b>	<b>\$ (0.55)</b>	<b>\$ 12.61</b>

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year.



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**20. Loss Per Share (continued)**

The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the three months ended March 31, 2018 as the warrants and stock options were anti-dilutive since the Company was in a loss position.

**21. Related Party Transactions**

During the three months ended March 31, 2018 and 2017, the Company paid and/or accrued the following fees to management personnel and directors:

	March 31, 2018	March 31, 2017
Management	\$ 80,469	\$ -
Directors	65,000	-
	\$ 145,469	\$ -

During the three months ended March 31, 2018 the Company also had share based payments made to management and directors of \$1,129,484 (2017 - \$nil).

**Due to Related Parties**

As at March 31, 2018 and December 31, 2017, the Company has the follow amounts due to related parties:

	March 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	\$ 13,493	\$ -
Due to shareholders	-	138,700
	\$ 13,493	\$ 138,700

**22. Subsequent Event**

Subsequent to March 31, 2018, the Company granted 690,000 stock options exercisable at \$0.25 per share for a period of 5 years to certain directors, employees, and consultants of the Company. 25% of the stock options vest immediately and the balance vests equally every 6 months for 18 months.