# COIN HODL INC.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

# (EXPRESSED IN CANADIAN DOLLARS)

# (UNAUDITED)

**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of COIN Hodl Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

# COIN Hodl Inc. (formerly Malbex Resources Inc.)

**Condensed Interim Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | As at September 30, 2019 | As at December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **$ 2,538,826** | $ 1,688,252 |
| Receivables | **12,992** | 3,400 |
| Prepaid expenses | **23,597** | 47,612 |
| Investments (note 3) | **500,000** | 1,453,437 |
| **Total assets** | **$ 3,075,415** | $ 3,192,701 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 7) | **$ 95,134** | $ 74,548 |
| **Total liabilities** | **95,134** | 74,548 |
| **Equity** | | |
| Capital stock (note 4) | **34,360,252** | 34,360,252 |
| Contributed surplus | **12,184,109** | 12,184,109 |
| Deficit | **(43,564,080)** | (43,426,208) |
| **Total equity** | **2,980,281** | 3,118,153 |
| **Total liabilities and shareholders' equity** | **$ 3,075,415** | $ 3,192,701 |

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

Commitments (note 9)

**Approved on behalf of the Board:**

"Ben Cubitt", Director

"Justin Oliver", Director

## COIN Hodl Inc. (formerly Malbex Resources Inc.)
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Three months ended September 30, 2019 | Three months ended September 30, 2018 | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|---|---|
| Net change in unrealized loss on investments | **-** | 526,281 | **-** | 752,589 |
| | **-** | 526,281 | **-** | 752,589 |
| **Operating expenses** | | | | |
| General and administrative (note 8) | **51,925** | 98,463 | **162,190** | 335,280 |
| | **51,925** | 98,463 | **162,190** | 335,280 |
| Interest income | **(4,078)** | - | **(17,657)** | - |
| Foreign exchange gain | **-** | 4,198 | **-** | (18,003) |
| Gain on sale of investments | **-** | - | **(6,661)** | - |
| **Total comprehensive loss for the period** | **$ 47,847** | $ 628,942 | **$ 137,872** | $ 1,069,866 |
| **Basic and diluted net loss per share** (note 6) | **$ 0.00** | $ 0.04 | **$ 0.01** | $ 0.07 |
| **Weighted average number of common shares outstanding** | **14,654,730** | 14,654,730 | **14,654,730** | 14,654,730 |

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

## COIN Hodl Inc. (formerly Malbex Resources Inc.)
**Condensed Interim Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | **$ (137,872)** | $ (1,069,866) |
| Adjustments for: | | |
| Net change in unrealized loss on investments | **-** | 752,589 |
| Changes in non-cash working capital items: | | |
| Receivables | **(9,592)** | - |
| Prepaid expenses | **24,015** | (50,446) |
| Accounts payable and accrued liabilities | **20,586** | (9,833) |
| **Net cash used in operating activities** | **(102,863)** | (377,556) |
| **Investing activities** | | |
| Sale of investments | **953,437** | - |
| **Net cash provided by investing activities** | **953,437** | - |
| **Financing activities** | | |
| Purchase/sale of investments | **-** | (2,901,854) |
| **Net cash used in financing activities** | **-** | (2,901,854) |
| **Net change in cash and cash equivalents** | **850,574** | (3,279,410) |
| **Cash and cash equivalents, beginning of period** | **1,688,252** | 4,982,804 |
| **Cash and cash equivalents, end of period** | **$ 2,538,826** | $ 1,703,394 |

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

## COIN Hodl Inc. (formerly Malbex Resources Inc.)
**Condensed Interim Consolidated Statements of Changes in Equity**
**(Expressed in Canadian Dollars)**
**Unaudited**

| | Capital stock | Contributed surplus | Accumulated other comprehensive income | Deficit | Total |
|---|---|---|---|---|---|
| **Balance, December 31, 2017** | **$ 34,360,252** | **$ 12,184,109** | **$ -** | **$ (41,620,305)** | **$ 4,924,056** |
| Net loss for the period | - | - | - | (1,069,866) | (1,069,866) |
| **Balance, September 30, 2018** | **$ 34,360,252** | **$ 12,184,109** | **$ -** | **$ (42,690,171)** | **$ 3,854,190** |
| | | | | | |
| **Balance, December 31, 2018** | **$ 34,360,252** | **$ 12,184,109** | **$ -** | **$ (43,426,208)** | **$ 3,118,153** |
| Net loss for the period | - | - | - | (137,872) | (137,872) |
| **Balance, September 30, 2019** | **$ 34,360,252** | **$ 12,184,109** | **$ -** | **$ (43,564,080)** | **$ 2,980,281** |

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

## 1. Nature of operations

COIN Hodl Inc. (formerly Malbex Resources Inc.) and its subsidiaries (the "Company" or "COIN") is a Canadian based company. Malbex Resources Inc. was originally incorporated on April 7, 1998 under the laws of British Columbia and operated as Arapaho Capital Corp. ("Arapaho") until December 8, 2009. Effective December 8, 2009, Arapaho operated as Malbex Resources Inc. on a continuing basis under the laws of Ontario. On September 6, 2018, the Company changed its name to COIN Hodl Inc. COIN is a publicly listed company with common shares traded on the TSX Venture Exchange ("TSX-V"). The address of the Company's registered office is the Canadian Venture Building, 82 Richmond Street East, Suite 200, Toronto, Ontario, M5C 1P1.

The Company common shares are listed on the TSX-V as a Tier 2 Investment Issuer and trade on the TSX-V under the symbol "COIN".

## 2. Significant accounting policies

*Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of October 21, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

*New standards adopted*

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At January 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements as a result of the Company not having any leases.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

**2. Significant accounting policies (continued)**

(a) Leases and right-of-use assets (continued)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

**(Expressed in Canadian Dollars)**

## 3. Investments

| As at September 30, 2019 | Number | Cost | Market Value Adjustment | Fair Value |
|---|---|---|---|---|
| Abaxx Technologies Inc. | 1,250,000 | $ 500,000 | $ 0 | $ 500,000 |

The Company has elected to irrevocably designate its investments as FVTPL. Gains and losses in respect of these investments are recognized in net income or loss, as a net change in unrealized gain or loss on investments, in the condensed interim consolidated statements of loss and comprehensive loss.

**Fair value hierarchy**

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2019.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments | $ 0 | $ 0 | $ 500,000 | $ 500,000 |
| Cash | 2,538,826 | 0 | 0 | 2,538,826 |
| | **$ 2,538,826** | **$ -** | **$ 500,000** | **$ 3,038,826** |

During the three and nine months ended September 30, 2019, the Company divested all its digital currency assets and shifted the business focus to actively pursuing new investment opportunities outside the sectors of digital currency and block chain. The decision was made as a result of the Company's digital currency custodian, Goldmoney Wealth Limited, no longer offering custodial services. As a result of the liquidation, the Company received $961,288 and recorded a gain on sale of digital currencies of $6,661 in the statement of comprehensive loss for the three and nine months ended September 30, 2019.

## 4. Capital stock

a) Authorized share capital

Authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of preferred shares, issuable in series. All issued shares are fully paid. No dividends have been paid or declared by the Company since inception.

b) Common shares issued

| | Number of common shares | Amount |
|---|---|---|
| Balance, December 31, 2017, September 30, 2018, December 31, 2018 and September 30, 2019 | 14,654,730 | $ 34,360,252 |

**(Expressed in Canadian Dollars)**

## 5. Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the directors of the Company may, from time to time, at their discretion, grant to directors, officers, employees, advisors and consultants to the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issue under the Option Plan will not exceed 10% of the number of then outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms will be determined at the time of grant in accordance with the Option Plan.

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2017, and September 30, 2018 | 1,400,000 | $ 0.32 |
| Balance, December 31, 2018 and September 30, 2019 | 1,400,000 | $ 0.32 |

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

| Expiry date | Weighted average exercise price ($) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) |
|---|---|---|---|---|
| May 10, 2021 | 0.31 | 1.15 | 1,000,000 | 1,000,000 |
| May 3, 2022 | 0.33 | 0.74 | 400,000 | 400,000 |
| | 0.32 | 1.89 | 1,400,000 | 1,400,000 |

## 6. Loss per share

For the three and nine months ended September 30, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $47,847 and $137,872, respectively (three and nine months ended September 30, 2018 - $628,942 and $1,069,866, respectively) and the weighted average number of common shares outstanding of 14,654,730 (three and nine months ended September 30, 2018 - 14,654,730). Diluted loss per share did not include the effect of stock options as they are anti-dilutive.

## 7. Related party transactions

Related parties include key management being the Company's executive officers and the Board of Directors. The following related party transactions were conducted in the normal course of operations and were recorded at the exchange amount agreed to by the respective parties.

**(Expressed in Canadian Dollars)**

## 7. Related party transactions (continued)

(a) Compensation of key management personnel of the Company

In accordance with IAS 24, Related Party Disclosures ("IAS 24"), key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of key management personnel is determined by the Board of Directors having regard to the performance of individuals and market trends, was as follows:

| | Three months ended September 30, 2019 | Three months ended September 30, 2018 | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|---|---|
| Management fees | **$ 23,637** | $ 27,771 | **$ 74,823** | $ 74,042 |
| Director fees | **-** | - | **-** | 30,907 |
| | **$ 23,637** | $ 27,771 | **$ 74,823** | $ 104,949 |

(b) The Company received consulting services from Pickax International Corporation ("Pickax"), a company controlled by the former President and Chief Executive Officer ("CEO"). During the three and nine months ended September 30, 2019, the Company incurred $nil and $nil, respectively (three and nine months ended September 30, 2018 - $nil and $12,000, respectively) for CEO services.

(c) The Chief Financial Officer ("CFO") is a senior employee of Marrelli Support Services Inc. ("MSSI"), a firm also providing accounting services. During the three and nine months ended September 30, 2019 the Company incurred $10,942 and $36,119, respectively (three and nine months ended September 30, 2018 - $11,013 and $35,262) for CFO and accounting services rendered by MSSI. As at September 30, 2019, MSSI was owed $4,116 (December 31, 2018 - $12,000) and this amount was included in accounts payable and accrued liabilities.

(d) The Company received management services from Samara Capital Inc. ("Samara"), a company controlled by the CEO. During the three and nine months ended September 30, 2019, the Company incurred $12,694 and $38,704 (three and nine months ended September 30, 2018 - $16,768 and $26,780) for management services. As at September 30, 2019, Samara was owed $78,438 (December 31, 2018 - $39,734) and this amount was included in accounts payable and accrued liabilities.

## 8. General and administrative

| | Three months ended September 30, 2019 | Three months ended September 30, 2018 | Nine months ended September 30, 2019 | Nine months ended September 30, 2018 |
|---|---|---|---|---|
| Corporate expenses | **$ 13,161** | $ 33,794 | **$ 39,522** | $ 85,523 |
| Salaries and benefits (note 7) | **-** | - | **-** | 13,236 |
| Shareholder information | **4,920** | 22,187 | **19,578** | 54,484 |
| Professional fees (note 7) | **33,844** | 42,482 | **103,090** | 182,037 |
| | **$ 51,925** | $ 98,463 | **$ 162,190** | $ 335,280 |

## 9. Commitments

On May 29, 2018, the Company and Samara entered into the Management Services Agreement pursuant to which Samara will be appointed to manage the operations, business and affairs of the Company and to provide all necessary or advisable administrative services and facilities to carry out the merchant banking business of the Company for the Initial Term. The Management Services Agreement provides Samara with broad discretion, subject to certain limitations, to carry out the Investment Policy.

The Management Service Agreement will be in force for the Initial Term, expiring December 31, 2022, at which time (and from time to time thereafter) it will automatically renew for a period of one year. The Management Service Agreement can be terminated by: written agreement between the Company and Samara; by either party on notice before the end of the initial or a renewal term; by the Company in the event of a persistent or fundamental breach by Samara; by the Company after a change of control or sale of its business; by the Company should Ben Cubitt cease to be employed by Samara; by the Company upon an insolvency; or by Samara in the event of a change of control, material change in business, creation of a new class of shares, or a proposal to wind up the Company without Samara's prior consent.

Samara shall be entitled to the Management Fee, which shall be, initially, an annual fee equal to 2% of the Company's Net Asset Value. The Management Fee will be calculated and accrue quarterly (i.e., 0.5% of net asset value per quarter), payable within 30 days following the end of the quarter to which the payment is referable. At any time following the end of the Initial Term, the Board may elect to review and reset the Management Fee (the “Management Fee Review Election”).

Either party hereto may terminate this Agreement effective at the end of the Initial Term or current successive term, as applicable, by giving the other of them at least 180 days’ written notice prior to the expiry of such term, and, in the event of such termination by the Company, Samara shall be entitled to a cash payment upon termination of (i) all Management Fees payable to Samara up to and including the Termination Date, plus (ii) if the Termination Payout Condition has been satisfied, a lump sum equal to the Termination Payout.

The "Termination Payout" means two times (2x) the aggregate Management Fees accrued for the four most recently completed financial quarters of the Company preceding the Termination Date. "Termination Payout Condition" means the Company having raised a minimum of $10 million of new equity capital between the Commencement Date and the earlier of (i) the Termination Date, and (ii) the end of the Initial Term.

Samara may terminate this Agreement within 180 days following the occurrence of a Triggering Event by giving at least 90 days’ prior written notice to the Corporation of such termination, and, in the event of such a termination, Samara shall be entitled to a cash payment upon termination of (i) all Management Fees payable to Samara up to and including the Termination Date, plus (ii) a lump sum equal to that percentage of the Net Asset Value on the Termination Date that is equal to 0.1667% multiplied by the number of months remaining in the Initial Term or the current successive term, as applicable, as of the Termination Date, plus (iii) if the Termination Payout Condition has been satisfied, a lump sum equal to the Termination Payout;

**9. Commitments (continued)**

"Triggering Event" means any of the following events that occur without the prior written consent of Samara:

i) a Change of Control of the Company;
ii) during the Initial Term, a decision by the Board that results in a material change to the nature of the Business being carried out by the Company;
iii) during the Initial Term, a decision by the Board which is inconsistent with the Cryptocurrency and Block-Chain Investment Business and the delegation of duties to Samara as set forth in this Agreement;
iv) during the Initial Term, the issuance or creation of any new class of shares or securities convertible into a new class of shares of the Company that would not be subject to the terms of this Agreement; or
v) during the Initial Term, a decision by the Board or a proposal by the Board to the shareholders of the Company to wind-up the Company.

Either party may terminate this Agreement if after 45 days following the occurrence of a Management Fee Review Election, the parties have not agreed on the Management Fee for the remainder of the Initial Term, by giving at least 60 days' prior written notice to the other party of such termination, and, in the event of such a termination, Samara shall be entitled to a cash payment upon termination of (i) all Management Fees payable to Samara up to and including the Termination Date, plus (ii) a lump sum equal to 150% of the Management Fee paid for the last completed financial year.

During the three and nine months ended September 30, 2019, a Triggering Event occurred such that the Company has had a material change to the nature of the Business. Due to the liquidation of all digital currencies, and a shift in focus of the Company to now actively pursue new opportunities. Samara has not provided a notice of termination and as such the Master Service Agreement will continue.