

**FIRST COIN CAPITAL CORP.**

**Condensed Interim Financial Statements**

For the six-months and three-months ended June 30, 2018

(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

**First Coin Capital Corp.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian dollars)

	Notes	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 676,417	\$ 980,389
Accounts receivable	4	175,833	32,439
Prepaid expenses and security deposits		7,664	9,924
Digital assets	5	1,056,711	-
Total current assets		1,916,625	1,022,752
Loans receivable	6	437,657	248,966
Security deposits	13(b)	285,201	19,497
Capital assets	7	34,716	18,010
Intellectual property	8	1	1
Investments	9	45	-
		\$ 2,674,245	\$ 1,309,226
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	16(c)	\$ 451,343	\$ 122,855
Total current liabilities		451,343	122,855
Non-current liabilities			
Promissory note payable	10	841,684	-
Total liabilities		1,293,027	122,855
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	2,125,100	2,125,100
Contributed surplus	11	504,208	100,618
Deficit		(1,248,090)	(1,039,347)
Total shareholders' equity		1,381,218	1,186,371
		\$ 2,674,245	\$ 1,309,226

Commitments (Note 13)  
Subsequent events (Note 18)

Approved and authorized for issue by the Company's director on September 6, 2018.

*"signed"*

Frans Tjallingii

**First Coin Capital Corp.**  
**Condensed Interim Statements of Comprehensive Loss**  
 (Expressed in Canadian dollars)  
 (Unaudited - Prepared by Management)

	Notes	For the six months ended June 30, 2018	For the three months ended June 30, 2018
<b>Revenue</b>			
Advisory fees - fiat currency		\$ 363,333	\$ 278,830
Advisory fees - non-cash consideration		5,030,242	5,030,242
Unrealized loss on digital assets	5	(3,973,531)	(3,973,531)
		\$ 1,420,044	\$ 1,335,541
<b>Expenses</b>			
Accounting and audit		53,396	27,921
Depreciation		3,631	2,007
Legal fees		364,390	191,260
Marketing		33,569	8,808
Office and administration		40,441	25,485
Rent		95,462	67,993
Salaries and benefits	16	686,739	375,808
Stock based compensation		245,979	105,749
Technology services		7,613	4,613
Travel		110,159	68,113
Operating expenses		1,641,379	877,757
<b>(Loss) income from operations</b>		\$ (221,335)	\$ 457,784
<b>Other income (expenses)</b>			
Interest income	6	38,692	20,949
Interest expense	10	(12,894)	(12,894)
Foreign exchange loss		(12,496)	(12,488)
Loss on disposition of investment	9	(710)	(710)
<b>Net (loss) income and comprehensive (loss) income</b>		\$ (208,743)	\$ 452,641
<b>Net (loss) profit per share:</b>			
Basic		\$ (0.02)	\$ 0.04
Diluted		\$ (0.02)	0.04
<b>Weighted average number of shares outstanding - Basic and Diluted</b>			
Basic		12,175,000	12,175,000
Diluted		-	12,248,050

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

**First Coin Capital Corp.****Condensed Interim Statement of Changes in Shareholders' Equity**

(Expressed in Canadian dollars)

(Unaudited - Prepared by Management)

	Notes	Common Shares Issued		Contributed Surplus		Deficit	Shareholders' Equity
		Number	Amount Cnd\$	Cnd\$	Cnd\$	Cnd\$	Cnd\$
At incorporation, September 14, 2017	11(b)(i)	10,000,000	\$ 100	\$ -	\$ -	\$ -	\$ 100
Issued in exchange for intellectual property	8	253,750	\$ 253,750	\$ -	-	-	253,750
Private placement shares subscribed	11(b)(ii)	1,896,250	1,921,250	-	-	-	1,921,250
Share issue costs	11(b)(ii)	25,000	(50,000)	-	-	-	(50,000)
Stock based compensation	11(c)	-	-	100,618	-	-	100,618
Net loss for the period		-	-	-	(1,039,347)	(1,039,347)	(1,039,347)
Balance at December 31, 2017		12,175,000	\$ 2,125,100	\$ 100,618	\$ (1,039,347)	\$ (1,039,347)	\$ 1,186,371
Stock based compensation		-	-	245,979	-	-	245,979
Capital contribution from Galaxy Digital LP	10	-	-	157,611	-	-	157,611
Net loss for the period		-	-	-	(208,743)	(208,743)	(208,743)
Balance at June 30, 2018		12,200,000	\$ 2,125,100	\$ 504,208	\$ (1,248,090)	\$ (1,248,090)	\$ 1,381,218

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

**First Coin Capital Corp.**  
**Condensed Interim Statement of Cash Flows**  
(Expressed in Canadian dollars)  
(Unaudited - Prepared by Management)

	Notes	Six months ended June 30, 2018
Cash provided by (used in):		
Operating activities		
Net loss		\$ (208,743)
Items not affecting cash:		
Accretion and interest income on loan to First Block	6	(38,692)
Depreciation		3,631
Accretion expense and interest accrual on promissory note	10	12,894
Non-cash consideration received as revenue		(5,030,242)
Unrealized loss on digital assets	5	3,973,531
Stock based compensation		245,979
Write-down investment	9	710
Change in non-cash operating working capital		
Accounts receivable		(143,394)
Security deposits		(265,704)
Prepaid expenses		2,260
Accounts payable and accrued liabilities		328,489
Cash flow used in operating activities		\$ (1,119,281)
Investing activities		
Purchase of capital assets		\$ (20,337)
Investments		(755)
Cash flow used in investing activities		\$ (21,092)
Financing activities		
Repayment of loan to First Block Capital Inc.	6	\$ 100,000
Proceeds from Galaxy Digital promissory note	10	986,401
Issuance of promissory note to iPowow	6	(250,000)
Cash flow from financing activities		\$ 836,401
<hr/>		
Decrease in cash		\$ (303,972)
Cash, beginning of period		\$ 980,389
Cash and cash equivalents, end of period		\$ 676,417

Supplemental disclosure with respect to cash flows (Note 17)

## **First Coin Capital Corp.**

Notes to the Condensed Interim Financial Statements  
For the six-month and three-month periods ended June 30, 2018  
(Expressed in Canadian dollars - Unaudited)

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### **1. Nature of business**

First Coin Capital Corp. (the “Company” or “First Coin”) was incorporated under the Business Corporations Act (British Columbia) on September 14, 2017. The head office and principal address of the Company is Suite 400 – 208 Robson Street, Vancouver, BC, V6B 6A1. The Company’s registered and records office address is Unit 2 – 683 Dease Road, Kelowna, BC, V1X 4A4.

First Coin is a technology services company engaged in the business of helping established companies access the emerging digital currency asset class. It does so by assisting companies to issue tokens or coins (“digital assets”) that will trade against other cryptocurrencies or against fiat currencies. These digital assets are intended for use within a client company's business ecosystem and to help fund the expansion of their businesses. First Coin provides technical, analytical, legal compliance and marketing services to develop successful Initial Coin Offerings (“ICO’s”) and other digital asset generation events.

On February 14, 2018, the Company entered into an Arrangement Agreement (the Arrangement) with Bradmer Pharmaceuticals Inc. (Bradmer) and Galaxy Digital LP to combine their respective assets and businesses by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario), effective July 31, 2018. Bradmer is a company listed on the NEX Board of the TSX Venture Exchange and Galaxy Digital LP is a newly formed New York limited partnership.

The plan of arrangement was completed by way of a reverse takeover of Bradmer by Galaxy Digital LP, with First Coin shareholders holding 1.8% of the continuing entity, Galaxy Digital Holdings LP (Galaxy Digital). Following the transaction, on August 1, 2018, Galaxy Digital became listed on the TSX-V under the trading symbol GLXY. The First Coin business will continue as a subsidiary of Galaxy Digital. This transaction is further described in Note 18.

These condensed interim financial statements are prepared using International Financial Reporting Standards that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

## **First Coin Capital Corp.**

Notes to the Condensed Interim Financial Statements  
For the six-month and three-month periods ended June 30, 2018  
(Expressed in Canadian dollars - Unaudited)

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### **1. Nature of business (continued)**

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported loss and the balance sheet classifications used, and such adjustments would be material. As at June 30, 2018, the Company had not yet achieved profitable operations and has an accumulated deficit of \$1,248,090 since its inception. However, pursuant to the Arrangement, the Company together with Galaxy Digital and Bradmer completed a private placement of approximately \$305 million.

On May 14, 2018, Galaxy Digital LP advanced U.S. \$750,000 to the Company (Note 10), to enable the Company to execute on its business plan. Management is of the opinion the Company's ability to continue as a going concern is dependent upon its ability to achieve profitable operations and obtain continued financial support from its parent company, Galaxy Digital, effective August 1, 2018.

### **2. Basis of Presentation**

#### **(a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, using the same accounting policies and methods of application as the audited financial statements from the period from incorporation at September 14, 2017 to December 31, 2017 of the Company, except for the new IFRS policies adopted as at January 1, 2018 (Note 3) which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). Certain information and note disclosure have been omitted or condensed.

These condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the period from incorporation at September 14, 2017 to December 31, 2017. No comparative information has been included for the June 30, 2018 statement of comprehensive loss and statement of cash flows as the Company was incorporated September 14, 2017.

These condensed interim financial statements were approved by the Company's Director on September 6, 2018.

## **First Coin Capital Corp.**

Notes to the Condensed Interim Financial Statements  
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### **2. Basis of Presentation (continued)**

#### **(b) Use of estimates and judgements**

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. All amounts in the condensed interim financial statements are presented in Canadian dollars which is the functional currency of the Company.

The preparation of these condensed interim financial statements in accordance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for recording and valuation of digital assets. Management has exercised significant judgement in determining appropriate accounting treatment for the recognition and valuation of digital assets. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

## **First Coin Capital Corp.**

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### **2. Basis of Presentation (continued)**

#### (b) Use of estimates and judgements (continued)

##### *Digital assets - accounting*

There is limited guidance on the recognition and measurement of digital assets. The Company receives digital assets as additional consideration for advisory services performed. This is a core component of the Company's business and revenue model. The Company concluded that its digital assets should be accounted for as inventories under IAS 2 as the Company intends to actively trade the digital assets in the Company's ordinary course of business. Digital assets are recorded at cost upon initial recognition, and subsequently measured at lower of cost and net realizable value, less costs to sell, consistent with IAS 2.

Cost for newly created digital assets, such as the RightMesh tokens (Note 5), is based on the price set by the issuer at the "initial coin offering" event. Subsequent assessments of net realizable value are determined by an average spot rate of the most liquid digital currency exchanges trading the assets and any write-down to net realizable value is recorded in the statement of comprehensive income.

##### *Digital assets – valuation*

Active markets exist for digital assets such as Bitcoin, Ethereum and Litecoin, enabling these cryptocurrencies to be valued based upon quoted prices (less costs to sell). The Company's digital asset, RightMesh tokens, were not actively traded from the tokens' inception at May 15, 2018 to the June 30, 2018 reporting date. The net realizable value of the tokens is based on the quoted market price provided by coingecko.com, a cryptocurrency ranking and evaluation site that breaks down quantitative and qualitative data for a number of different cryptocurrencies.

The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

##### *Loan from Galaxy Digital LP*

The assessment of the initial fair value of the loan from Galaxy Digital LP requires management to consider available information about the interest rate applicable if the loan were received from a third party.

## **First Coin Capital Corp.**

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### **3. Adoption of New IFRS Pronouncements**

The Company adopted the new IFRS pronouncements listed below as at January 1, 2018, in accordance with the transitional provisions outlined in the respective standards described below.

#### *IFRS 9 – Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued, which adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (1) fair value through profit and loss, (2) fair value through comprehensive income and (3) amortized cost. Measurement and classification of financial assets is dependent on the entities business model for managing financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements.

The Company has assessed the classification and measurement of its financial instruments and deemed the expected credit loss of its financial assets to be insignificant. As such, the implementation of IFRS 9 did not have a material impact on the condensed interim financial statements.

#### *IFRS 15 – Revenue*

In May 2014 the IASB approved IFRS 15, Revenue from Contracts with Customers, which specifies how and when entities recognize revenue, as well as requires entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions, for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

## **First Coin Capital Corp.**

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### **3. Adoption of New IFRS Pronouncements (continued)**

#### *IFRS 15 – Revenue (continued)*

Application of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. The Company has reviewed the implications of the adoption of IFRS 15 against its customer contracts and concluded the timing and amount of revenue recognized by the Company did not change from the adoption of IFRS 15.

The Company recognizes revenue from the provision of advisory services in connection with ICO's. Consideration received by the Company consists of advisory fees and token fees.

Advisory fee revenues paid in fiat currency are recognized consistent with the status of the completion of the delivery of the services stated in the contract and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Token fee revenues are recognized with the status of completion of contract deliverables at the reporting date. The majority of token fees are earned upon go-live of the token event. Tokens are recorded on the statement of financial position as digital assets at their cost and then at lower of cost and net realizable value.

#### Standards issued or amended but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for financial years beginning January 1, 2018 and have not been applied in preparing these condensed interim financial statements. The new standard is as follows:

#### *IFRS 16 Leases*

IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. The new standard eliminates the classification of leases as either operating or finance leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Management is currently reviewing the impact that adoption of the new standard will have on the Company's financial statements.

## First Coin Capital Corp.

Notes to the Condensed Interim Financial Statements  
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### 4. Accounts receivable

	June 30, 2018	December 31, 2017
Trade receivable	\$132,098	\$10,500
GST recoverable	43,735	13,118
Due from First Block Capital Inc. (Note 16(c))	-	8,821
	<u>\$175,833</u>	<u>\$32,439</u>

### 5. Digital assets

As at June 30, 2018, the Company had one digital asset type, consisting of RightMesh (“RMESH”) tokens, a cryptocurrency denominated asset, built upon the Ethereum blockchain. The RightMesh tokens give the holder the right to use data services on a mobile, wireless mesh network, a type of network that is different from infrastructure networks from a technological perspective.

In connection with advisory services provided during the six-months ended June 30, 2018, the Company received both fiat currency and digital assets as consideration for the services performed. The Company received 3,884,957 RightMesh tokens at the May 31, 2018 token generation event as additional consideration for advisory services provided to RightMesh AG. The tokens were recorded at their cost to third parties of US\$1.00 per token for total consideration to the Company of \$5,030,242 (US\$3,884,957) at issuance.

The RMESH tokens are for use with a technology that has yet to receive wide adoption. As at the date of financial statement approval, the tokens are listed on four exchanges but have been thinly traded since the ICO May 31, 2018. The Company recorded a loss on revaluation of \$3,973,531 to reflect the net realizable value of the tokens at June 30, 2018. The net realizable value of the RMESH tokens is based on the quoted market price less costs to sell. The quoted market price is provided by coingecko.com, a cryptocurrency ranking and evaluation site that breaks down quantitative and qualitative data for a number of different cryptocurrencies. Costs to sell are transaction fees charged by the exchange and do not have a material impact on the net realizable value.

## **First Coin Capital Corp.**

Notes to the Condensed Interim Financial Statements  
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### **6. Loans receivable**

#### **(a) Loan to First Block Capital Inc.**

Pursuant to a promissory note dated November 30, 2017, the Company loaned \$350,000 to First Block Capital Inc., a related party (Note 16(c)), for 24 months. The loan is unsecured, bears interest at 5% compounded annually, and is repayable in full plus interest on its maturity date of November 30, 2019. The loan was initially recorded at its estimated fair value using a presumed market interest rate of 20% to reflect the risk profile attached to the loan.

During the six-months ended June 30, 2018, First Block Capital Inc. repaid \$100,000 towards the loan. At June 30, 2018 the loan is carried at \$184,452 (December 31, 2017 - \$248,966), which is valued at its amortized cost using the effective interest method plus interest accrued.

#### **(b) Loan to IPowow**

Pursuant to a promissory note dated May 23, 2018, the Company loaned \$250,000 to IPowow International Corporation, an arm's length party. The loan plus accrued interest is repayable on the earlier of May 21, 2020 or an event of default. The loan is secured by a general security agreement dated May 23, 2018. The loan bears interest at 12% per annum, payable quarterly. If IPowow is unable to repay the quarterly interest out of its cash flow, interest will accrue at 14% per annum. If IPowow has an event of default, interest will be calculated at 16% per annum. As at June 30, 2018, the loan had a carrying value of \$253,205 and was in good standing.

## First Coin Capital Corp.

Notes to the Condensed Interim Financial Statements  
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### 7. Capital assets

	Computer equipment	Furniture and fixtures	Total
<b>Cost:</b>			
Balance, at incorporation	\$ -	\$ -	\$ -
Additions	18,181	-	18,181
Balance, December 31, 2017	\$ 18,181	\$ -	\$ 18,181
Additions	9,971	10,366	20,337
Balance, June 30, 2018	\$ 28,152	\$ 10,366	\$ 38,518
<b>Accumulated depreciation:</b>			
Balance, at incorporation	\$ -	\$ -	\$ -
Depreciation for the period	\$ (171)	\$ -	\$ (171)
Balance, December 31, 2017	\$ (171)	\$ -	\$ (171)
Depreciation for the period	(3,500)	131	(3,631)
Balance, June 30, 2018	\$ (3,671)	\$ (131)	\$ (3,802)
<b>Net book value</b>			
December 31, 2017	\$18,010	-	\$18,010
June 30, 2018	\$ 24,481	\$ 10,235	\$ 34,716

### 8. Intellectual property

On September 22, 2017, the Company acquired intellectual property from Data Chain Records Inc. ("DCR") in exchange for First Coin providing investors in DCR the opportunity to (i) convert their investment in DCR to an investment in First Coin or (ii) receive cash equal to their original investment in DCR. The transaction was recorded at \$272,500 to reflect the value of common shares subscribed and cash payable to acquire the intellectual property. Given the status of development of the intellectual property, the future economic benefit of the asset is indeterminable. Therefore, the company recorded a loss of \$272,499 on acquisition of the intellectual property during the period ended December 31, 2017.

The intellectual property is carried on the statement of financial position at a nominal amount of \$1 (December 31, 2017 - \$1).

## **First Coin Capital Corp.**

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### **9. Investments**

(a) IPowow International Corp.

During the six-months ended June 30, 2018, the Company acquired a 1.1% interest in IPowow International Corp. for consideration of \$45. Management has assessed the fair value to be equivalent to the carrying value.

(b) NFCD Exchange Inc.

During the six-months ended June 30, 2018, the Company acquired a 35% interest in a newly formed entity, NFCD Exchange Inc. ("NFCD") for consideration of \$710. Founders and employees of the Company hold a further 21% of NFCD. On May 6, 2018, the Company surrendered its shares in NFCD.

### **10. Loan from Galaxy**

Pursuant to a promissory note dated May 14, 2018, Galaxy Digital LP, a Cayman Islands limited partnership party to the Arrangement (Note 1), loaned US\$750,000 to the Company. The loan bears simple interest at a rate of 5% per annum payable at maturity. The loan will mature on May 18, 2020 but will be payable within fifteen days if the Company completes an equity or debt financing greater than US\$5.0 million.

The loan was initially recorded at its estimated fair value of \$804,211 (US\$626,874) using a presumed market interest rate of 18% to reflect the risk profile of the Company as a relatively new entity with little credit history obtaining an unsecured loan.

At June 30, 2018 the loan is carried at \$841,684 (US\$636,707, which is valued at its amortized cost using the effective interest method plus interest accrued.

Subsequent to June 30, 2018, the Arrangement was completed, at which time the note became non-interest bearing and non-repayable.

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### 11. Share capital

#### (a) Authorized share capital

The authorized capital of the company consists of unlimited common shares without par value.

#### (b) Common shares issued

	Note	Shares	Amount \$
Issued at incorporation	(i)	10,000,000	100
Acquisition of intellectual property	8	253,750	253,750
Private placement	(ii)	1,896,250	1,921,250
Share issue costs in connection with private placement	(ii)	25,000	(50,000)
Balance December 31, 2017 and June 30, 2018		12,175,000	\$2,125,100

#### (i) Founders' shares

On incorporation, the Corporation issued 10,000,000 common shares for nominal cash value of \$100 to the Founders of First Coin, of which 7,500,000 shares were placed in escrow. The shares will be released from escrow over the applicable vesting period at a straight-line daily rate in accordance with the Founders' Share Vesting Agreements. The shares will be fully released from escrow as follows:

- 6,000,000 over the 24-month period September 14, 2017 to September 13, 2019
- 1,500,000 over the 36-month period September 14, 2017 to September 13, 2020.

The status of the escrowed shares is as follows:

Founders shares placed in escrow at incorporation, September 14, 2017	7,500,000
Released in accordance with vesting schedule	(1,034,616)
Shares held in escrow, December 31, 2017	6,464,384
Released in accordance with vesting schedule	(934,932)
Shares held in escrow, June 30, 2018	4,604,795

Of the shares held in escrow at June 30, 2018, 1,584,247 shares immediately vested on July 31, 2018 upon completion of the transaction described in Note 1.

## First Coin Capital Corp.

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### 11. Share capital (continued)

#### *(ii) Private placement*

During the period ended December 31, 2017, the Company raised gross proceeds of \$1,896,250 by way of a private placement where 1,896,250 common shares were subscribed for at a price of \$1.00 per common share. The shares were issued on October 17, 2017.

A finder's fee of 25,000 common shares at a fair value of \$1.00 per common share and a cash fee of \$25,000 were incurred in connection with the private placement. Share issue costs of \$50,000 consist of a cash fee of \$25,000 and non-cash fee of \$25,000.

During the six-months ended June 30, 2018, there was no share capital activity.

#### *(c) Employee stock option plan*

The Company has an incentive stock option plan (the Plan), which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the terms and conditions of the Plan, grant to qualified directors, officers, employees, consultants and contractors, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. The purpose of the Plan is to incentivize such individuals to contribute toward the long-term goals of the Company.

The options vest on a cumulative basis over a three-year period from the date of grant with 8.333% of the options vesting on each three-month anniversary of the grant date. The table below summarizes stock options issued and outstanding for the period from incorporation at September 14, 2017 to June 30, 2018. All options have an exercise price of \$1.00 per share.

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	Number of Options
Balance, December 31, 2017	645,275
Stock options granted	73,050
<b>Balance, June 30, 2018</b>	<b>718,325</b>

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## First Coin Capital Corp.

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### 11. Share capital (continued)

(c) Employee stock option plan (continued)

As at June 30, 2018, the following stock options are outstanding and exercisable:

Number of Options		
Outstanding	Exercisable	Expiry Date
487,000	40,582	November 3, 2022
97,400	8,116	November 14, 2022
60,875	5,073	November 27, 2022
73,050	6,087	January 22, 2023
<b>718,325</b>	<b>59,858</b>	

During the period ended June 30, 2018, the Company recorded a share-based payment of \$245,979 for stock options granted and vested. All stock options have an exercise price of \$1.00 per option and vesting as described above. The stock options were valued using the Black-Scholes option pricing model with the following assumptions at the date of grant:

- During the period ended December 31, 2017 the Company granted 645,275 stock options with a term of 5 years, expected volatility of 190%, risk-free annual interest rate of 1.62%, expected annual dividend yield of \$nil and expected life of 3 years. The stock options were valued at \$624,454 in total, of which \$218,524 is included in operating expenses for the six-month period ended June 30, 2018
- During the six-month period ended June 30, 2018 the Company granted 73,050 stock options with a term of 5 years, expected volatility of 186%, risk-free annual interest rate of 2.03%, expected annual dividend yield of \$nil and expected life of 3 years. The stock options were valued at \$70,463 in total, of which \$27,455 is included in operating expenses for the six-month period ended June 30, 2018.

## **First Coin Capital Corp.**

Notes to the Condensed Interim Financial Statements

For the six-month and three-month periods ended June 30, 2018

(Expressed in Canadian dollars - Unaudited)

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### **12. Capital management**

The Company is in a start-up phase and considers items included in shareholders' equity as capital. The Company's capital management objectives are to maintain its ability to continue as a going concern and support its ongoing operations such that it can provide returns to shareholders and benefits to other stakeholders.

The Company manages its capital structure and adjustments it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company does not expect to enter into debt financing arrangements. The Company is not subject to externally imposed capital requirements. In the management of capital, the company defines capital that it manages as the aggregate of its equity of \$1,381,218 as at June 30, 2018.

### **13. Commitments**

#### **(a) Severance obligation**

Employment agreements, including a provision for severance pay, are in place for three of the Company's founders. If the individuals are terminated without cause or due to a change in control, the Company incurs the following obligations, based on salaries at June 30, 2018:

- Terminated without cause – obligation ranging from \$30,000 to \$135,000 in total; or
- Terminated due to a change of control - obligation ranging from \$60,000 to \$270,000 in total.

## First Coin Capital Corp.

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### 13. Commitments (continued)

#### (b) Office lease

Effective April 1, 2018, the Company entered into a sub-lease for permanent office premises at #400 – 208 Robson Street, Vancouver, BC, V6B 6A1 at a monthly cost of \$23,798 for basic rent plus the Company's share of operating costs and property taxes. The lease expires September 29, 2020. As at June 30, 2018, aggregate future minimum annual lease payments for the term of the lease will be as follows:

Year ending:	
2018	\$203,980
2019	279,532
2020	<u>215,318</u>
	<u>\$698,830</u>

A security deposit of \$285,201 was paid to the landlord at the commencement of the lease at April 2018 and will be applied against gross rent for the last twelve months of the lease, from October 1, 2019 to September 29, 2020.

### 14. Investment tax credits and government assistance

Salaries and benefits for the six-months ended June 30, 2018 are recorded net of \$17,816 received from the Government of Canada in connection with the Industrial Research Assistance Program. The Company was approved for the program to cover salary costs up to a maximum of \$20,000 for the period January 2, to June 30, 2018.

Subsequent to June 30, 2018, the Company received amounts totaling \$61,760 in connection with the Government of Canada's Scientific Research and Experimental Development (SR&ED) program for work performed by the Company during the period from incorporation at September 14, 2017 to change of control at February 13, 2018.

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### **15. Financial instruments, digital assets and risk management**

#### **(a) Fair value of financial instruments**

The fair values of financial instruments were measured using the cost, market or income approaches. The financial instruments were recorded at fair value on the statement of financial position based on their classification using a fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

In evaluating fair value information, considerable judgement is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts.

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, loans receivable, investments, accounts payable and accrued liabilities and a promissory note payable. The carrying values of the Company's financial instruments approximate their fair values as at June 30, 2018 due to their short-term nature, except for the loan receivable from First Block Capital Inc., the loan payable to Galaxy Digital LP and the investment in IPowow. The loan receivable from First Block Capital Inc. and the loan payable to Galaxy Digital LP are both valued at their amortized cost using the effective interest method plus interest accrued. The investment in IPowow, a private company with less than ten shareholders, is valued using Level 3 inputs. The fair value was determined using IPowow's most recent financial information whereby management assessed the net asset value per share of IPowow. Based on management's assessment, the fair value approximates the subscription price paid by the Company to acquire its investment in IPowow.

## **First Coin Capital Corp.**

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### **15. Financial instruments, digital assets and risk management (continued)**

#### **(b) Financial instruments risk**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

##### **(i) Credit Risk**

Financial instruments that potentially expose the Company to a concentration of credit risk consist of cash and cash equivalents, accounts receivables and the loans receivable; the carrying amount of these items represents the maximum credit exposure of the Company.

The risk for cash and cash equivalents is mitigated by placing it with a high credit quality financial institution. Accounts receivable consist of trade accounts receivable and other receivables.

Credit risk from the loan receivable balances arise from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships with the principals of the entities the Company has loaned funds to.

##### **(ii) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising additional funding through external financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

## **First Coin Capital Corp.**

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### **15. Financial instruments, digital assets and risk management (continued)**

#### **(iii) Foreign Exchange Rate Risk**

As some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar, the Company is exposed to foreign exchange rate risk. The Company held cash and accounts receivable in U.S. dollars at June 30, 2018, resulting in a net US dollar exposure of \$358,000 (December 31, 2017 - \$9,800). With other variables unchanged, a 10% weakening of the Canadian dollar against the U.S. dollar would result in a reduction in other comprehensive loss of approximately \$47,000 from the translation of our foreign activities. The inverse effect would result if the Canadian dollar strengthened by 10% against the U.S. dollar.

At June 30, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates as its U.S. dollar bank account is a natural hedge against the short term note payable.

#### **(iv) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's loan receivable has a fixed rate of interest and therefore exposes the Company to a limited interest rate fair value risk.

#### **(v) Digital Asset Valuation Risk**

Digital assets are measured at net realizable value. Digital asset net realizable values are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The Company may not be able to liquidate its inventory of digital assets at its desired price if necessary. A decline in the market price of its digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital assets. Digital assets have a limited history and the net realizable value historically has been very volatile.

As of June 30, 2018, management's estimate of the effect on the Company's net income of a +/- 10% change in the market prices of the Company's digital assets, with all other variables held constant, would be +/- \$397,000.

## First Coin Capital Corp.

Notes to the Condensed Interim Financial Statements  
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### 16. Related party transactions

Payments to related parties were made in the normal course of operations and are measured at exchange value. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

#### (a) Goods and Services

The Company incurred the following transaction with a related party:

Description	Six-months ended June 30, 2018	Three-months ended June 30, 2018
• Financial consulting fees paid to the CFO of the Company	\$23,000	\$11,500

#### (b) Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team. The comprehensive loss for the six-months ended June 30, 2018 includes \$333,424 paid or accrued to key management as compensation expense and stock-based compensation, of which \$113,772 was paid to the CEO and the CFO.

#### (c) Related party balances

The following related party amounts were included in (i) accounts receivable and (ii) accounts payable and accrued liabilities:

	June 30, 2018	December 31, 2017
(i) (Payable to) receivable from First Block Capital, a company with two minority shareholders who are also directors, co-founders and shareholders of the Company	\$(11,203)	\$8,821
(ii) Payable to the CFO	\$ nil	\$4,725

## **First Coin Capital Corp.**

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### **16. Related party transactions (continued)**

#### (c) Related party balances (continued)

As described in Note 6a, the Company loaned \$350,000 to First Block Capital Inc., a company where two shareholders with significant influence over First Block Capital Inc. are also directors, co-founders and shareholders of First Coin Capital Corp. The balance payable to the Company at June 30, 2018, including interest is \$184,452 (December 31, 2017 - \$351,454).

### **17. Supplemental disclosure with respect to cash flows**

The significant non-cash investing and financing activities during the six-month period ended June 30, 2018 consisted of:

- a. Receipt of digital tokens as consideration for advisory services performed by the Company as described in Note 5, recorded at the initial coin offering price of \$5,030,242.
- b. Write-down of the digital tokens of \$3,973,531 to reflect mark to market adjustment at June 30, 2018.

### **18. Subsequent events**

On July 31, 2018, in connection with the Arrangement (Note 1), Sean Clark and Marc van der Chijs, resigned as directors of the Company.

On August 1, 2018, Galaxy Digital became listed on the TSX-V and First Coin continued as a subsidiary of Galaxy Digital (Note 1).

Subsequent to June 30, 2018, the fair value of the Company's digital assets declined to US\$0.06 per token as at September 6, 2018.