Valour Structured Products, Inc.

Audited Financial Statements

For the period from 18 June 2019 (date of incorporation) to 31 October 2019

Contents

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Independent Auditor's Report

To the Directors
Valour Structured Products, Inc.

Opinion

We have audited the financial statements of Valour Structured Products, Inc. (the "Company"), which comprise the statement of financial position as at 31 October 2019, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 18 June 2019 (date of incorporation) to 31 October 2019, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 October 2019, and its financial performance for the period from 18 June 2019 (date of incorporation) to 31 October 2019 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor’s responsibilities for the audit of the financial statements is located at RSM Cayman Ltd.’s website at: www.rsm.ky. This description forms part of our auditor’s report.

RSM Cayman LTD.

Grand Cayman, Cayman Islands
12 December 2019

Valour Structured Products, Inc.

Statement of Financial Position
31 October 2019

	Notes	31 October 2019
Assets		
Current assets		
Cash and cash equivalents	3	$ 111,975
Total current assets		111,975
Non-current assets		
Intangible assets	4	1,407,571
Total non-current assets		1,407,571
Total Assets		1,519,546
Liabilities		
Current liabilities		
In-kind subscriptions received in advance		1,517,814
Trade and other payables		21,338
Total current liabilities		1,539,152
Total liabilities		1,539,152
Net liabilities		$ (19,606)
Equity		
Share capital	5	1
Retained deficit		(19,607)
Total equity		$ (19,606)

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

Valour Structured Products, Inc.

Statement of Profit or Loss and Other Comprehensive Income
For the period from 18 June 2019 (date of incorporation) to 31 October 2019

		18 June 2019 to 31 October 2019
Expenses		
Salaries	$	(14,696)
Rent		(642)
Professional fees		(6,000)
Loss on intangible asset disposal		(42)
Net foreign exchange gains		1,773
Total expenses		(19,607)
Total loss for the period being total comprehensive loss for the period	$	(19,607)

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

Valour Structured Products, Inc.

Statement of Changes in Equity
For the period from 18 June 2019 (date of incorporation) to 31 October 2019

	Share Capital	*Retained Deficit*	*Total Equity*
Balance at 18 June 2019 (date of incorporation)	$ -	$ -	$ -
Total comprehensive loss for the period	-	(19,607)	(19,607)
Share issued during the period	1	-	1
Balance at 31 October 2019	$ 1	$ (19,607)	$ (19,606)

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

Valour Structured Products, Inc.

Statement of Cash Flows
For the period from 18 June 2019 (date of incorporation) to 31 October 2019

	18 June 2019 to 31 October 2019
Cash flows from operating activities	
Comprehensive loss for the period	$ (19,607)
Adjustments to reconcile to net cash provided by operating activities	
Increase in trade and other payables	21,338
Net cash provided by operating activities	1,731
Cash flows from investing activities	
Proceeds from disposal of intangible assets	110,201
Loss on disposal of intangible assets	42
Net cash provided by investing activities	110,243
Cash flows from financing activities	
Issuance of shares	1
Net cash provided by financing activities	1
Net increase in cash and cash equivalents	111,975
Cash and cash equivalents - Beginning of period	-
Cash and cash equivalents - End of period	$ 111,975
Non-cash transactions:	
In-kind subscriptions received in advance	$ 1,517,814

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

Note 1. General Information

Valour Structured Products, Inc. (the "Company") was incorporated on 18 June 2019 under the Companies Law of the Cayman Islands as an exempted company with limited liability. The Company's intended operations consist of being an issuer of exchange traded certificates linked to various digital currencies and the hedging thereof.

The Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands.

Note 2. Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. IFRS that are not relevant to the Company have not been disclosed.

The financial statements are presented in United States dollars ("$"), which reflects the currency in which principally all of the Company's transactions occur.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the year when the revision is made.

Going concern

The Company has received in-kind subscriptions in advance of $1,517,814. Subsequent to the period ended 31 October 2019, the share capital has been fully issued and the Company no longer has net liabilities. The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

Adoption of relevant new and revised standards, amendments and interpretations effective during the initial period:

Holding of cryptocurrencies
In 2019, the IFRS Interpretations Committee ("Committee") published a tentative agenda decision: Holding of Cryptocurrencies – Agenda Paper 12 ("Agenda Paper"), which clarifies how to apply the holdings of cryptocurrencies' classification, recognition and measurement within issued IFRS Standards. The Agenda Paper addressed the following key areas:

Classification

a. A cryptocurrency (hereafter referred as cryptocurrency or digital currency) is a digital or virtual currency that is recorded on a distributed ledger and uses cryptography.
b. A cryptocurrency is not issued by a jurisdictional authority or other party.
c. A holding of a cryptocurrency does not give rise to a contract between the holder and another party.

Note 2. Significant Accounting Policies (continued)

Adoption of relevant new and revised standards, amendments and interpretations effective during the initial period (continued):

The Committee observed that a holding of cryptocurrency meets the definition of an (1) intangible asset in IAS 38 on the grounds that (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency; or (2) in certain circumstances, inventory in accordance with IAS 2.

Recognition and measurement
An intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under IAS 38, fair value shall be measured by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value. If an entity measures its holding in cryptocurrencies at fair value, IFRS 13 Fair Value Measurement specifies applicable disclosure requirements.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Impairment
Under IAS 38, an intangible asset with an indefinite useful life shall not be amortised. In accordance with IAS 36, an entity is required to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount (a) annually, and (b) whenever there is an indication that an intangible asset may be impaired.

If an intangible asset's carrying amount is decreased as result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that is reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Disclosure
An entity applies the disclosure requirements in the IFRS Standard applicable to its holding of cryptocurrencies. Accordingly, an entity applies the disclosure requirements in IAS 38 for holdings of cryptocurrencies. If an entity measures its holding in cryptocurrencies at fair value, IFRS 13 Fair Value Measurement specifies applicable disclosure requirements. The Committee also noted that, in applying IAS 1 Presentation of Financial Statements, an entity should disclose judgements that its management has made regarding its accounting for holdings of cryptocurrencies if those are part of the judgements that had the most significant effect on the amounts recognised in the financial statements.

Note 2. Significant Accounting Policies (continued)

Adoption of relevant new and revised standards, amendments and interpretations effective during the initial period (continued):

Implementation
The Company has evaluated the impact of the Agenda Paper for the initial period presented in these financial statements and has determined that cryptocurrencies with an active market should be classified as intangible assets and measured at fair value through other comprehensive income. In accordance with IAS 36, intangible assets that have an indefinite useful life are not subject to amortisation but are revalued annually, or more frequently if events or changes in circumstances indicate they might be impaired.

Accounting policies

The principal accounting policies which have been consistently applied to the period presented, unless otherwise stated, are as follows:

Critical accounting estimates and assumptions: The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period; while management believes that the amounts included in the financial statements reflect the Company's best estimates and assumptions, actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents includes deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables: Trade receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Financial instruments: At the initial recognition of financial instruments, the Company must classify financial assets into the following categories: at fair value through profit or loss, amortised cost and fair value through other comprehensive income. The Company must classify financial liabilities into the following categories: designated at fair value through profit or loss and at amortised cost.

Financial instruments are classified according to their nature and use by the Company at the time of initial recognition. Financial instruments carried in the statement of financial position include loans to related parties. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

From 18 June 2019 (date of incorporation), the Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Note 2. Significant Accounting Policies (continued)

Accounting policies (continued)

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Fair value is based on active quoted market rates (bid for assets/ask for liabilities) prices. If there is no active market, fair value is based on prevailing market prices for instruments with similar characteristics and risk profiles or internal or external valuation models using observable market-based inputs. Fair value could be based on valuation models using unobservable inputs that are supported by little or no market activity.

Fair value measurement hierarchy: In accordance with IFRS 7, "Financial Instruments: Disclosures", financial instruments measured at fair value are disclosed by the source of the inputs used in determining fair value. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Trade and other payables: These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Currency translation: Assets and liabilities denominated in currencies other than the base currency are translated into US Dollars at the closing exchange rate as at 31 October 2019. Transactions during the period are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency translation gains and losses are included in the statement of profit or loss and other comprehensive income.

Income taxes: The Company had no income tax obligation for the period ended 31 October 2019 as it was incorporated in the Cayman Islands which does not impose income taxes on resident companies.

Share capital: Ordinary shares issued by the Company are treated as equity.

Operating expenses: Operating expenses are accounted for in the financial statements in the period to which they relate.

Note 3. Cash and Cash Equivalents

	31 October 2019
Cash at digital currency exchange	
Kraken	$ 111,975
	$ 111,975

Note 4. Intangible Assets

Non-current assets	Bitcoin	Total
Period ended 31 October 2019		
Opening net book amount	$ -	$ -
Additions (subscriptions in-kind)	1,517,814	1,517,814
Disposal proceeds	(110,201)	(110,201)
Loss on disposal	(42)	(42)
Revaluation	-	-
Impairment	-	-
Exchange differences	-	-
Closing net book amount	1,407,571	1,407,571
At 31 October 2019		
Cost	1,407,571	1,407,571
Accumulated revaluation surplus / (impairment)	-	-
Fair value	1,407,571	1,407,571

As explained in Note 2, the Company classifies its holdings in Bitcoin as intangible assets with an indefinite useful life and measures its holdings at fair value through other comprehensive income.

Valuation of Bitcoin

For the purposes of calculating the fair value of Bitcoin as at the reporting date, the Company utilizes https://tradeblock.com/markets/index. TradeBlock's XBX Index represents a real-time, USD-equivalent spot rate for Bitcoin and the index value is algorithmically calculated once every second based on observed trading activity on leading Bitcoin exchanges. The Directors may permit any other method of valuation to be used if they consider that such method of valuation better reflects fair value.

As at 31 October 2019, there is no revaluation surplus or impairment recognised as the in-kind subscription of Bitcoin occurred on the reporting date of 31 October 2019. Thus, the initial measurement at cost is equal to the fair value as at 31 October 2019.

Note 5. Share Capital

	31 October 2019
Authorised:	
5,000,000 shares with a par value of $0.01 each	$ 50,000
Issued and fully paid:	
100 shares	$ 1

Note 6. Risk Management

The Company was formed for the sole intended business of issuing exchange traded certificates and the hedging thereof. The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign currency risk, and market risk (including foreign currency risk). The Company’s activities also expose it to risk factors relating to digital currencies.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company manages and control this credit risk by only lending to related parties and setting limits on the amount of risk they are willing to accept from the counterparties.

The Company manages credit risk exposed from receivables by monitoring reputation, credit ratings and limiting the aggregate risk to any individual counterparty. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty defaults rates. The allowance for expected credit losses on trade receivables and other financial assets is not considered to be material.

The carrying amount of financial assets represents the maximum credit exposure.

Financial Assets

	31 October 2019
Cash and cash equivalents	$ 111,975
	$ 111,975

As at 31 October 2019, all cash is held at Kraken. Management monitors the financial position of the digital asset exchange on a continuous basis.

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’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient access to cash and cash equivalents to meet liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The contractual maturities of financial liabilities, including accounts payable as at 31 October 2019 are all due within 12 months.

Note 6. Risk Management (continued)

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Company's functional currency. The Company may enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to the risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than United States dollars. The Company's total net exposure to fluctuations in foreign currency exchange rates as at 31 October 2019 is disclosed in the table below.

31 October 2019	Monetary assets USD	Monetary liabilities USD
Euro	111,975	-
Swiss Franc	-	(15,338)
	111,975	(15,338)

Digital currency risk factors: Perception, Evolution, Validation and Valuation
A digital currency does not represent an intrinsic value or a form of credit. Its value is a function of the perspective of the participants within the marketplace for that digital currency. The price of the digital currency fluctuates as a result of supply and demand pressures that accumulate in the market for it. Having a finite supply (in the case of many but not all digital currencies), the more people want to own that digital currency, the more the market price increases and vice-versa.

The most common means of determining the value of a digital currency is through one or more cryptocurrency exchanges where that digital currency is traded. Such exchanges publicly disclose the "times and sales" of the various listed pairs. As the marketplace for digital currencies evolves, the process for assessing value will become increasingly sophisticated.

Digital currency risk factors: Risks due to the technical design of cryptocurrencies
The source code of digital currencies such as Bitcoin is public and may be downloaded and viewed by anyone. Despite this, there may be a bug in the respective code which is yet to be found and repaired, which may jeopardize the integrity and security of one or more of these networks.

Should miners for reasons yet unknown cease to register completed transactions within blocks which have been detached from the block chain, the confidence in the protocol and network will be reduced, which will reduce the value of the digital currency associated with that protocol.

Since the protocols for Bitcoin are public open source software, they could be particularly vulnerable to hacker attacks, which is damaging for the digital currency market and can be the cause for investors to choose other currencies or assets to invest in.

Note 6. Risk Management (continued)

Digital currency risk factors: Ownership, Wallets
Rather than the actual Bitcoins (which are "stored" on the blockchain), a Bitcoin wallet stores the information necessary to transact Bitcoins. Those digital credentials are needed so one can access and spend the Bitcoins. Bitcoin uses public-key-cryptography in which two cryptographic keys, one public and one private, are generated and stored in a wallet. There are several types of wallets:

- Hardware wallets are USB-like hardware devices with a small screen built specifically for handling private keys and public keys/addresses.

- Paper wallets are simply paper printouts of private and public addresses.

- Desktop wallets are installable software programs/apps downloaded from the internet that hold your private and public keys/addresses.

- Mobile wallets are wallets installed on a mobile device and are thus always available and always connected to the internet.

- Web wallets are hot wallets that are always connected to the internet that can be stored in a browser or can be "hosted" by third party providers like an exchange.

On the blockchain, Bitcoins are registered to public Bitcoin addresses which can only be "unlocked" by a corresponding private key. Bitcoin may be owned in fractions down to eight decimal places, one hundred millionth of a bitcoin, the smallest of which fraction is commonly referred to as a "satoshi".

It is paramount for any owner of cryptocurrencies to make sure that these assets are stored in the safest possible way and that private keys are kept as secret as possible in order to prevent loss, theft, infringement or other challenges that could result in the loss of control of the assets. Mistreatment of private keys and wallets is highly likely to result in the loss of a substantial part or all of the assets in question.

Digital currency risk factors: Political, regulatory risk in the market of digital currencies
The legal status of digital currencies and inter alia the Bitcoin varies between different countries. The lack of consensus concerning the regulation of digital currencies and how such currencies shall be handled tax wise causes insecurity regarding their legal status. As all digital currencies are as yet unregulated assets, there is a risk that politics and future regulations will affect the market of digital currencies and companies operating in such market. Exactly how politics and future regulations may affect the market is impossible to know. However, future regulations and changes in the legal status of the digital currencies is a political risk which may affect the price development of the tracked digital currencies.

The perception (and the extent to which it is held) that there is significant usage of the digital assets in connection with criminal or other illicit purposes, could materially influence the development and regulation of digital assets (potentially by curtailing the same).

Future regulation of Bitcoin or other digital currencies in general may negatively impact upon the market for such currency, as well as upon the ones that operate in the Bitcoin markets.

Financial assets and liabilities
As at 31 October 2019 all the Company's financial assets and liabilities are carried at amortised cost, which is a reasonable approximation of its fair value.

Note 7. Subsequent Events

The Company has evaluated subsequent events through 12 December 2019, the date on which the financial statements were available to be issued.

On 4 November 2019, the authorised share capital of the Company was subdivided whereby each share was subdivided into 100 shares of par value US$0.0001 each, such that the authorised share capital of the Company shall be US$50,000 divided into 500,000,000 shares of par value US$0.0001 each.

On 17 November 2019, an additional subscription in-kind of 175.542073 Bitcoin was received by the Company. The US Dollar translation amounted to $1,489,000.

There were no other significant events after the reporting date that would have a material impact on these financial statements.

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