

Coinsilium Group Limited (COIN)

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14 January 2019

COINSILIUM GROUP LIMITED

("Coinsilium" or the "Company")

Strategic Business Update

Coinsilium Group (NEX: COIN), the blockchain venture builder, advisor and investor which manages and finances the development of early stage blockchain technology companies, today announces a Strategic Business Update for shareholders, incorporating a review of 2018 activity and an outline of the Company's plans for 2019.

Eddy Travia, Chief Executive Officer of Coinsilium, commented: *"As the blockchain industry matures, it is starting to attract an increasing number of well-funded institutions and Coinsilium's track record of identifying high quality early stage opportunities, such as RSK and Factom, is well known in the industry.*

In 2019, our key priorities will therefore be to clearly demonstrate to the market the potential we see in the companies within our investment portfolio and to continue to build-out various new initiatives to take full advantage of a rapidly expanding blockchain industry.

As a company, Coinsilium is exceptionally well positioned with a robust financial model and an ability to leverage shareholder returns at an exciting time in the blockchain industry. However, we recognise the challenge that the market has in valuing early stage blockchain-based companies, particularly as there are so few benchmarks. That said, the sector has seen some remarkable valuation uplifts in relatively short timescales as companies have proven their viability. Therefore, we will work to ensure that Coinsilium's market valuation better reflects the value of our current business and its future potential in 2019.

I trust the information provided in this update will be useful for shareholders and potential investors, to better understand our current position and our strategic and operational plans for 2019 and beyond."

Blockchain Investment Environment in 2018

The Company has observed record levels of institutional investment in blockchain companies over the past twelve months. This echoes a report published in October 2018 by blockchain research group, Diar, outlining that Venture Capital investment in blockchain companies was up by 280% so far in that year. Coinsilium believes that increased interest in the sector has had a positive effect on the overall valuations of blockchain companies and the Board therefore looks forward to the next twelve months with confidence.

The Company witnessed the blockchain sector mature significantly in 2018 and was able to take advantage of a vibrant market at the beginning of the year through a number of new client acquisitions. Following recent market shifts, Coinsilium adjusted its criteria for on-boarding new clients, focusing on businesses for which blockchain technologies are an intrinsic element of their business models. The Company continued to make good progress and generate revenue, notwithstanding the slowing of business as a result of increased regulatory scrutiny of the industry and a downturn in cryptocurrency and token prices from July 2018.

The Company invested in innovative blockchain-based start-ups and SMEs within a number of sectors including financial services, fintech and health. All investees increased their user-base and achieved growth towards their strategic objectives over the last year.

CoinDesk Article: <https://www.coindesk.com/vc-investment-in-blockchain-startups-is-up-280-so-far-this-year>

Coinsilium Share Price Review

Over the past year, we have seen a strong correlation between the share price of Coinsilium and the price of cryptocurrencies. Whilst Coinsilium's focus has always been on the underlying blockchain technology and not the cryptocurrencies per se, given that, until recently, a significant proportion of Coinsilium's advisory revenues and success fees have been denominated in cryptocurrencies, it is understandable that the market would, to some degree, see fit to conflate the two.

Over 2018, the price of bitcoin has fallen from US\$19k to under US\$3.5k and now sits at circa US\$3,600 (at the time of writing). In the short to medium term, should cryptocurrency market conditions continue to improve, Coinsilium's share price may well benefit from such market sentiment alignment. However, our medium to long-term strategic goal remains to demonstrate the commercial diversity and solidity of Coinsilium as a business so that, in the future, the share price will more fairly reflect the company's operational performance and potential, much of which remains unconnected to cryptocurrency prices.

Investee Highlights in 2018

[Indorse](#)

Singapore-based Indorse is a tokenised platform, that scales globally, and is expressly designed to create a genuine confidence that prospective employees have the bedrock skills required to perform.

It achieves this by verifying the actual technical skills of individuals on its platform through validators, interactions with AI chatbots and assessments by acknowledged experts in their relevant fields. Blockchain then creates an immutable record of this skills assessment and also provides the mechanism to reward participants for the value they create to the platform.

For further information about Indorse, please visit www.indorse.io.

Indorse fulfilled successful investment rounds during 2018, raising SGD450,000 in equity investments and c.US\$9m via a token sale. Over 40,000 users signed up to the platform with 96 programmers currently validating and reviewing code to verify the technical competence of coders.

Indorse fully delivered on its promises for 2018 by creating and running a working product despite difficult crypto market conditions. The team also managed to build and rollout an update of their platform in December 2018. It has customers in the pipeline for 2019 and is expected to achieve significant revenue growth in the upcoming months.

[RSK](#)

RSK Labs is an open source platform adding value to the Bitcoin ecosystem by enabling the use of smart contracts. RIF Labs uses the RSK Smart Contract Network for settlement, identity management and economic coordination in a fully decentralised method. Coinsilium was the lead investor in RSK's first investment round in February 2016.

For further information about RSK, please visit www.rsk.co.

In February 2018, the Company purchased 15,000 series Seed-1 RSK shares in addition to its previously held 50,000 series Seed-1 RSK shares, making the total amount invested US\$83,750 for a total holding of 65,000 Seed-1 RSK shares.

On 19 November 2018, the Company announced that RIF Labs had agreed to acquire the entire share capitals of RSK Labs.

The RIF Labs acquisition was conducted by way of a 'share for token' swap between RSK Labs shares and RIF tokens and Coinsilium will receive approximately 1,951,846 RIF tokens over a vesting period in return for its 65,000 RSK shares. The value of the RIF tokens receivable by Coinsilium was US\$773,070 at the prevailing November 2018 Bitcoin/USD rate. Malcolm Palle, Coinsilium's Executive Chairman, joined the board of RIF Labs in 2018.

RSK Labs is one of Coinsilium's major investments and we look forward to deepening our ties with RIF Labs and finding mutually beneficial opportunities for development.

[Elevate Health](#)

Elevate Health is building a platform focused on the behavioural health space, aiming to facilitate a number of cost-reducing solutions for behavioural healthcare providers, insurers, health authorities, families and employers. to address problematic and costly lifestyle choices on the part of their customers, clients, patients, employees and loved ones. Elevate Health seeks to connect technological innovations such as phone apps, wearable devices, oracles and smart contracts in order to pay monetary rewards to motivate lifestyle changes.

For further information about Elevate Health, please visit: www.elevatehealth.io.

Elevate Health has now successfully piloted its platform and the "rewarder" admin section of the platform and user app went live on the Android Play Store on 5 January 2019.

Additionally, Elevate Health will go live with its first use case, SOBER, this month, alongside its partners East Sydney Medical and The Dawn Rehab, Thailand. SOBER will monitor problem drinkers leaving medical care and reward them for remaining sober as part of their rehabilitation.

In February 2019, Elevate Health will launch two pilot projects with Aboitiz Equity Ventures, one of the 10 largest groups in the Philippines and a Forbes Global 2000 company. It will reward their employees for achieving lifestyle changes for various lifestyle metrics.

The platform is targeting 100,000 end users by the end of this year, which would represent an equivalent transactional volume of US\$500,000 per day.

[StartupToken](#)

StartupToken is a Gibraltar registered hyper-accelerator helping entrepreneurs in the blockchain space to grow their projects into successful start-ups. StartupToken helps its clients reach the necessary level of engagement with their communities worldwide thanks to a full-service package including legal and technical support, token economics and modelling, compliance, events organisation and growth hacking.

For further information about StartupToken, please visit www.startuptoken.com.

In November 2017, Coinsilium acquired a 30% holding in StartupToken Ltd, at a valuation of circa £1.2 million, for a consideration of £360,905 paid through the issue of 3,255,224 Coinsilium shares at 8.5p, and a further cash payment of £84,211.23.

In December 2018, StartupToken announced an inward investment from Blockwater Capital, a leading digital asset fund (DAF) that focuses on bringing blockchain-enabled projects to real world application. Blockwater agreed to acquire 7.4% of StartupToken for a total consideration of £193,548.39, valuing StartupToken at £2.6 million and thereby, Coinsilium's seed capital investment at £722,222, an increase of 100% compared to the cost of Coinsilium's original investment.

For further information about Blockwater Capital, please visit www.blockwater.io.

StartupToken has successfully organised roadshows for its accelerator and advisory clients in Europe and East Asia, very active regions in terms of cryptocurrency trading, entrepreneurship and blockchain development and where StartupToken is building a growing presence.

StartupToken is now working with leading blockchain platforms to help them in building a solid ecosystem of partners, users and developers.

Bundle Network

Bundle Network is an online platform connected to multiple cryptocurrency exchanges. Through one single account, users can purchase and sell multiple coins and tokens within seconds, at the best price available. Bundle Network aims to provide support for the burgeoning and ever-changing world of digital assets, easing the transaction process to trade quickly, safely, and efficiently. Bundle Network aims to release a beta version of its platform in Q2 2019.

For further information about Bundle, please visit www.bundle.network

In August 2018, Coinsilium announced that it has completed an investment of US\$125,000 in Bundle Network. The valuation terms of Bundle Network, whilst known to the Company, are subject to confidentiality due to commercial sensitivities.

Bundle Network has strengthened its collaboration with Istanbul-based start-up accelerator RDC Smartup, which was established by software development company RDC Partner. RDC Smartup's co-founder, Mr. Onder Uysal, has joined the Bundle Network management team in charge of strategy and business development.

In April 2019, the Bundle Network co-founders will join the Draper University programme. Draper University is a Silicon Valley-based school for entrepreneurs founded by Tim Draper. Tim Draper is a renowned venture capitalist (past investments include Skype and Hotmail) and owns large holdings of bitcoins.

Coinsilium Strategic Priorities for 2019

As previously stated, in the upcoming year one of our key priorities will be to demonstrate to the market the quality and potential we see in the companies within Coinsilium's investment portfolio, and thereby secure material value recognition for these equity stakes.

In addition to securing the growth of the Company over the short, medium and long terms, Coinsilium is also working on a number of key initiatives to expand and diversify its interests in the blockchain sector. Further information on a number of these areas is provided below.

Seed Accelerator Programs

The key difference between incubators and seed stage accelerator programs is that incubators do not usually take equity stakes, while seed stage accelerator programs do. Seed accelerator programs also have a clearly defined time frame of service provision to start-ups and are ideal for sourcing new investment opportunities alongside the development of specific applications for blockchain platforms.

Coinsilium has earned equity stakes in blockchain start-ups in the past for accelerator-type services, notably via the *Block Chain Space* programme, which it ran in 2016. This has enabled the Company to preserve cash while actively guiding and supporting start-up founding teams.

However, since 2017, Coinsilium has chosen to position itself at a different level by not directly operating seed accelerator programs, but rather by investing in companies running these programs, such as StartupToken, in which the Company acquired a 30% equity stake in November 2017, as outlined above.

For this reason, going forward, Coinsilium will also be looking to enter strategic commercial relationships with certain existing and newly established global seed accelerator programs. Whilst the operational management of these seed accelerator programs will be handled by third parties, such as StartupToken, the Company will provide strategic advice around the structuring and management of investment funds focused on financing the start-ups.

Coinsilium also plans to expand its B2B accelerator offering to other regions in 2019. The Company's regional approach will allow it to optimise revenue streams by choosing to operate in areas that can show the greatest market growth potential. Stakes in these businesses tend to perform strongly, as the local management teams are well suited to support the start-ups in their programs.

Coinsilium will also have the opportunity to make early stage investments in the accelerated start-ups that it finds to be most promising. The Directors believe that it can draw significant value from close cooperation with its portfolio companies such as RSK and StartupToken, whilst helping them to achieve meaningful benefits and returns.

Advisory Services

In 2018, ICOs (Initial Coin Offerings) came under a high level of scrutiny from financial regulators worldwide, most notably from the U.S. Securities and Exchange Commission (SEC). The number of 'Utility Token' offerings and their average proceeds decreased throughout the year as potential token issuers and token buyers became increasingly aware of the regulatory risks surrounding ICOs. This has resulted in many start-ups now switching their focus away from token sales and towards traditional equity offerings and VC funding.

Coinsilium's advisory services division is adapting to lower demand in the utility token space whilst preparing itself for an increasing interest in Security Token Offerings (STOs) or Digitised 'Smart' Securities. Utilising Blockchain based smart contract technology, it is now technically possible for financial instruments such as equities to be represented by tokens. When compared to Utility Tokens, Security Tokens are likely to be asset-backed and governed by smart contracts with specific functionalities such as automated reporting and voting rights.

Unlike Utility token offerings, STO's will be subject to regulation in the same way as traditional equity offerings and this is a model with which Coinsilium's management is most familiar.

However, the overall regulatory environment is still evolving and not as yet entirely clear. The Company is hopeful that these issues will be

resolved through the introduction of new regulatory frameworks and Gibraltar is one jurisdiction set to implement new Token regulations in 2019.

During 2019, Coinsilium will be increasing its presence in Gibraltar, moving the management of core operations, such as its advisory services division, there from London. In addition to identifying Gibraltar as a jurisdiction providing a higher level of regulatory certainty for blockchain and cryptocurrency businesses, the objective is also to reduce the costs of operations, enabling Coinsilium to allocate more resources towards investments and the provision of revenue generating activities such as its accelerator and advisory services.

In this regard, in Q1 this year, Coinsilium's Executive Chairman Malcolm Palle will be relocating to Gibraltar in order to oversee the establishment of Coinsilium's permanent presence and ongoing operations in the jurisdiction.

Flowstone Capital

In October 2018, the company announced the establishment of Flowstone Capital, a new 100%-owned private crypto fund based in Gibraltar.

Coinsilium is currently exploring alternative models to maximise the shareholder value of Flowstone Capital. As a result of the flexible structure that the Company utilised, Flowstone Capital required minimal amounts of Coinsilium management time in 2018. Further updates will be provided to the market in due course.

TerraStream

Coinsilium's wholly owned, Gibraltar-based subsidiary, TerraStream was established with the aim to facilitate the application of blockchain technology for Token based alternative funding solutions with potential applications across several industry sectors. The initial focus is on the mining industry and in particular, precious metals and natural resources extraction.

In light of the prevailing market climate and regulatory challenges of the past year, Coinsilium decided to revise its development strategy for TerraStream given its initial focus on asset backed lending. Instead of launching with a utility token proposition, the Company believes that the emerging STO or Digital 'Smart' Securities environment will be more conducive for TerraStream's development, where we see potential opportunities through the provision of enabling technology solutions. Further announcements will be made in due course.

Conclusion

The Board of Coinsilium looks forward to providing further updates to the market across its business in terms of new advisory relationships, broader commercial initiatives and the specific activities of its material investee companies. The Company is excited as it enters 2019 to build upon its current and new activities within an augmenting blockchain and cryptocurrency market. It is especially enthused as it aims to expand its B2B accelerator programs and its presence in Gibraltar.

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Notes to Editors:

About Coinsilium

Coinsilium is a blockchain venture builder, advisor and investor that finances and manages the development of early stage blockchain technology companies. It does this through its consortium of top tier investors, industry thought leaders and executive managers. Coinsilium's focus is on driving innovation in fintech and blockchain technologies, enabling businesses to take advantage of growth opportunities. Coinsilium also provides advisory services to companies planning token generation events.

Coinsilium shares are traded on NEX Exchange Growth Market, the primary market for unlisted securities operated by NEX Exchange, a Recognised Investment Exchange under the Financial Services and Markets Act 2000.

For further information about Coinsilium, please visit www.coinsilium.com

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