ENTHEOS CAPITAL CORP.

(Formerly Waterfront Capital Corporation)

Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

1500 – 409 Granville Street
Vancouver, BC
V6C 1T2

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Entheos Capital Corp. (formerly Waterfront Capital Corporation)

Opinion

We have audited the accompanying financial statements of Entheos Capital Corp. (formerly Waterfront Capital Corporation) (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that for the year ended December 31, 2019, the Company incurred a net loss of $292,497. As at December 31, 2019, the Company has $10,568,631 in cumulative losses since inception and current liabilities exceed current assets by $51,845. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 Canadian generally accepted auditing standards 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 20, 2020

ENTHEOS CAPITAL CORP.
(Formerly Waterfront Capital Corporation)
Statements of Financial Position
(Expressed in Canadian Dollars)
As at December 31, 2019 and 2018

		2019		2018
ASSETS				
Current				
Cash	$	1,220	$	144,183
Accounts receivable		6,147		10,962
Loan receivable (Note 4)		68,388		103,518
Investments (Note 5)		872		698
Prepaid expenses		2,249		5,367
	$	78,876	$	264,728
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current				
Accounts payable and accrued liabilities (Note 6)	$	130,721	$	24,076
Shareholders' equity (deficiency)				
Capital stock (Note 7)		9,891,279		9,891,279
Reserves		625,507		625,507
Deficit		(10,568,631)		(10,276,134)
		(51,845)		240,652
	$	78,876	$	264,728

Nature of operations and going concern (Note 1)
Subsequent events (Note 8, 12)

On behalf of the Board:

"Brayden Sutton"	*"Joshua Taylor"*
Director	Director

The accompanying notes are an integral part of these financial statements

ENTHEOS CAPITAL CORP.
(Formerly Waterfront Capital Corporation)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended December 31, 2019 and 2018

	2019	2018
EXPENSES		
Consulting fees (Note 6)	$ 112,000	$ 270,750
Interest expense	6	13
Office and general (Note 6)	23,794	23,873
Professional fees	101,965	136,697
Regulatory and transfer agent fees	16,684	23,491
Rent (Note 6)	23,818	23,818
Wages and benefits (Note 6)	20,002	26,485
	(298,269)	(505,127)
Other income	5,598	3,541
Gain (loss) on investments	174	(6,277)
	5,772	(2,736)
Net loss and comprehensive loss for the year	$ (292,497)	$ (507,863)
Basic and diluted loss per common share	$ (0.07)	$ (0.12)
Weighted average shares outstanding	4,468,491	4,325,806

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

ENTHEOS CAPITAL CORP.
(Formerly Waterfront Capital Corporation)
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Preferred Shares	Capital Stock	Share-based Payment Reserves	Warrant Reserve	Deficit	Total
Authorized Capital							
Unlimited number of common shares without par value							
Unlimited number of preferred shares without par value							
Balance as at December 31, 2017	**3,788,491**	**240,000**	**$ 9,627,279**	**$ 562,507**	**$ 63,000**	**$ (9,768,271)**	**$ 484,515**
Warrants exercised	440,000	-	264,000	-	-	-	264,000
Conversion from preferred to common shares	240,000	(240,000)	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(507,863)	(507,863)
Balance as at December 31, 2018	**4,468,491**	**-**	**9,891,279**	**562,507**	**63,000**	**(10,276,134)**	**240,652**
Net loss for the year	-	-	-	-	-	(292,497)	(292,497)
Balance as at December 31, 2019	**4,468,491**	**-**	**$ 9,891,279**	**$ 562,507**	**$ 63,000**	**$(10,568,631)**	**$ (51,845)**

The accompanying notes are an integral part of these financial statements

ENTHEOS CAPITAL CORP.
(Formerly Waterfront Capital Corporation)
Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (292,497)	$ (507,863)
Items not affecting cash:		
Accrued interest income	(5,362)	(3,518)
Unrealized (gain) loss on investments	(174)	6,277
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	4,815	(4,643)
Decrease in prepaid expenses	3,118	9,761
Increase in accounts payable and accrued liabilities	106,645	1,473
Net cash used in operating activities	(183,455)	(498,513)
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of loan receivable	-	(100,000)
Payments on loan	35,000	-
Interest received	5,492	-
Net cash provided (used in) by investing activities	40,492	(100,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of shares	-	264,000
Net cash provided by financing activities	-	264,000
Decrease in cash for the year	(142,963)	(334,513)
Cash, beginning of year	144,183	478,696
Cash, end of year	$ 1,220	$ 144,183

There were no non-cash financing or investing transactions during the years ended December 31, 2019 and 2018.

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

The Company was incorporated under the laws of Alberta and was continued into British Columbia during the year ended December 31, 2000. On March 31, 2020, the Company changed its name from Waterfront Capital Corporation to Entheos Capital Corp. The Company provides business advisory services to public and non-public companies.

Effective April 1, 2020, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for 10 pre-consolidation shares. Unless otherwise stated, all shares, stock options, warrants and per share amounts have been restated retrospectively to reflect this share consolidation.

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management believes the Company will be successful at securing additional funding so that its capital resources will be sufficient to carry its operations through the next twelve months, however, the Company has incurred significant operating losses over the past several fiscal years (2019 - $292,497; 2018 - $507,863), is currently unable to self-finance operations, has a working capital deficit of $51,845 (December 31, 2018 – working capital of $240,652), has a deficit of $10,568,631 (December 31, 2018 - $10,276,134) and has limited resources and no assurances that sufficient funding will be available to obtain the necessary financing to meet its obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management believes that the Company will be successful in raising sufficient working capital to maintain operations for the upcoming year. Management is actively engaged in the review and due diligence of its revenue and expenses and may seek to raise the necessary capital to meet new funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and effective as of December 31, 2019. The Board of Directors approved the financial statements for issue on April 20, 2020.

2. BASIS OF PREPARATION (Continued)

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the impairment of assets, valuation of share-based payments, and recognition of deferred tax amounts.

<u>Critical accounting estimates:</u>

a) **Impairment of assets**
At each reporting period, assets, including accounts receivable, loan receivable and investments, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates and future operating performance.

b) **Income taxes**
Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences and, accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time.

3. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company.

(a) Cash

Cash includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost
An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (continued)

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Impairment of non-current assets

At each financial position reporting date, the Company's non-current assets are reviewed to determine whether there is any indication that the carrying value of those assets are impaired and may not be recoverable. If any such indication exists, the recoverable amount of the asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statements of loss and comprehensive loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

(d) Capital stock

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(e) Share-based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of goods or services received or at the fair value of equity instruments issued, if it is determined the fair value of the goods or services cannot be readily measured, and are recorded at the date the goods or services are received.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Share-based payment transactions (continued)

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged to operations with the offset credit to share-based payment reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payment reserve are transferred to share capital.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

(f) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(g) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided for based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it will not be recognized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(h) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as interest expense.

(i) New and amended accounting pronouncements

Accounting pronouncements adopted on January 1, 2019

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, Leases, which would replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company adopted this standard on January 1, 2019, the date of initial application. The adoption of IFRS 16 did not have an impact on the Company's financial statements.

4. LOAN RECEIVABLE

In connection with a proposed transaction with a private company, the Company entered into a secured loan agreement and advanced a principal amount of $100,000. The loan is secured by a security charge pursuant to a general security agreement dated May 25, 2018 and bears interest at a rate of 6% per annum. The Company elected not to proceed with the transaction and negotiated a short-term repayment plan for the loan. During the year ended December 31, 2019, the Company received principal and interest repayments of $35,000 and $5,492 respectively. Subsequent to December 31, 2019, the Company assigned the loan receivable to a related party for the assumption of certain outstanding debts (Note 12).

5. INVESTMENTS

Investments are marketable securities comprised of common shares in publicly traded companies as follows:

	2019	2018
Magnum Goldcorp Inc. – 34,876 common shares (2018 – 34,876 common shares)	$ 872	$ 698

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities at December 31, 2019 is $60,172 (December 31, 2018 - $1,050) due to companies controlled by directors, former directors and/or companies with certain directors in common.

During the year ended December 31, 2019, the Company reimbursed Waterfront Communications Inc. (a company with certain former directors in common) on a cost basis, to cover shared administrative payroll costs, included in wages and benefits, in the amount of $20,002 (2018 - $26,485) and shared expenses in the amount of $14,635 (2018 - $37,734). The shared office and general expenses for the year ended December 31, 2018 include a $20,000 break fee to cover committed expenses.

During the year ended December 31, 2019, the Company recovered, paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors or former directors:

		2019		2018
Consulting	$	94,000	$	190,000
Rent		23,818		23,818

Key management includes the officers of the Company during the reporting period. Key management compensation includes consulting fees of $60,000 (2018 - $160,000). Included in consulting fees for the year ended December 31, 2018 are one-time payments of $50,000 to the CEO and CFO to terminate existing consulting contracts.

7. CAPITAL STOCK

The Company did not issue any common shares during the year ended December 31, 2019.

During the year ended December 31, 2018, the following share transactions were completed by the Company:

- On January 24, 2018, 440,000 warrants were exercised at $0.60 for total proceeds of $264,000.
- On June 22, 2018, 240,000 preferred shares were converted into 240,000 common shares with no effect on share capital.

8. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has a rolling stock option plan (as confirmed by shareholders on March 26, 2020), whereby it is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the plan, options can be granted for a maximum term of five years and vesting of stock options is at the discretion of the Board of Directors at the time options are granted.

As at December 31, 2019, the following incentive stock options were outstanding:

(Expressed in Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (Continued)

Stock Options (continued)

2019	2018	Exercise Price	Expiry Date
-	5,800	$ 1.00	September 30, 2019
2,000	3,300	$ 1.20	January 19, 2020 (1)
272,500	294,000	$ 1.00	October 13, 2022 (2)
-	7,500	$ 1.25	October 16, 2022
274,500	**310,600**		

(1) Expired unexercised subsequent to December 31, 2019.
(2) Subsequent to December 31, 2019, an additional 187,500 stock options were cancelled.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2017	**378,100**	**$ 1.01**
Expired	(67,500)	1.00
Outstanding, December 31, 2018	**310,600**	**$ 1.01**
Cancelled	(36,100)	1.06
Outstanding and exercisable, December 31, 2019	**274,500**	**$ 1.00**

Warrants

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2017	2,271,880	**$ 0.90**
Exercised	(440,000)	0.60
Outstanding, December 31, 2018	1,831,880	**$ 1.00**
Expired	(1,831,880)	1.00
Outstanding and exercisable, December 31, 2019	-	**$ -**

9. CAPITAL MANAGEMENT

The Company manages its common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

To fund future operating activities the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2019. The Company is not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash and investments as fair value through profit or loss measured at level 1 inputs of the fair value hierarchy. Accounts receivable and loans receivable at carried at amortized cost; and accounts payable and accrued liabilities at amortized cost.

The carrying values of accounts receivable, loan receivables, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash, investments, accounts receivable, and loan receivable.

The Company's credit risk is primarily attributable to cash, investments and loans receivable. Management believes that the credit risk concentration with respect to cash and investments is remote as it maintains accounts with highly-rated financial institutions.

Credit risk with respect to accounts receivable and loans receivable has been assessed as low from management, as the Company has strong working relationships with the parties involved and its loan receivable is secured against a general security agreement (Note 4).

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (Continued)

Credit risk (continued)

The Company's concentration of credit risk and maximum exposure thereto is as follows:

		2019		2018
Bank accounts	$	1,220	$	144,183
Investments		872		698
Accounts receivable		6,147		10,962
Loan receivable		68,388		103,518
	$	76,627	$	259,361

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2019, the Company had accounts payable and accrued liabilities of $130,721 (2018 - $24,076). Based on the current funds held as at December 31, 2019, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital to proceed with a proposed acquisition. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not currently exposed to any significant interest rate or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes as at December 31, 2019 is as follows:

		2019		2018
Loss for the year	$	292,497	$	507,863
Expected income tax (recovery) at a tax rate of 27% (2018 – 27%)		(79,000)		(137,000)
Non-deductible expenditures		-		1,000
Adjust to prior years provision versus statutory tax returns		-		(46,000)
Change in unrecognized deductible temporary differences		79,000		182,000
	$	-	$	-

(Expressed in Canadian Dollars)

11. INCOME TAXES (Continued)

The significant components of the Company's unrecognized temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

	2019	Expiry Dates	2018
Temporary Differences			
Allowable capital losses	$ 2,657,000	not applicable	$ 2,657,000
Share issue costs	22,000	2021	33,000
Non-capital losses available for future period	3,436,000	2027 to 2039	3,132,000
Marketable securities	8,000	not applicable	8,000

12. SUBSEQUENT EVENTS

Debt Settlement

In January 2020, the Company settled outstanding debts of $94,589 by assigning the loan receivable balance of $63,711 outstanding as at the settlement date (Note 4) and recognized a gain of $30,878.

Financing

In April 2020, the Company completed a private placement of 3,333,333 units at a price of $0.075 per unit ("Unit") for gross proceeds of $250,000. Each Unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase a common share at a price of $0.15 for a period of one year.