# ADDED CAPITAL INC.
# CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEARS ENDED MARCH 31, 2019 AND 2018
## (Expressed in Canadian Dollars)

McGovern Hurley LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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# Independent Auditor’s Report

To the Shareholders of Added Capital Inc.

## Opinion

We have audited the consolidated financial statements of Added Capital Inc. and its subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of operations and comprehensive (loss), consolidated statements of changes in shareholders’ deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for opinion

We conducted our audit 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 consolidated 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 consolidated financial statements in Canada. 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.

## Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended March 31, 2019 and, as of that date, the Company’s current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 comprises Management’s Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

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

In preparing the consolidated 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 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 risks 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 29, 2019

**ADDED CAPITAL INC.**
**Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**
**As at**

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash | $ - | $ 1,286 |
| Securities owned (Note 3) | - | 18,000 |
| TOTAL CURRENT ASSETS | - | 19,286 |
| NON CURRENT ASSETS | | |
| Property and equipment (Note 5) | - | 12,914 |
| TOTAL NON CURRENT ASSETS | - | 12,914 |
| TOTAL ASSETS | $ - | $ 32,200 |
| **LIABILITIES** | | |
| CURRENT | | |
| Short-term loans payable (Notes 6 and 12) | $ 1,042,251 | $ 1,007,706 |
| Accounts payable and accrued liabilities (Notes 12 and 14) | 1,100,637 | 987,341 |
| TOTAL CURRENT LIABILITIES | 2,142,888 | 1,995,047 |
| NON CURRENT LIABILITIES | | |
| Other liabilities (Note 14) | | |
| TOTAL NON CURRENT LIABILITIES | 525,769 | 525,769 |
| TOTAL LIABILITIES | 2,668,657 | 2,520,816 |
| **SHAREHOLDERS' DEFICIENCY** | | |
| Share capital (Note 7(a)) | 4,016,634 | 4,016,634 |
| Warrants (Note 7(f)) | 312,952 | 312,952 |
| Contributed surplus (Note 7(g)) | 1,796,652 | 1,796,652 |
| Deficit | (8,794,895) | (8,614,854) |
| TOTAL SHAREHOLDERS' DEFICIENCY | (2,668,657) | (2,488,616) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY | $ - | $ 32,200 |

GOING CONCERN (Note 1)
PROVISIONS AND CONTINGENCIES (Note 10)

APPROVED BY THE BOARD

*"Michael Lerner"*

Director

*"Balu Gopalakrishnan"*

Director

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

**ADDED CAPITAL INC.**
**Consolidated Statements of Operations and Comprehensive (Loss)**
**(Expressed in Canadian Dollars)**
**For the years ended March 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| REVENUES | | |
| Financial advisory | $ 9,779 | $ 40,000 |
| Other | 1,065 | 1,007 |
| (Loss) on investments (Note 3) | - | (188) |
| TOTAL REVENUES | 10,844 | 40,819 |
| OPERATING EXPENSES | | |
| General and administrative (Note 12) | 190,885 | 350,062 |
| Interest expense | - | 134 |
| TOTAL OPERATING EXPENSES | 190,885 | 350,196 |
| (LOSS) BEFORE INCOME TAXES | (180,041) | (309,377) |
| NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE PERIOD | $ (180,041) | $ (309,377) |
| **LOSS PER SHARE –** Basic and diluted (Note 7 (e)) | $ (0.01) | $ (0.02) |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – Basic and diluted** | 17,027,933 | 17,027,933 |

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

**ADDED CAPITAL INC.**
**Consolidated Statements of Changes in Shareholders' Deficiency**
**(Expressed in Canadian Dollars)**
**For the years ended March 31, 2019 and 2018**

| | Common Shares # | Common Shares $ | Warrants $ | Contributed Surplus $ | Deficit $ | Shareholders' (Deficiency) $ |
|---|---|---|---|---|---|---|
| **Balance, March 31, 2017** | **17,027,933** | **4,016,634** | **312,952** | **1,796,652** | **(8,265,477)** | **(2,139,239)** |
| Dividends paid | - | - | - | - | (40,000) | (40,000) |
| Net loss and comprehensive loss | - | - | - | - | (309,377) | (309,377) |
| **Balance, March 31, 2018** | **17,027,933** | **4,016,634** | **312,952** | **1,796,652** | **(8,614,854)** | **(2,488,616)** |
| Net loss and comprehensive loss | - | - | - | - | (180,041) | (180,041) |
| **Balance, March 31, 2019** | **17,027,933** | **4,016,634** | **312,952** | **1,796,652** | **(8,794,895)** | **(2,668,657)** |

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

**ADDED CAPITAL INC.**
**Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**
**For the years ended March 31, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| Net (loss) for the period | $ (180,041) | $ (309,377) |
| Items not affecting cash | | |
| Impairment of property and equipment (Note 5) | 12,914 | - |
| | (167,127) | (309,377) |
| Movements in working capital: | | |
| Securities owned | 18,000 | (18,000) |
| Accounts payable and accrued liabilities | 113,296 | 291,319 |
| Cash flows (used in) from operating activities | (35,831) | (36,058) |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES | | |
| Dividends paid | - | (40,000) |
| Repayment of short term loans | (18,610) | (37,800) |
| Increase in short term loans | 53,155 | 114,593 |
| Cash flows from (used in) financing activities | 34,545 | 36,793 |
| **CHANGE IN CASH** | (1,286) | 735 |
| **CASH, BEGINNING OF PERIOD** | 1,286 | 551 |
| **CASH, END OF PERIOD** | $ - | $ 1,286 |

SUPPLEMENTARY INFORMATION (Note 13)

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Added Capital Inc. ("Added" or the "Company") ceased revenue producing merchant banking activities during 2019 and is currently evaluating potential future opportunities. Prior to December 31, 2012, the Company carried on a traditional brokerage and investment banking business through Northern Securities Inc. ("NSI"), which was a member firm of the Investment Industry Regulatory Organization of Canada ("IIROC"). The Company is governed by the Business Corporations Act (Ontario) and its common shares are listed on the TSX Venture Exchange under the symbol "AAD". The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9.

### Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will 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.

Certain matters existing as at March 31, 2019, including a working capital deficiency, substantial loans, and NSI's discontinued operations represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

As at March 31, 2019, the Company's working capital deficiency is $2,142,888 which includes substantial loans that have not been repaid (Note 6).

NSI assigned its client accounts to other brokerage firms pursuant to a consent order, agreed upon with IIROC, issued by an IIROC Hearing Panel on December 14, 2012. On March 19, 2013, NSI and IIROC entered into a settlement agreement which provided for the suspension of NSI as an IIROC member. The suspension from IIROC and assignment of client accounts to other brokerage firms resulted in NSI's business being recorded as discontinued.

The Company is no longer an IIROC member as its membership was terminated with the consent of IIROC and the Company. However, the Company continues to have the ability to carry on the following businesses: corporate finance, mergers and acquisition advisory, and research.

The Company is in the process of restructuring its debt. Despite the restructuring items that have taken place, the Company continues to have a need for further restructuring, profit from operations or additional financing. There is no assurance that these items will take place or be available to the Company. Management has considered expectations for future profitability and believes that the Company will continue in operation for the foreseeable future and will be able to restructure or satisfy its liabilities and commitments in the normal course of business, and accordingly, it is appropriate to prepare these financial statements on a going concern basis. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the statement of financial position classifications used. Such adjustments could be material.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. These consolidated financial statements are presented on a historical cost basis unless an item is reported at fair value, and is presented on an accrual basis, except for cash flow information.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 29, 2019.

*Principles of consolidation*

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. These consolidated financial statements include the accounts of the Company and all its subsidiaries with its principal subsidiary being NSI. Intercompany accounts and balances are eliminated upon consolidation.

*Cash and cash equivalents*

The Company considers all highly liquid debt instruments with an original maturity date of three months or less to be cash equivalents. As at March 31, 2019 and March 31, 2018, the Company does not have any cash equivalents.

*Financial assets and liabilities*

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of operations.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company's securities owned are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, short-term loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of operations.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses recorded. Depreciation is provided using the following annual rates and methods:

| | |
|---|---|
| Works of art | Not amortized |

*Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, such as property and equipment, to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

*Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) Securities trading transactions

Securities transactions, commissions and related clearing expenses are recorded on a trade date basis when the services are performed.

(b) Financial advisory fees

Financial advisory fees consist of management and advisory fees. Revenue from mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed and collection of funds is reasonable assured under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

(c) Interest income

Interest income is recorded when earned.

(d) Broker warrants

Broker warrants received by the Company in respect of underwriting activities are initially measured at fair value using the Black-Scholes model. Broker warrants are classified as fair value through profit and loss and subsequent changes in fair value are recorded as revenue.

*Derivatives*

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Changes in the fair value of separable embedded derivatives are recognized immediately in the consolidated statements of operations. The Company's sharing of profits based on financial instrument price is considered an embedded derivative.

*Income taxes*

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the same statement in which the related item is recognized.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustments to tax payable in respect to previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and enacted and substantively enacted law by the reporting date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and related to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*Provisions*

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

*Earnings (loss) per share*

Basic earnings (loss) per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding. Diluted earnings (loss) per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

*Significant judgments, estimates and assumptions*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Valuation of financial instruments

The financial instruments of the Company are measured at fair value or amortized cost. Fair value is determined on the basis of closing market prices on the reporting date from independent sources, if available. If there is no available market price, fair value is determined using the Black-Scholes model. The inputs to the Black-Scholes model are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair value. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value when observable data is not available.

(b) Income and other taxes

Accruals for tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Deferred tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Deferred tax assets and liabilities are recorded using substantively enacted future tax rates. Accordingly, the actual income and other tax liabilities and deferred tax assets may differ significantly from that estimated and recorded.

(c) Impairment

The carrying value of property and equipment is reviewed each reporting period to determine whether there is an indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in net income. The assessment of recoverable amount requires the use of estimates and assumptions for discount rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of the assets could impact the impairment analysis.

(d) Provisions and contingencies

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management's best estimates of timing, and quantum of future outflows. See Note 10.

(e) Going concern

For further information regarding going concern refer to Note 1.

*Accounting policies adoptions and changes*

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15")
IFRS 15 replaces IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 1, 2018, the Company adopted IFRS 15 and has determined that the adoption of this new standard does not have a significant impact on its financial statements.

IFRS 9 Financial Instruments ("IFRS 9")
Effective April 1, 2018, the Company adopted IFRS 9, Financial Instruments, which resulted in changes in accounting policies as described below.

IFRS 9 replaces International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The Company adopted IFRS 9 on a retrospective basis. Due to the nature of its financial instruments, the adoption of IFRS 9 had no material impact on the opening accumulated deficit balance on April 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVPL. On initial recognition, the Company can irrevocably designate a financial asset at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVPL are measured at fair value with changes in those fair values recognized in the consolidated statement of operations and comprehensive loss for the year. Financial assets and liabilities classified at amortized cost are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

| | **Financial instrument classification** | |
|---|---|---|
| | **Under IAS 39** | **Under IFRS 9** |
| **Financial assets** | | |
| **Cash** | Loans and receivables | Amortized cost |
| **Securities owned** | Held for trading | FVPL |
| | | |
| **Financial liabilities** | | |
| **Accounts payable and accrued liabilities** | Other financial liabilities | Amortized cost |
| **Short-term loans payable** | Other financial liabilities | Amortized cost |
| **Other liabilities** | Other financial liabilities | Amortized cost |

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

*Future accounting policies*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after April 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

**(Expressed in Canadian Dollars)**

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

## 3. SECURITIES OWNED

Securities owned consist of the following:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Common shares | $ - | $ 18,000 |
| Total | $ - | $ 18,000 |

For the year ended March 31, 2019 the Company had a realized loss of $12,000 (2018 – gain of $11,812) and an unrealized gain of $12,000 (2018 – $12,000) for a net gain on investments of $Nil (2018 – net loss of $188).

## 4. FINANCIAL INSTRUMENTS

The fair value hierarchy presented distinguishes between the inputs used in determining the fair value of the Company's various financial instruments. The hierarchy levels are defined as:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

| | Carrying Value | | Estimated Fair Value | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | March 31, 2019 | | | March 31, 2018 | | |
| | March 31, 2019 | March 31, 2018 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Securities owned | $ - | $ 18,000 | $ - | $ - | $ - | $ 18,000 | $ - | $ - |

There was no Level 2 or Level 3 financial instrument activity for the years ended March 31, 2019 and 2018.

## 5. PROPERTY AND EQUIPMENT

| | Art | Total |
|---|---|---|
| Cost | | |
| Balance, March 31, 2017 and 2018 | $ 12,914 | $ 12,914 |
| Impairment | (12,914) | (12,914) |
| Balance, March 31, 2019 | $ - | $ - |
| | | |
| Accumulated Depreciation | | |
| Balance, March 31, 2017, 2018 and 2019 | $ - | $ - |
| | | |
| Net Book Value | | |
| March 31, 2018 | $ 12,914 | $ 12,914 |
| March 31, 2019 | $ - | $ - |

**(Expressed in Canadian Dollars)**

Depreciation on property and equipment, including impairment charges, for the year ended March 31, 2019 was $12,914 (2018 – $Nil).

## 6. SHORT-TERM LOANS PAYABLE

As at March 31, 2019, the Company has an unsecured term loan outstanding in the amount of $200,000 (March 31, 2018 – $200,000) owing to an arm's length lender. The loan bore interest at a rate of 12%, matured on March 31, 2013, and is unsecured. The lender agreed to waive all historical and future interest on the loan. During the year ended March 31, 2018 an additional $78,868 was advanced to the Company which was repaid by way of an advance from Victor Alboini ("Alboini"), a former director and officer of the Company. There is no current repayment date on the loan.

As at March 31, 2019, the Company had unsecured loans outstanding with an arm's length lender in the amount of $400,000 and an unsecured demand loan outstanding in the amount of $100,000 (March 31, 2018 – $400,000 and $100,000, respectively). The demand loan became payable in full on June 12, 2013. The lender agreed to waive all historic and future interest on the loans. During the year ended March 31, 2019, the loan was assigned by a former director of the Company to an arm's length lender. There is no current repayment date on the loans.

The Company had unsecured loans outstanding in the amount of $342,251 as at March 31, 2019 (March 31, 2018 – $307,706) owed to an arm's length lender. The loans were previously owed to Alboini and Stature Inc. ("Stature"), a company wholly-owned by Alboini. Alboini and Stature agreed to waive all historic and future interest on the loans. During the year ended March 31, 2019, the loan was assigned to an arm's length lender. There is no current repayment date on the loans.

## 7. CAPITAL STOCK

(a) *Share capital*

Authorized
Unlimited number of common shares with no par value
2,000,000 voting, convertible, redeemable, preference shares

| | |
|---|---|
| Issued and outstanding | |
| 17,027,933 common shares | $4,016,634 |

Share capital activity for the years ended March 31, 2019 and 2018, is summarized as follows:

| | Common Shares # | Amount $ |
|---|---|---|
| Balance, March 31, 2019, 2018 and 2017 | 17,027,933 | 4,016,634 |

(b) *Stock options*

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 1,702,793 common shares. During the year ended March 31, 2019, no options were granted (2018 – no options granted) and $Nil was recorded as share-based compensation (2018 - $Nil).

The following table reflects the continuity of options for the year ended March 31, 2019:

| | | Number of Common Shares | | | | |
|---|---|---|---|---|---|---|
| **Expiry Date** | **Exercise Price** | **Opening Balance** | **Options Granted** | **Options Exercised** | **Options Expired** | **Closing Balance** |
| June 2, 2019* | $0.05 | 250,000 | - | - | - | 250,000 |
| June 2, 2019* | $0.05 | 300,000 | - | - | - | 300,000 |
| | | 550,000 | - | - | - | 550,000 |

**(Expressed in Canadian Dollars)**

*The stock options were issued to former directors and officers that resigned effective March 4, 2019, and the stock options expire 90 days following their resignation.

The following table reflects the continuity of options for the year ended March 31, 2018:

| | | Number of Common Shares | | | | |
|---|---|---|---|---|---|---|
| **Expiry Date** | **Exercise Price** | **Opening Balance** | **Options Granted** | **Options Exercised** | **Options Expired** | **Closing Balance** |
| November 11, 2019 | $0.05 | 340,000 | - | - | (90,000) | 250,000 |
| August 24, 2021 | $0.05 | 400,000 | - | - | (100,000) | 300,000 |
| | | 740,000 | - | - | (190,000) | 550,000 |

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at March 31, 2019 are as follows:

| | | Options Outstanding and Exercisable | |
|---|---|---|---|
| **Expiry Date** | **Exercise Price** | **Number of Options** | **Average Remaining Contractual Life (Years)** |
| June 2, 2019 | $0.05 | 250,000 | 0.2 |
| June 2, 2019 | $0.05 | 300,000 | 0.2 |
| | | 550,000 | 0.2 |

(c) *Employee share purchase plan*

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan (“ESPP”). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of $8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period or such other period determined by the Board of Directors.

There were no purchases under the ESPP for the years ended March 31, 2019 and 2018. The Company intends to satisfy its historic ESPP obligation of 188,094 shares which include matching shares by acquiring shares in the market on behalf of participants in the ESPP.

(d) *Financings*

The Company did not issue shares in 2019 nor 2018.

(e) *Loss per share data*

The weighted average number of common shares outstanding, used in computing basic and diluted earnings per common share for the periods ended March 31, 2019 and 2018 were:

| | |
|---|---|
| March 31, 2019 | 17,027,933 |
| March 31, 2018 | 17,027,933 |

The effect of outstanding common share purchase options and warrants on the net (loss) for the periods presented is not reflected as to do so would be anti-dilutive.

(f) *Warrants:*

| | Warrants # | Amount $ |
|---|---|---|
| Balance, March 31, 2019, 2018 and 2017 | 6,660,000 | 312,952 |

**(Expressed in Canadian Dollars)**

As at March 31, 2019, warrants outstanding were as follows:

| | | Warrants Outstanding and Exercisable | |
|---|---|---|---|
| **Expiry Date** | **Exercise Price** | **Number of Warrants** | **Average Remaining Contractual Life (Years)** |
| August 21, 2019 | $0.05 | 1,880,000 | 0.4 |
| September 11, 2019 | $0.05 | 380,000 | 0.4 |
| December 12, 2021 | $0.05 | 4,400,000 | 2.7 |
| | | 6,660,000 | 1.9 |

(g) *Contributed surplus:*

Contributed surplus activity for the years ended March 31, 2019 and 2018 is summarized as follows:

| | |
|---|---|
| Balance, March 31, 2019, 2018 and 2017 | $ 1,796,652 |

## 8. CAPITAL MANAGEMENT

The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times.

The Company's capital structure includes the following:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Short-term loans payable | $ 1,042,251 | $ 1,007,706 |
| Shareholders' deficiency comprised | | |
| Share capital | 4,016,634 | 4,016,634 |
| Warrants | 312,952 | 312,952 |
| Contributed surplus | 1,796,652 | 1,796,652 |
| Deficit | (8,794,895) | (8,614,854) |
| | ($1,626,406) | ($1,480,910) |

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors who seek to participate in investment opportunities; and (iv) raising capital through the issuance of securities.

The Company's capital management objectives, policies and processes have generally remained unchanged during the years ended March 31, 2019 and 2018.

The Company is also subject to capital requirements imposed the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of March 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

**(Expressed in Canadian Dollars)**

## 9. INCOME TAXES

a) Provision for income taxes

Major items causing the Company's effective tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2018 – 26.5%) were as follows:

| | 2019 | 2018 |
|---|---|---|
| (Loss) before taxes | $ (180,041) | $ (309,377) |
| Statutory tax rates | 26.5% | 26.5% |
| Expected income tax recovery at statutory tax rates | (48,000) | (82,000) |
| Adjustment to expected income tax benefit: | | |
| Other | 37,000 | (43,000) |
| Benefit of tax assets not recognized | 11,000 | 125,000 |
| Deferred income tax provision (recovery) | $ - | $ - |

b) Deferred income tax

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

| | 2019 | 2018 |
|---|---|---|
| Unrecognized deductible temporary differences | | |
| Non-capital loss carry-forwards | $ 27,334,000 | $ 27,282,000 |
| Exploration and development | 4,232,000 | 4,232,000 |
| Capital losses carried forward | 86,695,000 | 86,695,000 |
| Other | 441,000 | 441,000 |
| | $ 118,702,000 | $ 118,650,000 |

As at March 31, 2019, the Company expects to have Canadian non-capital losses available for carryforward expiring as follows:

| | |
|---|---|
| 2027 | $ 3,677,000 |
| 2029 | 4,099,000 |
| 2030 | 2,710,000 |
| 2031 | 2,111,000 |
| 2032 | 4,973,000 |
| 2033 | 6,137,000 |
| 2034 | 2,936,000 |
| 2035 | 50,000 |
| 2037 | 146,000 |
| 2038 | 303,000 |
| 2039 | 192,000 |
| | $ 27,334,000 |

## 10. PROVISIONS AND CONTINGENCIES

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

## 11. RISK MANAGEMENT

*Fair value of financial assets and financial liabilities*

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. The fair values of the Company's financial assets and financial liabilities approximate their carrying amounts due to their imminent or short-term maturity.

*Market risk*
Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (losses) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels. As at March 31, 2019, the Company does not hold equity securities.

*Interest rate risk*
Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company holds minimal fixed income securities and does not hedge its exposure to interest rates since the risk is very low. As at March 31, 2019, the Company no longer has interest-bearing loans.

*Foreign exchange risk*
Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

*Liquidity risk*

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The Company generates cash flow primarily from its commission and fee based businesses as well as its investments.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meet its current obligations. See Note 1.

The Company has loans outstanding of $1,042,251 as at March 31, 2019 (March 31, 2018 - $1,007,706).

## 12. RELATED PARTY TRANSACTIONS

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

a) During the year ended March 31, 2019, Alboini and Stature provided net loan advances of $34,545 to the Company (2018 – net loan advances of $76,793 from the Company), resulting in a balance of $342,251 owing to them as at March 31, 2019 (March 31, 2018 - $307,706). During the year ended March 31, 2014, Alboini and Stature waived all historical and future interest on their total loans to the Company. During the year ended March 31, 2019, the loans were assigned to an arm's length lender. There is no current repayment date on the loans.

**(Expressed in Canadian Dollars)**

b) As at March 31, 2018, the Company had $500,000 in loans payable to a former director of the Company. During the year ended March 31, 2019, the loans payable were assigned to an arm's length lender.

c) Accounts payable and accrued liabilities includes $166,312 in fees due to former directors and officers as at March 31, 2019 (March 31, 2018 - $384,370 due to directors and officers).

*Compensation to key management personnel*

Compensation paid or payable during the years ended March 31, 2019 and 2018 to persons and corporation in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

| | 2019 | 2018 |
|---|---|---|
| Fees and benefits | $ 155,000 | $ 238,667 |
| Total | $ 155,000 | $ 238,667 |

## 13. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

| | 2019 | 2018 |
|---|---|---|
| Interest paid | $ - | $ 134 |

## 14. OTHER LIABILITIES

During the year ended March 31, 2017, the Company transferred $525,769 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses billed by and third party liabilities incurred by NSI which is no longer active. However, for accounting purposes under IFRS, a debt can only be removed from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

## 15. OPERATING SEGMENT INFORMATION

The management of the Company is responsible for the entire operations of the Company and considers the business to have a single operating segment. Certain operations within the single operating segment were discontinued during 2013 and presented as discontinued operations where applicable within the consolidated statement of operations and comprehensive income.

The internal reporting provided to the management of the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments in the years ended March 31, 2019 and 2018.

## 16. SUBSEQUENT EVENT

On June 2, 2019, 550,000 stock options issued to former directors and officers expired unexercised.