GUNPOWDER CAPITAL CORP

GUNPOWDER CAPITAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

FOR THE THREE & SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Gunpowder Capital Corp. (CSE:GPC) (CSE:GPC.PR.A) (OTCQB:GNPWF)
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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited CONDENSED INTERIM financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited CONDENSED INTERIM financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GUNPOWDER CAPITAL CORP.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at,

	Notes		**June 30, 2019**		December 31, 2018
ASSETS					
CURRENT					
Cash		**$**	**728,144**	$	981,354
Accounts and other receivables	4, 15		**169,702**		169,794
Prepaid expenses			**92,813**		69,951
Notes receivable	5		**72,059**		7,492
US real estate participation loans	6		**-**		240,060
Total current assets			**1,062,718**		1,468,651
EQUIPMENT	7		**335,569**		27,447
BUILDINGS AND IMPROVEMENTS	8		**3,231,644**		4,562,247
LONG-TERM NOTES RECEIVABLE	5		**303,778**		236,279
LONG-TERM INVESTMENTS	9		**1,782,749**		684,894
TOTAL ASSETS		**$**	**6,716,458**	$	6,979,518
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	15	**$**	**244,143**	$	379,952
Mortgages payable - current portion	10		**140,817**		473,307
Loans payable - current portion	11		**38,631**		138,281
Total current liabilities			**423,591**		991,540
LONG-TERM MORTGAGES PAYABLE	10		**1,794,540**		2,452,193
LONG-TERM LOANS PAYABLE	11		**35,137**		37,867
TOTAL LIABILITIES			**2,253,268**		3,481,600
SHAREHOLDERS' EQUITY					
Preferred shares	13(a)		**4,629,645**		4,429,645
Common shares	13(a)		**10,280,115**		8,580,822
Units to be issued			**-**		124,856
Contributed surplus	13(c)		**1,795,234**		1,570,047
Warrants	13(b)		**877,840**		893,653
Deficit	13(d)		**(13,119,644)**		(12,101,105)
TOTAL SHAREHOLDERS' EQUITY			**4,463,190**		3,497,918
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**6,716,458**	$	6,979,518

Description of business (Note 1)
Going concern of operations (Note 2(d))
Subsequent events (Note 21)

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy"
DIRECTOR

Signed "Stephen Mlot"
DIRECTOR

The accompanying notes are integral part to these unaudited condensed interim consolidated financial statements.

GUNPOWDER CAPITAL CORP.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
INCOME					
Rental		**$ 94,196**	$ 97,322	**$ 201,366**	$ 178,558
Advisory services		**17,500**	91,994	**109,636**	113,039
Payment processing services		**25,820**	58,218	**51,373**	145,801
Interest		**30,293**	93,924	**59,657**	206,396
Cryptocurrency mining		**14,464**	-	**14,464**	-
TOTAL INCOME		**182,273**	341,458	**436,496**	643,794
EXPENSES					
Consulting and other professional fees	15	**86,152**	28,434	**186,461**	195,602
Management fees		**94,300**	144,300	**178,600**	240,600
General, office and administrative		**82,164**	62,501	**148,631**	147,798
Property taxes and maintenance		**50,550**	70,303	**112,618**	135,070
Marketing and investor relations		**34,062**	22,153	**80,508**	47,581
Mortgage and loan interest		**49,676**	31,142	**80,416**	58,786
Travel and accomodations		**39,788**	17,180	**80,370**	26,200
Amortization		**29,163**	31,228	**61,043**	58,399
Legal and audit fees		**46,160**	41,742	**59,303**	43,742
Share-based compensation	13	**38,000**	-	**38,000**	-
Transfer agent and filing fees		**11,081**	9,195	**27,869**	19,186
Non-recoverable input tax credits	4	**10,866**	15,301	**21,763**	21,445
Bank service charges		**7,086**	1,790	**9,491**	3,496
NET (LOSS) BEFORE OTHER ITEMS		**(396,775)**	(133,811)	**(648,577)**	(354,111)
Realized gain on investments	5, 9	**(1,300)**	16,990	**24,388**	21,443
Unrealized (loss) on investments	9	**(280,162)**	(16,208)	**(259,770)**	(9,829)
Accretion on financial instruments	10	**(8,561)**	(5,746)	**(13,122)**	(5,491)
Realized gain on buildings	8	**7,945**	-	**7,945**	-
Foreign exchange gain (loss)		**(14,651)**	14,521	**(28,090)**	39,147
TOTAL OTHER ITEMS		**(296,729)**	9,558	**(268,649)**	45,270
NET LOSS AND COMPREHENSIVE LOSS		**(693,504)**	(124,253)	**(917,226)**	(308,841)
Weighted average number of shares outstanding - basic and diluted		**99,680,649**	31,398,168	**88,219,367**	31,155,560
Basic and diluted (loss) income per share	14	**(0.01)**	(0.00)	**(0.01)**	(0.01)

The accompanying notes are integral part to these unaudited condensed interim consolidated financial statements.

GUNPOWDER CAPITAL CORP.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Notes	Number of shares	Preferred shares	Common shares	Units to be issued	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2017		**31,476,636**	**$ 5,291,445**	**$ 6,703,871**	**$ -**	**$ 1,570,047**	**$ 356,535**	**$ (9,021,242)**	**$ 4,900,656**
Shares to be issued for debt		600,000	-	60,000	-	-	-	-	60,000
Issuance of warrants		-	-	-	-	-	276,000	-	276,000
Dividends		-	-	-	-	-	-	(243,552)	(243,552)
Net loss for the period		-	-	-	-	-	-	(308,841)	(308,841)
Balance, June 30, 2018		**32,076,636**	**$ 5,291,445**	**$ 6,763,871**	**$ -**	**$ 1,570,047**	**$ 632,535**	**$ (9,573,635)**	**$ 4,684,263**
Issuance of common shares (net of share issue costs)		18,484,828	-	480,060	-	-	285,118	-	765,178
Common shares issued for debt		500,000	-	82,500		-	-	-	82,500
Common shares issued for interest		416,666	-	18,750	-	-	-	-	18,750
Issuance costs of warrants		-	-	-	-	-	(24,000)	-	(24,000)
Issuance of preferred shares (net of share issue costs)		5,750	52,900	-	-	-	-	-	52,900
Repurchase of preferred shares		(91,470)	(914,700)	-	-	-	-	-	(914,700)
Conversion of convertible debenture		15,000,000	-	1,235,641	-	-	-	-	1,235,641
Units to be issued		-	-	-	124,856	-	-	-	124,856
Dividends		-	-	-	-	-	-	(210,628)	(210,628)
Net loss for the period		-	-	-	-	-	-	(2,316,842)	(2,316,842)
Balance, December 31, 2018		**66,392,410**	**$ 4,429,645**	**$ 8,580,822**	**$ 124,856**	**$ 1,570,047**	**$ 893,653**	**$ (12,101,105)**	**$ 3,497,918**
Issuance of common shares (net of share issue costs)	13	39,831,020	-	1,699,293	(124,856)	-	171,374	-	1,745,811
Issuance of preferred shares	13	20,000	200,000	-	-	-	-	-	200,000
Expiry of warrants	13	-	-	-	-	187,187	(187,187)	-	-
Share-based compensation	13	-	-	-	-	38,000	-	-	38,000
Dividends	13	-	-	-	-	-	-	(101,313)	(101,313)
Net loss for the period		-	-	-	-	-	-	(917,226)	(917,226)
Balance, June 30, 2019		**106,243,430**	**$ 4,629,645**	**$ 10,280,115**	**$ -**	**$ 1,795,234**	**$ 877,840**	**$ (13,119,644)**	**$ 4,463,190**

The accompanying notes are integral part to these condensed interim consolidated financial statements.

GUNPOWDER CAPITAL CORP.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net loss for the period	**$ (693,504)**	$ (124,251)	**$ (917,226)**	$ (308,841)
Items not involving cash:				
Amortization	**29,162**	31,228	**61,043**	58,399
Non-cash consulting income	**(10,111)**	(50,412)	**(57,697)**	(50,412)
Share-based compensation	**38,000**		**38,000**	
Bad debt expense	-	-	-	33,894
Unrealized loss on investments	**280,162**	16,208	**259,770**	9,829
Realized gain on investments	**-**	(16,990)	**(18,741)**	(21,443)
Accretion on notes receivable	**8,561**	6,051	**13,122**	5,796
Foreign exchange	**5,146**	(11,307)	**(2,011)**	(29,868)
Changes in working capital items other than cash:				
Accounts and other receivables	**16,722**	(227,491)	**92**	(294,312)
Prepaid expenses	**1,036**	(8,098)	**(22,862)**	(12,054)
Accounts payable and accrued liabilities	**(55,236)**	1,300	**(125,273)**	(37,859)
CASH (USED IN) OPERATING ACTIVITIES	**(380,062)**	(383,762)	**(771,783)**	(646,871)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of warrants	**-**	300,000	**-**	300,000
Share issue costs	**(21,780)**	(24,000)	**(61,830)**	(24,000)
Proceeds from issuance of common shares	**257,000**	-	**702,000**	-
Cash dividends paid to preferred shareholders	**-**	(121,276)	**(101,313)**	(243,552)
Repayment of loan payable	**(16,301)**	-	**(100,943)**	-
Repayment of mortgages payable	**(17,136)**	(11,584)	**(36,033)**	(22,940)
Proceeds from mortgages payable	**-**	(18,651)	**-**	(33,085)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**201,783**	124,489	**401,881**	(23,577)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES				
Funds loaned for US real estate participation loans	-	218,963	-	(132,065)
Repayments from US real estate participation loans	-	-	**258,801**	(141,562)
Funds loaned for notes receivable	-	(91,167)	**(125,000)**	-
Repayments received for notes receivable	-	160,127	**544**	381,023
Funds loaned for loans receivable	-	(55,000)	-	(5,000)
Repayments received for loans receivable	-	1,021,538	-	1,031,643
Purchase of investments	**(10,000)**	-	**(322,500)**	(100,000)
Proceeds from sale of investments	-	-	-	131,642
Purchase of buildings	**(23,401)**	(73,587)	**(46,837)**	(326,283)
Purchase of equipment	**(539)**	(15,287)	**(1,299)**	(17,325)
Proceeds from sale of buildings	**352,983**	-	**352,983**	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	**319,043**	1,165,587	**116,692**	822,073
CHANGE IN CASH	**140,764**	906,314	**(253,210)**	151,625
Cash, beginning of the period	**587,380**	238,066	**981,354**	992,755
Cash, end of the period	**$ 728,144**	$ 1,144,380	**$ 728,144**	$ 1,144,380

Supplemental cash flow information (Note 19)

The accompanying notes are integral part to these unaudited condensed interim consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Gunpowder Capital Corp. ("GPC" or the "Company") is merchant bank and advisory services firm. In May 2016, Gunpowder Capital Corp. implemented its new business model under the leadership of a new management team.

The Company is a reporting issuer in Ontario, Alberta and British Columbia and its common shares trades under the symbol "GPC" and its "Class – A" preferred shares trades under the symbol "GPC.PR.A" on the Canadian Securities Exchange. The Company's common shares also trade on the Frankfurt Stock Exchange under "YS6N" and on the OTCQB Market under the trading symbol "GNPWF".

As a merchant bank and advisory services firm, GPC provides financial capital and capital markets advisory services. The Company offers a variety of financing options including mezzanine debt, bridge loans, convertible debentures and straight loans as well as equity financing. GPC's goal when investing is to, as best as possible, ensure the preservation of capital and structure upside for our stakeholders through participation opportunities such as royalties, equity or options. GPC's main focus with advisory services is to assist companies that are interested in going public, however, GPC is also involved with capital markets advisory services and advising on mergers and acquisitions.

The Company's corporate office and principal place of business is 8 King Street East, Toronto, Ontario, Canada, M5C 1B5.

The unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2019 and 2018 were authorized for issuance in accordance with a resolution of the board of directors on August 29, 2019.

During the six months ended June 30, 2019, GPC incorporated one new wholly-owned subsidiary, MethodeVerte Inc.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its controlled subsidiaries. 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. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION - continued

(a) Basis of consolidation (continued)

The following companies have been consolidated within the unaudited condensed interim consolidated financial statements:

Company	Registered	Principle activity
Gunpowder Capital Corp.	Canada	Parent company
GP Realty Inc. (1)	Canada	Holding company
57 Wellington St. Inc.(2)	Canada	Real estate rental company
63 Wellington Street Inc. (2)	Canada	Real estate rental company
1209 Hickory Road Inc. (2)	Canada	Real estate rental company
559 Assumption Road Inc. (2)	Canada	Real estate rental company
934 Maisonville Road Inc. (2)	Canada	Real estate rental company
1571 Hickory Road Inc. (2)	Canada	Real estate rental company
935 Albert Street Inc. (2)	Canada	Real estate rental company
663 Marentette Ave. Inc. (2)	Canada	Real estate rental company
491 Louis Ave. Inc. (2)	Canada	Real estate rental company
1 Balfour Place Inc. (2)	Canada	Real estate rental company
53 McClary Ave. Inc. (2)	Canada	Real estate rental company
1021 Henry Ford Centre Inc. (2)	Canada	Real estate rental company
Alpha Invoice Inc. (2)	Canada	Payment processing company
MethodeVerte Inc. (1)	Canada	Holding company
GP Financial Services Corp.(1)	Canada	Payment processing company
GP Self Storage Inc.(1)	Canada	Storage facility rental company

(1) 100% owned by the parent company

(2) 100% owned by GP Realty Inc

(b) Statement of compliance to international financial reporting standards

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") 34, Interim Financial Reporting ("IAS34") and apply the same accounting policies and application as disclosed in the annual consolidated financial statements for the year ended December 31, 2018 other than noted below. They do not include all of the information and disclosures required by IFRS for annual statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited unaudited condensed interim consolidated financial statements. Operating results for the periods ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2019. For further information, see the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2018.

(c) Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as explained in these unaudited condensed interim consolidated financial statements. These unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PRESENTATION - continued

(d) Going concern of operations

The Company incurred a net loss of $693,504 and $917,226 during the three and six months ended June 30, 2019 respectively (three and six months ended June 30, 2018 - $124,253 and $308,841 respectively) and, as of that date the Company's deficit was $13,119,644 (December 31, 2018 - $12,101,105).

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited condensed interim consolidated financial statements. Such adjustments could be material. The Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

e) Significant accounting estimates and judgments

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements were the same as those applied to the Company's audited consolidated financial statements for the year ended December 31, 2018.

3. CHANGES IN ACCOUNTING POILICES AND PRONOUNCEMENTS

Revenue recognition

During the three and six months ended June 30, 2019, the Company began mining cryptocurrencies. Revenue earned from mining cryptocurrencies is recorded when cryptocurrencies are sold in the open market and cash proceeds are received from the sale.

Changes in accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IAS 23 – Borrowing Costs ("IAS 23") was amended in April 2018 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

(Expressed in Canadian Dollars)

3. CHANGES IN ACCOUNTING POILICES AND PRONOUNCEMENTS – Continued

Changes in accounting policies - continued

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying

IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease.

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. 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.

IFRS 10 – Condensed interim consolidated financial statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

4. ACCOUNTS AND OTHER RECEIVABLES

		June 30, 2019		**December 31, 2018**
Trade receivables (Note 6(i))	**$**	**121,354**	$	68,193
HST receivables (i)		**40,184**		29,197
Other receivables		**11,355**		75,595
Allowance for doubtful accounts		**(3,191)**		(3,191)
Total accounts and other receivables	**$**	**169,702**	$	169,794

(i) Only HST input tax credits which are deemed refundable are recorded as HST receivables. When it is reasonably estimable that a portion of the input tax credits is not eligible for refund, the amount is recorded as an expense. For the three and six months ended June 30, 2019, $10,866 and $21,763 was recorded as a non-recoverable input tax credits expense in the unaudited condensed interim consolidated statements of loss and comprehensive loss (three and six months ended June 30, 2018 - $15,301 and $21,445).

(Expressed in Canadian Dollars)

4. ACCOUNTS AND OTHER RECEIVABLES - Continued

Aging analysis of trade receivables:		June 30, 2019		December 31, 2018
1-30 days	**$**	**27,654**	$	8,212
31 - 60 days		**8,475**		7,487
61 - 90 days		**14,021**		4,385
Greater than 90 days		**71,204**		48,109
	$	**121,354**	$	68,193

5. NOTES RECEIVABLE

		June 30, 2019		December 31, 2018
Franchise Holdings International Inc. (i)	**$**	**-**	$	228,526
Loan portfolio (ii)		**235,297**		236,070
1123568 BC Ltd. (iii)		**-**		-
Advantagewon Oil Corporation (iv)		**-**		-
Other (v)		**140,540**		114,051
	$	**375,837**	$	578,647
Less: provision for notes receivable		**-**		(334,876)
Total notes receivable	**$**	**375,837**	$	243,771
Classification:				
Short-term notes receivable	**$**	**72,059**	$	7,492
Long-term notes receivable		**303,778**		236,279
	$	**375,837**	$	243,771

(i) On July 23, 2016, the Company was engaged by Franchise Holdings International Inc. ("FHI") to assist with the listing of FHI shares on the Canadian Securities Exchange. The Company has one common officer with FHI. Upon successful completion FHI will issue 6 million common shares to the Company. As part of the relationship with FHI, the Company has agreed to loan up to $300,000 to FHI at an interest rate of 18% per annum. At June 30, 2019, the balance outstanding on this loan was $nil (December 31, 2018 - $141,293).

On July 26, 2016, the Company issued a secured promissory note to Truxmart Inc., a subsidiary of FHI for an amount up to $59,000 with a maturity date of July 13, 2018. On October 1, 2016, the Company issued a secured promissory note to FHI for USD $22,500 ($33,383) with a maturity date of October 1, 2018. Both of these notes bear interest at a rate of 18% per annum. At June 30, 2019, the balance outstanding on these notes was $nil (December 31, 2018 - $87,233) plus accrued interest of $nil.

An impairment loss of $nil was recorded on this loan on the unaudited condensed interim consolidated statement of loss for the three and six months ended June 30, 2019 (Year ended December 31, 2018 - $228,525) based on the present value of the estimated future cash flows from the loan.

These loans above are secured by a general security agreement over FHI as well as a charge on the assets of the business.

5. NOTES RECEIVABLE - continued

(ii) On November 23, 2016, the Company entered into two purchase and sale agreements with companies to acquire loan portfolios. The portfolios included four loans with interest rates ranging from 12% to 24%. Included in these loan portfolios is a $90,000 loan to Advantagewon Oil Corporation ("AOC"), a company with two directors in common with the Company. The maturity date of the loans in these loan portfolios range from August 1, 2017 to March 31, 2037. The carrying value of the loans on November 23, 2016 was $743,432. The Company issued 69,200 "Class – A" preferred shares with an estimated fair value of $10 per share for total consideration of $692,000 for the portfolio. The difference between the consideration given and the face value of the loans is related to one specific loan and has been recorded as a reduction to the fair value of the loan. This amount will be accreted to profit (loss) until April 10, 2018 when the loan matures. Accretion of $nil was recorded for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - $nil and $4,237) in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

During the six months ended June 30, 2019, $544 (2018 - $332,065) was repaid to the Company in relation to these loans.

On January 16, 2017, the Company entered into a purchase and sale agreement to acquire a loan portfolio. This portfolio included two loans with rates ranging from 10% to 12%. The maturity date of the loans in this loan portfolio ranged from March 31, 2018 to March 31, 2037. The carrying value of the loans on January 16, 2017 was $238,000. The Company issued 23,800 "Class – A" preferred shares with an estimated fair value of $10 per share for total consideration of $238,000 for the portfolio. During the year ended December 31, 2017, one of the loans in the portfolio was fully repaid.

At June 30, 2019, the balance outstanding on the above loan portfolios was $225,940 plus accrued interest of $9,356 (December 31, 2018 - $236,070).

(iii) On October 5, 2017, the Company entered into a loan agreement with an unrelated party where the Company loaned a total of $181,000. The loan bears interest at a rate of 24% per annum has a maturity date of October 1, 2018. The loan is secured first by a second mortgage charge on the building owned by the borrower, a general security agreement and a charge against the assets of the borrower. The Company also received 116,667 common shares of the borrower. These common shares had an estimated fair value of $nil on the day of receipt and as at December 31, 2017. During the year ended December 31, 2018, this loan was fully repaid via the conversion to shares and warrants of Harbour Star Capital Inc. (TSXV:EAST). The Company received 658,182 common shares and 329,091 warrants of Harbour Star Capital Inc. in relation to this conversion.

(iv) On November 24, 2017, the Company entered into a loan agreement with AOC where the Company loaned AOC a total of USD $200,500 ($256,961). The loan bears interest at a rate of 1% per month and is to be repaid from the net proceeds of AOC's next fundraising. The loan is secured by a first charge and security interest in all of the present and after-acquired property of the borrower and a general security agreement provided by the borrower.

On May 25, 2018, the Company entered into a loan agreement amendment with AOC to combine the loans above and the $90,000 loan as described in Note 6(ii) together. The new combined loan is for $350,000 bearing an interest rate of 14% per annum. The loan is secured by a first charge and security interest in all of the present and after-acquired property of the borrower and a general security agreement provided by the borrower. In relation to this agreement, AOC issued 1,000,000 share purchase warrants to the Company. Each warrant will allow the Company to purchase one common share of AOC for $0.10 for one year. These warrants were valued with the Black-Scholes method and had an estimated fair value of $50,412 on the date of receipt. The value of these warrants has been recorded in the unaudited condensed interim consolidated statements of loss as advisory revenue.

5. NOTES RECEIVABLE - continued

On June 15, 2018, the Company entered into a loan agreement with AOC for USD $45,000 ($60,179) and $27,600. The loan bears interest of 15% per annum and monthly principal repayments of $5,000 begin in September 2018. In relation to this loan, AOC issued 300,000 share purchase warrants to the Company. Each warrant will allow the Company to purchase one common share of AOC for $0.06 for one year. These warrants were valued with the Black-Scholes method and had an estimated fair value of $9,527 on the date of receipt. The value of these warrants has been recorded in the unaudited condensed interim consolidated statements of loss as advisory revenue.

During the year ended December 31, 2018, this loan with an outstanding balance of $436,426 plus accrued interest of $6,367 was fully repaid by AOC with 65,560 Class – A preferred shares of the Company owned by AOC. As these shares have a fair value of $655,600, the Company paid cash of $142,208 to AOC and recorded a gain of $70,600 in relation to the settlement of the loan.

(v) On May 22, 2017, the Company loaned $50,000 to 2230164 Ontario Inc. ("2230164"), a company with an officer in common with FHI. The loan bears interest at a rate of 18% and is secured by a general security agreement over 2230164 as well as a charge on the assets of the business. Subsequent to May 22, 2017, the Company loaned 2230164 a further $10,000 with the same terms as the original loan. At December 31, 2018, the outstanding balance of this loan was $36,267 (December 31, 2017 - $61,867). See Note 9(ii).

An impairment loss of $36,267 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the loan.

On March 19, 2018, the Company loaned $50,000 Bitblox Technologies Inc. ("Bitblox"), a company with two common officers as the Company. The loan bears interest at a rate of 24% per annum and has a maturity date of three months subsequent to the issuance of the loan. On October 15, 2018, the Company loaned an amount up to $40,000 to Bitblox. The loan bears interest at a rate of 15% per annum and has a maturity date of January 15, 2020. At December 31, 2018, the outstanding balance of this loan was $62,784 plus accrued interest of $7,300 (December 31, 2017 - $nil).

An impairment loss of $70,084 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the loan.

At June 30, 2019, the outstanding balance of this loan was $7,290 (December 31, 2018 - $nil). The amount is in good standing.

On August 29, 2018, the Company loaned $7,700 to Meryllion Resources Corporation ("Meryllion"). At June 30, 2019, the outstanding balance of this loan was $4,190 (December 31, 2018 - $7,700).

On March 9, 2019, the Company loaned $100,000 to an unrelated party. The loan bears an interest rate of 12% per annum and has a maturity date of December 1, 2022. As a June 30, 2019, the outstanding balance of this loan was $100,000 and accrued interest of $4,060 (December 31, 2018 - $nil).

On March 13, 2019, the Company loaned $25,000 to an unrelated party. The loan bears an interest rate of 15% per annum and has a maturity date of September 10, 2020. As a June 30, 2019, the outstanding balance of this loan was $25,000 (December 31, 2018 - $nil).

(Expressed in Canadian Dollars)

6. US REAL ESTATE PARTICIPATION LOANS

During the year ended December 31, 2017, the Company invested in three rehabilitation properties in the United States for USD$52,698 ($66,782), USD$90,725 ($115,104) and USD$157,421 ($197,324). The Company invested in a further two rehabilitation properties in the United States for USD$289,204 ($374,936) and USD$125,655 ($164,971) in the year ended December 31, 2018. The Company has provided financing for the purchase of the properties and will be repaid upon the sale of the properties as well as receive a share of the gross profits from the sale.

One of the properties was sold during the year ended December 31, 2017. Three of the properties were sold during the year ended December 31, 2018 for a gain of USD$21,739 ($27,576) recorded in the consolidated statements of loss. The remaining property was sold in the six months ended June 30, 2019 for a gain of USD$14,120 ($18,740) recorded in the unaudited condensed interim consolidated statements of loss.

7. EQUIPMENT

	Servers	Equipment	Computers	Total
Cost as at December 31, 2018	$ -	$ 57,785	$ 10,908	$ 68,693
Additions	310,641	414	-	311,054
Cost as at June 30, 2019	**310,641**	**58,199**	**10,908**	**379,747**
Accumulated depreciation as at December 31, 2018	-	(31,342)	(9,904)	(41,246)
Charge for the period	-	(2,657)	(276)	(2,932)
Accumulated depreciation as at June 30, 2019	**-**	**(33,999)**	**(10,180)**	**(44,178)**
Net book value as at December 31, 2018	-	26,443	1,004	27,447
Net book value as at June 30, 2019	**$ 310,641**	**$ 24,200**	**$ 728**	**$ 335,569**

8. BUILDINGS AND IMPROVEMENTS

	57 Wellington	63 Wellington	1209 Hickory	559 Assumption	1571 Hickory	935 Albert	663 Marenette	491 Louis	1 Balfour	53 McClary	1021 Henry Ford	Madoc Self Storage	Total
Cost as at December 31, 2018	$ 482,024	$ 826,478	$ 144,958	$ 157,660	$ 218,452	$ 160,565	$ 312,126	$ 404,710	$ 664,350	$ 758,994	$ 293,154	$ 308,071	$ 4,731,542
Additions	11,985	14,292	(144,958)	-	(218,452)	-	(312,126)	(404,710)	21,511	(950)	(293,154)	-	(1,326,561)
Cost as at June 30, 2019	**494,009**	**840,770**	**-**	**157,660**	**-**	**160,565**	**-**	**-**	**685,861**	**758,044**	**-**	**308,071**	**3,404,981**
Accumulated depreciation as at December 31, 2018	(29,709)	(38,232)	(5,809)	(5,919)	(7,656)	(5,406)	(9,654)	(10,644)	(15,843)	(17,723)	(5,482)	(17,219)	(169,296)
Charge for the period	(6,304)	(11,085)	5,809	(1,971)	7,656	(2,076)	9,654	10,644	(8,058)	(9,941)	5,482	(3,851)	(4,041)
Acc. depreciation as at June 30, 2019	**(36,013)**	**(49,317)**	**-**	**(7,890)**	**-**	**(7,482)**	**-**	**-**	**(23,901)**	**(27,664)**	**-**	**(21,070)**	**(173,337)**
Net book value as at December 31, 2018	$ 452,315	$ 788,246	$ 139,149	$ 151,741	$ 210,796	$ 155,159	$ 302,472	$ 394,066	$ 648,507	$ 741,271	$ 287,672	$ 290,852	$ 4,562,247
Net book value as at June 30, 2019	**$ 457,996**	**$ 791,453**	**$ -**	**$ 149,770**	**$ -**	**$ 153,083**	**$ -**	**$ -**	**$ 661,960**	**$ 730,379**	**$ -**	**$ 287,001**	**$ 3,231,644**

During the year ended December 31, 2018, the Company formed 1 Balfour Place Inc., 53 McClary Ave. Inc. and 1021 Henry Ford Centre Inc. and completed the purchase of its third and fourth residential rental properties in London, Ontario and its ninth residential rental property located in Windsor, Ontario.

During the six months ended June 30, 2019, the Company disposed of five residential rental properties in Windsor, Ontario for a gain of $7,945 (2018 - $nil) recorded in the state of loss and comprehensive loss.

(Expressed in Canadian Dollars)

9. LONG-TERM INVESTMENTS

	June 30, 2019		December 31, 2018	
	# of shares	Estimated fair market value	# of shares	Estimated fair market value
Cannabis Royalties & Holdings Corp. (i)	-	-	-	-
Franchise Holdings International Inc. (ii)	1,627,287	294,996	1,627,287	55,450
Payfare Inc. (iii)	333,334	50,000	333,334	50,000
Advantagewon Oil Corp. (iv)	132,548	67,951	132,548	16,152
Cheetah Canyon Resources Corp. (v)	1,698,850	101,931	1,698,850	101,932
Meryllion Resources Corporation (vi)	2,000,000	64,875	2,000,000	30,000
Bitblox Technologies Inc. (vii)	1,900,000	-	1,900,000	-
Chess Supersite Corp (viii)	300,000	-	300,000	-
Eastwest Bioscience Inc. (ix)	774,849	65,862	774,849	131,498
Astro Airspace Ltd (x)	500,000	187,134	500,000	299,862
Eighteen Fifty Inc. (xi)	1,530,000	200,000	-	-
Hemp Inc. (xii)	24,000,000	750,000	-	-
Total long-term investments		$ 1,782,749		$ 684,894

(i) On July 26, 2015, the Company had an agreement with Rock Vapor Technologies Inc. ("RVT") to purchase 80,000 shares of RVT at a cost of USD$1.25 per share for a total purchase price of USD$100,000 ($138,000). These shares were sold by RVT in pursuant to the terms of Regulation S of the Securities Act of 1933, as amended. The shares will be restricted indefinitely until Rock Vapor Technologies Inc. takes the necessary steps to become a publicly traded entity, at which time the restrictions may only be lifted pursuant to an effective registration statement or exemption statement or an exemption to the registration requirements. While restricted, the shares may not be traded in the United States or in Canada.

During the year ended December 31, 2016, RVT entered into an agreement with Cannabis Royalties & Holdings Corp. ("CRHC") (CSE:CRZ) to sell certain assets of RVT to CRHC for 375,000 common shares of CRHC. As a result of this agreement, the Company's RVT shares were swapped for 28,850 common shares of CRHC.

During the three months ended March 31, 2018, all of the Company's common shares of CRHC were sold for $131,642 and an unrealized loss of $30,390 previously recognized was reversed and a realized loss of $6,358 was recorded in the unaudited condensed interim consolidated statements of loss.

(ii) On September 16, 2016, the Company acquired 50,000 common shares of FHI as part of a capital market consulting agreement with FHI for $nil cost to the Company. The Company has one common officer with FHI. These shares had an estimated fair value of USD$7,500 ($9,675) on the date of acquisition based on the quoted market share price of FHI on the date of acquisition.

In relation to the note receivable described in Note 5(i), FHI issued 1,577,287 shares of FHI to the Company at a subscription price of USD$0.001 ($0.00134) as payable for consulting services provided. The fair market value of these shares was estimated at USD$47,319 ($63,735) on the date of acquisition based on the quoted market share price of FHI on the date of acquisition and $61,611 was recorded as consulting income for the year ended December 31, 2017.

During the six months ended June 30, 2019, the Company subscribed to 5,000,000 subscription receipts of FHI for $240,000.

During the three and six months ended June 30, 2019, FHI completed a reverse 6:1 stock split. As such, the Company owned 271,215 shares of FHI and 833,333 subscription receipts of FHI.

9. LONG-TERM INVESTMENTS – continued

As at June 30, 2019, FHI's quoted share price was USD $0.123 ($0.161). As a result, an unrealized loss of $63,601 and $10,453 of was recorded for three and six months ended June 30, 2019 (three and six months ended June 30, 2018 – unrealized gain of $12,588 and $10,750).

(iii) On August 30, 2016, the Company acquired 333,334 common shares of Payfare Inc. for $50,000, a private company in the business of payment processing. The Company does not believe the fair value of the investment has materially changed. The Company and Payfare have a director in common.

(iv) On October 20, 2016, the Company acquired 1,666,667 common shares of Advantagewon Oil Corporation ("AOC") for consideration of 2,500,000 common shares of the Company. The estimated fair value of the investment on the date of purchase was $112,500 based the closing quoted market share price of the Company's common shares on the day before the transaction. As at December 31, 2016, AOC's shares were valued at $150,000 based on the share price from a private placement occurring near December 31, 2016. AOC has two directors in common with the Company. AOC completed its process of going public on July 14, 2017 and on that date, 1,534,119 of these shares were distributed to shareholders of the Company as a dividend valued at $199,435 based on the quoted market price of the AOC shares on the day the shares were distributed.

As part of the service agreement between AOC and the Company, AOC issued 3,000,000 common shares to the Company upon completion of its going public process. The fair market value of these shares was estimated at $420,000 on the date of acquisition based on the quoted market share price of AOC on the date of acquisition and $420,000 was recorded as consulting income for the year ended December 31, 2017. During the year ended December 31, 2017, the Company entered into an agreement to dispose of 3,000,000 to a holder of the Company's Preferred "Class – A" shares in exchange for 45,000 "Class – A" shares. As a result, a realized gain of $30,000 was recorded for the year ended December 31, 2017.

In relation to a loan agreements as described in Note 5(iv), the Company received 1,300,000 share purchase warrants of AOC. These warrants were valued with the Black-Scholes method and had a fair value of $59,939 on the date of receipt. As at June 30, 2019, these warrants had a fair value of $14,471 (December 31, 2018 - $12,838). As a result, an unrealized loss of $945 and un realized gain of $1,633 was recorded for the three and six months ended June 30, 2019 (three and six months ended June 30, 2019 – unrealized loss of $11,031).

During the six months ended June 30, 2019 the Company subscribed for 2,071,428 units of AOC for $72,500. Each unit consists of one common share and one share purchase warrant which entitles the holder to purchase one common share of AOC for $0.06 for two years after closing. These warrants were valued with the Black-Scholes method and had a fair value of $20,997 on the date of receipt. As at June 30, 2019, these warrants had a fair value of $9,400 (December 31, 2018 - $nil). As a result, an unrealized loss of $17,073 and $11,597 was recorded for the three and six months ended June 30, 2019.

As at June 30, 2019, AOC's quoted share price was $0.02. As such, an unrealized gain of $11,303 was recorded for the three and six months ended June 30, 2019 (three and six months ended June 30, 2019 – unrealized loss of $22,039 and $10,737).

9. LONG-TERM INVESTMENTS – continued

(v) On June 13, 2017, Cheetah Canyon Resources Corp. (formerly "Cardiff Energy Corp.") ("Cardiff", "Cheetah") (TSXV:CHTA) issued 1,000,000 common shares of Cardiff with a fair value of $80,000 based on their quoted market price on the date of issuance to the Company as part of a loan repayment. On July 12, 2017, a further 698,850 shares of Cheetah were issued to the Company with a fair value of $69,885 based on their quoted market price on the day of issuance to fully repay the loan. The loan bore an interest rate of 24% per annum and was made on February 16, 2016. As at June 30, 2019, Cheetah's quoted share price was $0.06. As a result, an unrealized gain of $nil was recorded for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 – unrealized gain of $nil and $8,494).

(vi) On August 1, 2017, the Company subscribed for 2,000,000 units of Meryllion Resources Corporation ("Meryllion") (CSE: MYR) at $0.025 per unit. Each unit is comprised of one common share of Meryllion and one half common share purchase warrant. Each whole warrant entitles the Company to acquire one common share of Meryllion for $0.05 for a period of 18 months from the date of acquisition.

On January 24, 2019, Meryllion issued 4,487,500 common shares with a value of $89,750 based on the quoted market share price of Meryllion on the day of issuance to the Company to settle debt of $89,750.

As at June 30, 2019, Meryllion's quoted share price was $0.01 and the warrants were valued at $nil using the Black-Scholes valuation method. As a result, an unrealized loss of $32,437 and $54,875 was recorded for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 – unrealized loss of $41,898 and $37,556).

(vii) On December 13 and 20, 2017, the Company subscribed for 400,000 token units and 500,000 digital tokens units of Bitblox Technologies Inc. ("Bitblox") at $0.05 per token unit and at $0.0001 per token, respectively. On January 29, 2018, the Company subscribed for 1,000,000 token units of Bitblox at $0.10 per token unit. Each token unit is comprised of one digital token and one warrant that is exercisable into one common share of Bitblox for no additional consideration immediately prior to certain events. Each digital token may entitle the Company to receive a proportionate share of Bitblox's quarterly profit share to be determined by Bitblox's board of directors.

An impairment loss of $145,000 was recorded on this investment on the consolidated statement of loss for the year ended December 31, 2018 based on the present value of the estimated future cash flows from the investment.

(viii) On February 6, 2018, the Company received 300,000 common shares of Chess Supersite Corp. ("Chess") as payment for outstanding accounts receivable of $33,900. The fair market value of these shares was estimated at USD $3,690 ($4,648) on the date of acquisition based on the quoted market share price of Chess on the date of acquisition and $29,252 was recorded as a bad debt expense in the year ended December 31, 2018. At December 31, 2018 and June 30, 2019, the quoted market price of Chess was USD $nil and as a result, an unrealized loss of $nil was recorded for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 – unrealized gain of $5,206 and $10,468).

(Expressed in Canadian Dollars)

9. LONG-TERM INVESTMENTS – continued

(ix) In relation to a loan agreement with an unrelated party as described in Note 5(iii), the Company received 116,667 common shares of Eastwest Bioscience Inc. (formerly Star Habour Capital Inc.) ("Eastwest"). The fair market value of these shares on the date of receipt was estimated at $nil. On October 5, 2018, the Company subscribed for 658,182 units of Eastwest for $181,000. As at June 30, 2019, the quoted market price of Eastwest was $0.085 and the warrants in the units were valued at $nil with the Black-Scholes method and as a result, an unrealized loss of $15,497 and $65,636 was recorded for the three and six months ended June 30, 2019.

(x) As consideration for the convertible debenture described in Note 12, the Company received 500,000 shares of Astro Airspace Ltd. ("Astro") on August 6, 2018. The fair market value of these shares on the date of receipt was estimated at USD $950,000 ($1,235,637) based on the quoted market share price of Astro on the date of receipt. At June 30, 2019, the quoted market price of Astro was USD $0.286 ($0.374) and as a result, an unrealized loss of $133,194 and $112,726 was recorded for the three and six months ended June 30, 2019.

(xi) On February 7, 2019, the Company acquired 1,530,000 shares of an unrelated company with the issuance of 20,000 "Class – A" preferred shares with a fair market value of $200,000. The Company does not believe the fair value of the investment has materially changed.

(xii) On February 28, 2019, the Company acquired 24,000,000 shares of an unrelated company with the issuance of 15,000,000 "Class – A" preferred shares with a fair market value of $750,000. The Company does not believe the fair value of the investment has materially changed.

10. MORTGAGES PAYABLE

					Fair value at	
	Principal amount	**Annual interest**	**Term of mortgage**	**Amortization life**	**June 30, 2019**	**December 31, 2018**
57 Wellington Street, London, Ontario	$ 279,500	4.75%	36 months	300 months	**$ 261,138**	$ 264,467
63 Wellington Street, London, Ontario	543,750	4.20%	60 months	300 months	**513,435**	520,181
1209 Hickory Road, Windsor, Ontario	101,250	4.65%	60 months	300 months	**-**	97,365
559 Assumption Road, Windsor, Ontario	112,425	4.65%	60 months	300 months	**106,843**	108,136
1571 Hickory Road, Windsor, Ontario	149,925	4.20%	12 months	300 months	**-**	144,226
935 Albert Street, Windsor, Ontario	105,000	4.55%	60 months	240 months	**94,464**	95,361
663 Marentette Ave, Windsor, Ontario	210,000	4.55%	60 months	240 months	**-**	197,649
491 Louis Ave, Windsor, Ontario	316,000	3.85%*	60 months	300 months	**-**	308,641
1 Balfour Place, Windsor Ontario	393,919	3.63%	60 months	360 months	**358,609**	358,811
53 McClary Ave, Windsor, Ontario	514,650	3.63%	60 months	360 months	**473,802**	474,652
1021 Henry Ford Centre Drive, Windsor, Ontario	228,000	3.55%**	60 months	360 months	**-**	225,166
Madoc storage facility	146,250	4.63%	60 months	180 months	**127,066**	130,845
Total mortgages payable	$ 3,100,669				**$ 1,935,357**	$ 2,925,500

*Variable interest rate of prime rate minus 0.10%
**Variable interest rate of prime rate minus 0.40%

(Expressed in Canadian Dollars)

10. MORTGAGES PAYABLE - continued

		June 30, 2019		December 31, 2018
Balance, beginning of year	$	**2,925,500**	$	1,916,621
Proceeds from mortgages payable		**-**		1,298,713
Repayments		**(1,003,264)**		(313,098)
Accretion of transactions costs		**13,122**		23,264
Balance, end of period	$	**1,935,357**	$	2,925,500
Classification:				
Short-term mortgages payable	$	**140,817**	$	473,307
Long-term mortgages payable		**1,794,540**		2,452,193
	$	**1,935,357**	$	2,925,500

Mortgages payable are secured by general security agreements constituting a first ranking security interest in all assets, a collateral mortgage in the amount of $3,100,669 over real property, and a first position security interest over accounts receivable.

During the six months ended June 30, 2019, the Company disposed of five properties and as a result, the mortgages for 1209 Hickory Road, 1571 Hickory Road, 663 Marentette Ave., 491 Louis Ave. and 1021 Henry Ford Centre Drive were fully repaid.

11. LOANS PAYABLE

		June 30, 2019		December 31, 2018
Balance, beginning of year	$	**176,148**	$	160,464
Proceeds from loans payable		**-**		238,230
Repayments		**(100,943)**		(215,749)
Foreign exchange loss		**(1,437)**		(6,797)
Balance, end of period	$	**73,768**	$	176,148
Classification:				
Short-term loans payable	$	**38,631**	$	138,281
Long-term loans payable		**35,137**		37,867
	$	**73,768**	$	176,148

On June 1, 2017, the Company borrowed $50,000 from an unrelated party. The secured promissory note bears interest of 8% per annum and has a maturity of May 31, 2022. As at June 30, 2019, the carrying value of loan is $40,491 (December 31, 2018 - $43,012).

On July 10, 2017, the Company borrowed USD$100,000 ($124,654) from an unrelated party. The secured promissory note bears interest of 8% per annum and has a maturity of October 1, 2019. The note is secured by a first charge and security interest in all of the present and after-acquired property and assets of the Company pursuant to a general security agreement. As at June 30, 2019, the carrying value of this loan is USD$25,429 ($33,277) (December 31, 2018 - USD$47,740 ($65,070)).

On August 1, 2018, the Company entered into an agreement to repurchase 25,910 "Class – A" preferred shares of the Company from AOC for $238,230 to be paid in seven equal installments of $34,033. This loan is non-interest bearing. In relation to this transaction, the Company recognized a gain of $20,870 in the year ended December 31, 2018. As at June 30, 2019, the carrying value of this loan is $nil (December 31, 2018 - $68,066).

(Expressed in Canadian Dollars)

12. CONVERTIBLE DEBENTURE

On August 6, 2018, the Company closed a $750,000 financing of convertible debenture maturing on August 7, 2020. The debenture bears interest at 10% per annum. Each debenture is convertible at the holder's option into one common share at any time prior to maturity at a conversion price of $0.10 per common share.

The debentures were recorded in the consolidated statement of financial position at the net present value of future payments. After discounting the liability to its estimated fair value using the calculated discount rate, the liability and equity portions of the convertible debenture were $750,000 and $485,641 respectively. There were no transaction costs to offset against the carrying value of the convertible debentures.

During the year ended December 31, 2018, the whole debenture was converted into 15,000,000 common shares of the Company at a conversion price of $0.05.

13. SHAREHOLDERS' EQUITY

a) Preferred shares and common shares

As at June 30, 2019, the Company's authorized share capital consisted of an unlimited number of voting common shares and 2,740,925 non-voting, cumulative, "Class – A" preferred shares "Class – B" preferred shares that are redeemable at the option of the Company at fair value.

Preferred shares

Class-A	**# of shares**	**Value of shares**
Balance, December 31, 2018	447,110	$ 4,150,785
"Class - A" shares issued (Note 9(xi))	20,000	200,000
Balance, June 30, 2019	**467,110**	**$ 4,350,785**

Class-A	**# of shares**	**Value of shares**
Balance, December 31, 2017 and June 30, 2018	**532,830**	**$ 5,012,585**

Class-B	**# of shares**	**Value of shares**
Balance, December 31, 2017 and 2018 and June 30, 2019	**33,550**	**$ 278,860**

Common shares

	# of shares	**Value of shares**
Balance, December 31, 2018	65,911,750	8,580,822
Common shares issued (i)	39,231,020	1,887,497
Value of warrants granted (i)	-	(187,265)
Common shares issued in settlement of debt (i)	600,000	45,000
Cost of issue (i)	-	(45,939)
Balance, June 30, 2019	**105,742,770**	**$ 10,280,115**

	# of shares	**Value of shares**
Balance, December 31, 2017	30,910,256	$ 6,703,871
Shares issued in settlement of debt (ii)	600,000	60,000
Balance, June 30, 2018	**31,510,256**	**$ 6,763,871**

(Expressed in Canadian Dollars)

13. SHAREHOLDERS' EQUITY - continued

a) Preferred shares and common shares – continued

Common shares

(i) During the year ended December 31, 2018, the Company entered into an agreement where 2,500,000 units of the Company would be issued to a third party as part of its business development process. These units were issued in the six months ended June 30, 2019. Each unit is comprised of one common share of the Company plus one common share warrant. Each warrant entitles the holder to acquire one common share of the Company for $0.12 for a period of 12 months from the closing date. The fair value of the 2,500,000 warrants was estimated as $14,310 using the Black-Scholes option pricing model with the following assumptions: 100% expected volatility; a risk-free interest rate of 1.86%; an expected dividend yield of Nil%; and 12 months expected term.

On March 4, 2019, the Company closed a non-brokered private placement raising gross proceeds of $445,000 through the issuance of 8,900,000 units at $0.05 per unit. Each unit is comprised of one common share of the Company plus one common share warrant. Each warrant entitles the holder to acquire one common share of the Corporation for $0.075 for a period of 24 months from the closing date. The fair value of the 8,900,000 warrants was estimated as $98,093 using the Black-Scholes option pricing model with the following assumptions: 92% expected volatility; a risk-free interest rate of 1.74%; an expected dividend yield of Nil%; and 24 months expected term.

On April 29, 2019, the Company closed a non-brokered private placement raising gross proceeds of $257,000 through the issuance of 5,140,000 units at $0.05 per unit. Each unit is comprised of one common share of the Company plus one common share warrant. Each warrant entitles the holder to acquire one common share of the Corporation for $0.075 for a period of 24 months from the closing date. The fair value of the 5,140,000 warrants was estimated as $58,971 using the Black-Scholes option pricing model with the following assumptions: 95% expected volatility; a risk-free interest rate of 1.57%; an expected dividend yield of Nil%; and 24 months expected term.

A total of $45,939 of share issue costs were incurred in relation to the common shares issued above.

See Note 9(xii).

The Company issued an aggregate of 600,000 common shares with an estimated fair value of $45,000 to settle debts owed to a consultant of the Company.

During the six months ended June 30, 2019, the Company issued 7,691,020 common shares to shareholders of Bitblox in a transaction to purchase assets owned by Bitblox for the Company's cryptocurrency mining services. These shares had an estimated fair value of $310,641 on the date of issuance.

(ii) During the six months ended June 30, 2018, the Company issued a total of 600,000 common shares with an estimated fair value of $0.10 per share to settle debts owed to an officer and a consultant of the Company.

b) Warrants

	# of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2018	**35,045,965**	**$ 893,653**	**$ 0.101**
Granted (Note 13(a)(i))	16,540,000	171,374	0.080
Expired	(3,177,990)	(187,187)	(0.15)
Balance, June 30, 2019	**48,407,975**	**$ 877,840**	**$ 0.172**

	# of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2017 and June 30, 2018	**6,561,137**	**$ 356,535**	**$ 0.146**

(Expressed in Canadian Dollars)

13. SHAREHOLDERS' EQUITY - continued

b) Warrants - continued

The following warrants were in existence as at June 30, 2019:

# of warrants		Fair value of warrants	Weighted average exercise price	Expiry Date
382,147		52,252	0.25	December 21, 2019
3,001,000		117,097	0.15	May 17, 2020
10,000,000		252,000	0.12	April 18, 2020
2,500,000		14,310	0.12	January 2, 2020
3,084,828		43,844	0.075	October 17, 2020
15,400,000		241,273	0.075	December 19, 2020
8,900,000		98,093	0.075	March 4, 2021
5,140,000		58,971	0.075	April 29, 2021
48,407,975	$	877,840		

c) Contributed surplus

Balance, December 31, 2017, June 30, 2018 and December 31, 2018	**$**	**1,570,047**
Expiry of warrants		187,187
Share-based compensation		38,000
Balance, June 30, 2019	**$**	**1,795,234**

Stock options

	# of options		Fair value of options		Weighted average exercise price
Balance, December 31, 2017, June 30, 2018 and December 31, 2018	**2,250,000**	**$**	**227,600**	**$**	**0.115**
Granted	1,000,000		38,000		0.100
Balance, June 30, 2019	**3,250,000**	**$**	**265,600**	**$**	**0.104**

As at June 30, 2019, the Company's outstanding stock options are as follows:

# of options outstanding and exercisable		Estimated fair value at grant date	Exercise price	Expiry Date	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
200,000	$	14,100	0.10	July 11, 2021	161%	5	0%	0.53%
100,000		3,500	0.10	December 1, 2021	156%	5	0%	1.07%
1,550,000		179,000	0.12	May 5, 2026	143%	10	0%	0.98%
400,000		31,000	0.10	June 19, 2027	131%	10	0%	1.54%
1,000,000		38,000	0.10	May 27, 2024	188%	5	0%	1.46%
3,250,000	$	265,600						

Employee share option plan

The shareholders of the Company approved the Company's existing stock option plan, the "Plan", to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

During the six months ended June 30, 2019, 1,000,000 stock options with an exercise price of $0.10 were granted to an officer of the Company. These stock options vested immediately and have an expiry of 5 years.

(Expressed in Canadian Dollars)

13. SHAREHOLDERS' EQUITY - continued

d) Dividends

On January 31, 2019, the Company declared and subsequently paid a dividend of $0.20 per "Class – A" preferred share and "Class – B" preferred share for a total of $101,313.

14. BASIC AND DILUTED LOSS PER SHARE

Shares issuable from options and warrants were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three and six months ended June 30, 2019 and 2018.

15. RELATED PARTY TRANSACTIONS

JIT Financial Inc.

During the year ended December 31, 2017, the Company loaned $31,538 to JIT Financial Inc. ("JIT"), in which the Company acquired a 12.5% ownership stake. As result of this stake, the Company appointed one of its officers to the Board of Directors of JIT. JIT is in the cash clearing business. The loan bears interest at a rate of 10% per annum and the Company charges a royalty of $0.05 per transaction on certain transactions processed by JIT. The loan is repayable on a basis of $0.25 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

During the year ended December 31, 2017, the Company loaned $1,000,000 to JIT, through a promissory note and a number of amendments of the promissory note. The loan bears interest at a rate of $0.30 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement. During the year ended December 31, 2018, this loan was fully repaid to the Company.

On June 1, 2018, the Company disposed of its interest in JIT for $nil as part of exiting the cash clearing business. Operations related to JIT have been disclosed as discontinued operations in the Company's consolidated statement of loss.

Other related parties

During the three and six months ended June 30, 2019 and 2018, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Revenue earned from services			
	Three months ended June 30,		**Six months ended September 30,**	
	2019	**2018**	**2019**	**2018**
Meryllion Resources Corporation	**$ 7,500**	$ 7,500	**$ 15,000**	$ 15,000
Bitblox Technologies Inc.	**10,000**	17,000	**27,000**	34,000

The Company had two common officers with Meryllion Resources Corporation and Bitblox Technologies Inc. Included in accounts receivable are $16,950 owing from Meryllion and $30,510 owing from Bitblox as at June 30, 2019 (December 31, 2018 - $28,278 and $nil). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS - continued

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the periods were as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Short-term benefits	**$ 62,800**	$ 94,800	**$ 115,600**	$ 147,600
Share-based payments	**38,000**	-	**38,000**	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As at June 30, 2019, the Company owed $5,374 (December 31, 2018 - $5,374) to an officer of the Company and $nil (December 31, 2018 - $nil) to directors of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See Notes 5(i), 5(ii), 5(v), 9(ii), 9(iii), 9(iv), 9(vi) and 9(vii).

16. SEGMENTED INFORMATION

As at June 30, 2019, the Company has five reportable segments; corporate, merchant banking, real estate, consulting and advisory, payment processing and cryptocurrency mining. The merchant banking segment provides loans to third parties and earns interest income. The real estate segment acquires rental properties for capital appreciation and earns rental income. The consulting and advisory segment provides advisory services to third party corporations and earns service income. The corporate segment is responsible for the overall investments operations of the Company excluding investments in rental properties. The corporate segment also includes all overhead costs. The payment processing segment provided processing services to third parties and earns service fees and interest income. The cryptocurrency mining segment earns revenues through mining bitcoins and selling them in the open market. All of the Company's revenues are recognised at a point in time. During 2018, the Company discontinued its payment processing segment.

June 30, 2019	Corporate	Merchant banking	Real estate	Consulting and advisory	Cryptocurrency mining	Total
Assets						
Canada	$ 324,577	$ 1,300,620	$ 3,235,772	$ -	$ 310,641	$ 5,171,610
US	-	482,130	-	-	-	482,130
Non-current assets	$ 324,577	$ 1,782,750	$ 3,235,772	$ -	$ 310,641	$ 5,653,740

December 31, 2018	Corporate	Merchant banking	Real estate	Consulting and advisory	Payment processing	Total
Assets						
Canada	$ 695,911	$ -	$ 4,562,247	$ -	$ 16,430	$ 5,274,588
US	-	236,279	-	-	-	236,279
Non-current assets	$ 695,911	$ 236,279	$ 4,562,247	$ -	$ 16,430	$ 5,510,867

Revenues	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Corporate	$ -	$ -	$ -	$ -
Merchant banking	30,293	93,924	59,657	206,396
Payment processing	25,820	58,218	51,373	145,801
Real estate	94,196	97,322	201,366	178,558
Consulting and advisory	17,500	91,994	109,636	113,039
Cryptocurrency mining	14,464	-	14,464	-
	$ 182,273	$ 341,458	$ 436,496	$ 643,794

(Expressed in Canadian Dollars)

17. CAPITAL MANAGEMENT

The Company considers its capital to be shareholders' equity, which is comprised of preferred shares, common shares, units to be issued, contributed surplus, warrants and deficit. 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's objective when managing capital are:

a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
b) to give shareholders sustained growth in value by increasing shareholders' equity; while
c) taking a conservative approach towards financial leverage and management of financial risks.

The Company's management reviews its capital structure on an on-going basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company's current capital is composed of its shareholders' equity and, to-date, has adjusted or maintained its level of capital by:

a) raising capital through equity financings; and
b) realizing proceeds from the disposition of its investments

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company and its subsidiaries is not subject to externally imposed capital requirements. There were no significant changes in the Company's approach to capital management during the three and six months ended June 30, 2019 and 2018.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities as at June 30, 2019 and December 31, 2018 are as follows:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
June 30, 2019			
Cash	$ 728,144	$ -	$ 728,144
Accounts and other receivables	129,518	-	129,518
Notes receivable	375,837	-	375,837
Long-term investments	-	1,782,749	1,782,749
Accounts payable and accrued liabilities	(244,143)	-	(244,143)
Loans payable	(73,768)	-	(73,768)
Mortgages payable	(1,935,357)	-	(1,935,357)

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
December 31, 2018			
Cash	$ 981,354	$ -	$ 981,354
Accounts and other receivables	140,597	-	140,597
Notes receivable	243,771	-	243,771
Long-term investments	-	684,894	684,894
Accounts payable and accrued liabilities	(379,952)	-	(379,952)
Loans payable	(176,148)	-	(176,148)
Mortgages payable	(2,925,500)	-	(2,925,500)

The Company's has loans receivable outstanding and a significant portion of the Company's assets are currently comprised of financial instruments which can expose it to several risks, including market, liquidity, credit and currency risks. There have been no changes in the risks, objectives, policies and procedures during the three and six months ended June 30, 2019 and 2018. A discussion of the Company's use of financial instruments and their associated risks is provided below:

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favorable prices. The Company mitigates this risk by attempting to have a portfolio which is not singularly exposed to any one issuer, with exception to the Company having two positions as at June 30, 2019 which made up of approximately 42% and 17% (December 31, 2018 – one position, 44%) of the total equity portfolio. (See Note 9).

For the three and six months ended June 30, 2019, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $104,000 (2018 - $35,000).

For the three and six months ended June 30, 2019, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of $74,000 (2018 - $9,800).

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at June 30, 2019, the Company's current liabilities totaled $423,591 (December 31, 2018 - $991,540) and cash totaled $728,144 (December 31, 2018 - $981,354). The Company generates cash flow from advisory fees, loan interest, rental income, payment processing services and cryptocurrency mining. The payment processing segment was discontinued in 2018.

The Company manages liquidity risk by reviewing the amount of cash available, 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 2.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - Continued

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	$ 244,143	$ 244,143	$ 244,143	$ -	$ -	$ -
Mortgages payable	1,935,357	2,883,759	132,745	265,490	265,490	2,220,034
Loans payable	73,768	82,569	42,710	16,800	16,800	6,259
Total	$ 2,253,268	$ 3,210,471	$ 419,598	$ 282,290	$ 282,290	$ 2,226,293

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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts and other receivables and notes receivable.

The Company monitors the credit risk and credit standing of its customers on a regular basis. See Note 4 for an aging analysis of other receivables.

Security was obtained against specific assets of the counterparty, in case of non-performance on the notes receivable. The total carrying value of these financial instruments at June 30, 2019 was $375,837 (December 31, 2018 - $243,771). Two lendees make up 63% and 28% of the Company's notes receivable balance, at June 30, 2019 (December 31, 2018 – one lendee, 97%). Management considered the potential impairment of loans and receivables and recorded an impairment of $nil for the three and six months ended June 30, 2019 and 2018.

The Company's advisory services revenues are primarily derived from a small number of customers within Canada. The Company had two customers who represented 60% and 18% of advisory services revenues in the three and six months ended June 30, 2019 (2018 advisory fees revenue – no significant customers). There can be no assurance that all or any of the Company's customers will continue to engage in the Company's services. The loss of any such customer may have a materially negative impact on the Company business conditions and financial results.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of its loans receivable and investments are in United States dollars. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Fair value of financial instruments

The Company has determined the carrying values of its financial instruments as follows:

i. The carrying values of cash, accounts and other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.
ii. Notes receivable, long-term notes receivable, US real estate participation loans and long-term investments are carried at amounts in accordance with the Company's accounting policies as set out in Note 3.
iii. Mortgages payable approximate their fair values due to the short time since they were received.
iv. Prior to maturity, the outstanding notes receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimated realizable value.

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the consolidated statements of financial position as at June 30, 2019 and December 31, 2018:

Investments, fair value	Level 1 (Quoted market price)	Level 2 (Valuation technique - observable market inputs)	Level 3 (Valuation technique - non-observable market inputs)	Total
Publicly traded investments	$ 758,878	$ 23,871	$ -	$ 782,749
Private investments	-	-	1,000,000	1,000,000
June 30, 2019	$ 758,878	$ 23,871	$ 1,000,000	$ 1,782,749
Publicly traded investments	$ 500,979	$ 133,915	$ -	$ 634,894
Private investments	-	-	50,000	50,000
December 31, 2018	$ 500,979	$ 133,915	$ 50,000	$ 684,894

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the six months ended June 30, 2019 and year ended December 31, 2018. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net unrealized gains are recognized in the unaudited condensed interim consolidated statements of loss.

Investments classified as Level 3, fair value	For the six months ended June 30, 2019	For the year ended December 31, 2018
Balance, beginning of year	$ 50,000	$ 95,000
Purchase at cost - shares	950,000	100,000
Impairment	-	(145,000)
Balance, end of period	$ 1,000,000	$ 50,000

Within Level 3, the Company includes private company investments which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies. The fair values of all of the private company investments held by the Company were determined by recent financings done by the investee other than that described in Note 9(iii) and (vii).

As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the size of the private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

Where the Company holds an investment in a privately-held entity for which there is no active market and for which there is no reliable estimate of fair value, the investment is carried at cost less any provision for impairment.

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

For those investments valued based on a recent financing or transaction price, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at June 30, 2019 and December 31, 2018. A +/- 25% change in the fair value of these Level 3 investments as at June 30, 2019 will result in a corresponding +/- $250,000 (December 31, 2018 - +/- $12,500). While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Interest paid	**$ 49,676**	$ 31,142	**$ 80,416**	$ 58,786
Common shares issued for debt settlement	**-**	-	**45,000**	-
Investments received to settle receivables	**-**	60,000	**89,750**	60,000

20. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $315,000 (December 31, 2018 - $315,000) ranging from 12 to 18 months and additional contingent payments of up to approximately $240,000 (December 31, 2018 - $240,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.

The Company has discontinued mining operations in various jurisdictions and has written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, it any, for which the Company might become obligated as a result of its role as operator, guarantor or indemnifier, is not determinable, nor expected to be material, and no amount has been provided for in these unaudited condensed interim consolidated financial statements.

The Company may become 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 is recorded in the unaudited condensed interim consolidated 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 any such 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 unaudited condensed interim consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

(Expressed in Canadian Dollars)

20. CONTINGENCIES – continued

The Company leases its office under a lease agreement which commenced October 1, 2016, the following is a summary of its lease commitments for the term of the lease:

< 1 year from reporting date	$	45,136
1 to 2 years from reporting date		45,136
2 to 3 years from reporting date		22,568
	$	112,840

21. SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the Company raised $230,000 with the issuance of 4,600,000 units with a price of $0.05 per unit. Each unit is comprised of one common share of the Company plus one common share warrant. Each warrant entitles the holder to acquire one common share of the Corporation for $0.075 for a period of 24 months from the closing date.

Subsequent to March 31, 2019, the Company issued 250,000 commons shares to shareholders of Bitblox in a transaction to purchase assets owned by Bitblox.