BLUESKY DIGITAL ASSETS CORP.
(FORMERLY GUNPOWDER CAPITAL CORP.)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

April 29, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Bluesky Digital Assets Corp. (formerly Gunpowder Capital Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Bluesky Digital Assets Corp. (formerly Gunpowder Capital Corp.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of $4,672,744 during the year ended December 31, 2019 and, as of that date, the Company's total deficit was $16,875,163. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Bluesky Digital Assets Corp. (formerly Gunpowder Capital Corp.) for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2019.

Other Information

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

Our opinion on the 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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 the 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 judgment 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 29, 2020

BLUESKY DIGITAL ASSETS CORP.
(formerly Gunpowder Capital Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31,

	Notes	**December 31, 2019**	December 31, 2018
ASSETS			
CURRENT			
Cash		**$ 852,926**	$ 981,354
Accounts and other receivables	5, 16	**283,395**	169,794
Prepaid expenses		**51,284**	69,951
Notes receivable	6	**74,994**	7,492
Investments	10	**41,516**	-
US real estate participation loans	7	**-**	240,060
Total current assets		**1,304,115**	1,468,651
EQUIPMENT	8	**481,902**	27,447
BUILDINGS AND IMPROVEMENTS	9	**283,151**	4,562,247
LONG-TERM NOTES RECEIVABLE	6	**232,774**	236,279
LONG-TERM INVESTMENTS	10	**485,308**	684,894
TOTAL ASSETS		**$ 2,787,250**	$ 6,979,518
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	16	**$ 311,059**	$ 379,952
Lease liability - current portion	8	**105,230**	-
Mortgages payable - current portion	11	**7,968**	473,307
Loans payable - current portion	12	**5,572**	138,281
Total current liabilities		**429,829**	991,540
LONG-TERM MORTGAGES PAYABLE	11	**115,232**	2,452,193
LONG-TERM LEASE LIABILITIES	8	**139,676**	-
LONG-TERM LOANS PAYABLE	12	**32,295**	37,867
TOTAL LIABILITIES		**717,032**	3,481,600
SHAREHOLDERS' EQUITY			
Preferred shares	14(a)	**3,094,355**	4,429,645
Common shares	14(b)	**12,504,865**	8,580,822
Units to be issued		**-**	124,856
Contributed surplus	14(e)	**2,006,486**	1,570,047
Warrants	14(d)	**1,339,675**	893,653
Deficit		**(16,875,163)**	(12,101,105)
TOTAL SHAREHOLDERS' EQUITY		**2,070,218**	3,497,918
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 2,787,250**	$ 6,979,518

Description of business (Note 1)
Going concern of operations (Note 2(d))
Subsequent events (Note 23)

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy"	Signed "Ben Gelfand"
DIRECTOR	DIRECTOR

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

BLUESKY DIGITAL ASSETS CORP.
(formerly Gunpowder Capital Corp.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended December 31,

	Notes	**2019**	2018
INCOME			
Advisory services		**$ 133,485**	$ 177,868
Interest		**100,693**	172,138
Digital assets mined		**94,456**	-
Rental		**8,720**	10,022
COST OF DIGITAL ASSETS MINED			
Site operating costs		**(176,361)**	-
Depreciation		**(39,318)**	-
GROSS PROFIT		**121,675**	360,028
EXPENSES			
Management fees		**1,210,400**	431,700
Loan interest and fees		**546,936**	34,116
Share-based compensation	14(b)(ii), (e)	**517,641**	-
Consulting and other professional fees	16	**373,442**	300,027
General, office and administrative		**171,340**	188,558
Marketing and investor relations		**131,384**	118,232
Travel and accomodations		**97,502**	102,178
Legal and audit fees		**120,153**	99,667
Transfer agent and filing fees		**77,467**	64,680
Non-recoverable input tax credits	5	**57,981**	44,000
Amortization		**71,285**	14,778
Bank service charges		**7,156**	2,518
Property taxes and maintenance		**5,142**	6,417
Business development	14(c)	**-**	124,856
NET (LOSS) BEFORE OTHER ITEMS		**(3,266,154)**	(1,171,698)
Unrealized (loss) on investments	10	**(916,998)**	(1,227,202)
Impairment of financial instruments	6, 10	**(531,294)**	(445,142)
Realized (loss) gain on investments	10	**(85,822)**	135,856
Foreign exchange (loss) gain		**(33,868)**	66,583
Accretion on financial instruments	6	**-**	4,237
TOTAL LOSS ON CONTINUING OPERATIONS		**(4,834,136)**	(2,637,366)
DISCONTINUED OPERATIONS:			
Revenue	17	**357,693**	606,824
Expenses	17	**(432,538)**	(595,141)
Income from sale of buildings	17	**236,237**	-
TOTAL INCOME ON DISCONTINUED OPERATIONS		**161,392**	11,683
NET LOSS AND COMPREHENSIVE LOSS		**$ (4,672,744)**	$ (2,625,683)
Weighted average number of shares outstanding			
- basic and diluted		**115,399,227**	35,654,897
Basic and diluted (loss) income per share	14		
- continuing operations		**(0.04)**	(0.07)
- discontinued operations		**0.00**	0.00

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

BLUESKY DIGITAL ASSETS CORP.
(formerly Gunpowder Capital Corp.)
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**
Issuance of common shares (net of share issue costs)	14	18,484,828	-	540,060	-	-	285,118	-	825,178
Shares to be issued for debt	14	1,100,000	-	82,500	-	-	-	-	82,500
Common shares issued for interest	14	416,666	-	18,750	-	-	-	-	18,750
Issuance of warrants	14	-	-	-	-	-	252,000	-	252,000
Issuance of preferred shares (net of share issue costs)	14	5,750	52,900	-	-	-	-	-	52,900
Repurchase of preferred shares	14	(65,560)	(914,700)	-	-	-	-	-	(914,700)
Conversion of convertible debenture	14	15,000,000	-	1,235,641	-	-	-	-	1,235,641
Units to be issued	14	-	-	-	124,856	-	-	-	124,856
Dividends	14	-	-	-	-	-	-	(454,180)	(454,180)
Net loss for the year		-	-	-	-	-	-	(2,625,683)	(2,625,683)
Balance, December 31, 2018		**66,418,320**	**$ 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)	14	68,371,000	-	2,574,377	(124,856)	-	685,461	-	3,134,982
Shares issued for debt	14	56,422,500	-	1,029,025	-	-	-	-	1,029,025
Issuance of preferred shares	14	20,000	200,000	-	-	-	-	-	200,000
Repurchase of preferred shares	14	-	(1,535,290)	-	-	-	-	-	(1,535,290)
Cancellation of preferred shares	14	(32,300)	-	-	-	-	-	-	-
Expiry of warrants	14	-	-	-	-	239,439	(239,439)	-	-
Share-based compensation	14	7,941,020	-	320,641	-	197,000	-	-	517,641
Dividends	14	-	-	-	-	-	-	(101,314)	(101,314)
Net loss for the year		-	-	-	-	-	-	(4,672,744)	(4,672,744)
Balance, December 31, 2019		**199,140,540**	**$ 3,094,355**	**$ 12,504,865**	**$ -**	**$ 2,006,486**	**$ 1,339,675**	**$ (16,875,163)**	**$ 2,070,218**

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

BLUESKY DIGITAL ASSETS CORP.
(formerly Gunpowder Capital Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended December 31,

	2019	2018
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the period	**$ (4,672,744)**	$ (2,625,683)
Items not involving cash:		
Amortization	**193,694**	121,936
Non-cash consulting income	**(113,403)**	(47,556)
Non-cash expenses	**869,561**	-
Business development	-	124,856
Share-based compensation	**517,641**	-
Impairment of financial instruments	**531,294**	454,333
Unrealized loss on investments	**916,998**	1,227,202
Realized loss (gain) on investments	**87,126**	(135,856)
Gain on disposion of real estate assets	**(236,237)**	-
Accretion on notes receivable	**15,081**	19,027
Foreign exchange	**15,402**	(28,895)
Changes in working capital items other than cash:		
Accounts and other receivables	**(49,974)**	(185,802)
Prepaid expenses	**18,667**	(29,336)
Accounts payable and accrued liabilities	**302,346**	71,369
CASH (USED IN) OPERATING ACTIVITIES	**(1,604,548)**	(1,034,406)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance preferred shares	**-**	57,500
Proceeds from issuance of warrants	**-**	300,000
Share issue costs	**(101,929)**	(151,663)
Proceeds from issuance of common shares	**1,021,350**	924,241
Cash dividends paid to preferred shareholders	**(101,314)**	(454,180)
Repurchase of preferrd shares	**(199,496)**	(142,207)
Lease payments - principal portion	**(52,945)**	-
Lease payments - interest portion	**(11,161)**	-
Proceeds from loans payable	**150,000**	-
Repayment of loan payable	**(146,476)**	(215,749)
Repayment of mortgages payable	**(55,014)**	(313,098)
Proceeds from mortgages payable	**-**	1,298,713
CASH PROVIDED BY FINANCING ACTIVITIES	**503,015**	1,303,558
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Funds loaned for US real estate participation loans	-	(237,129)
Repayments from US real estate participation loans	**258,801**	337,298
Funds loaned for notes receivable	**(144,642)**	(201,926)
Repayments received for notes receivable	**18,835**	398,990
Repayments received for loans receivable	-	1,081,481
Purchase of investments	**(322,500)**	(100,000)
Proceeds from sale of investments	**46,143**	131,642
Purchase of buildings	**(66,754)**	(1,687,301)
Purchase of equipment	**(227,207)**	(3,608)
Proceeds from sale of buildings	**1,410,429**	-
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	**973,105**	(280,553)
CHANGE IN CASH	**(128,428)**	(11,401)
Cash, beginning of the year	**981,354**	992,755
Cash, end of the year	**$ 852,926**	$ 981,354

Supplemental cash flow information (Note 21)

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

1. DESCRIPTION OF BUSINESS

Bluesky Digital Assets Corp. ("Bluesky" or the "Company"), formerly Gunpowder Capital Corp. ("GPC") was merchant bank and advisory services firm until September 2019, when it 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 trade under the symbol "BTC" and its "Class – A" preferred shares trades under the symbol "BTC-PA.CN" on the Canadian Securities Exchange.

As a merchant bank and advisory services firm, GPC provided financial capital and capital markets advisory services. The Company offered a variety of financing options including mezzanine debt, bridge loans, convertible debentures and straight loans as well as equity financing. GPC's main focus with advisory services was to assist companies that are interested in going public, however, GPC was also involved with capital markets advisory services and advising on mergers and acquisitions.

Since September 2019 the company has been focused on pivoting from being a merchant bank to becoming a digital assets and AI software focused virtual mining company. The Company is in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the bitcoin blockchain. The Company receives bitcoin in return for successful service.

The Company's corporate office and principal place of business is 100 King West, Suite 5700, Toronto, Ontario, Canada, M5X 1C9.

The consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 were authorized for issuance in accordance with a resolution of the board of directors on April 29, 2020.

During the year ended December 31, 2019, Bluesky incorporated one new wholly-owned subsidiary, MethodeVerte Inc. and disposed of two wholly-own subsidiaries, 935 Albert Street Inc. and 53 McClary Ave. Inc.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

These 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 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 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
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
1021 Henry Ford Centre Inc. (2)	Canada	Real estate rental company
GP Financial Services Corp. (1)	Canada	Payment processing company
MethodeVerte Inc. (1)	Canada	Holding 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 consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Boards (“IASB”). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations Committee (“IFRICs”) and the former Standing Interpretation Committee (“SICs”).

(c) Basis of measurement

These 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 consolidated financial statements. These 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 $4,672,744 during the year ended December 31, 2019 (2018 - $2,625,683) and, as of that date the Company's deficit was $16,875,163 (December 31, 2018 - $12,101,105). The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability. There are various risks and uncertainties affecting the Company's operations including, but not limited to, the viability of the economics of bitcoin mining, the liquidity of bitcoin, the Company's ability to maintain its security of its digital assets and execute its business plan. Given the volatility in the financial markets, it may be difficult to raise financing when needed. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

These 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 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

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

Capital market consulting and financial advisory fees
Capital market consulting revenue consists 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 when the services are performed.

Interest income
Interest income is recorded when earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(a) Revenue recognition - continued

Rental income
Rental income from real estate properties and storage facility properties is recorded when earned and the reasonableness of collection is assured.

Payment processing services income
Revenue earned from payment processing is recognized at the fair value of the consideration received or receivable when payments are processed.

Digital assets mining income
The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. A coin is considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured. The coins are recorded on the statement of financial position as digital currencies at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit or loss.

(b) Foreign currencies

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries. Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of loss and comprehensive loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Cash

Cash includes cash on hand, deposits held at call with financial institutions with amounts held in trust. For cash flow statement presentation purposes, cash includes bank overdrafts.

(d) Equipment, buildings and improvements

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(d) Equipment, buildings and improvements - continued

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized based on the cost of an item, less its estimated residual value, over its estimated useful life at the following rates:

	Percentage/Period	Method
Buildings and improvements	2.5%	Straight-line
Equipment	20%	Declining balance
Computers	55%	Declining balance
Digital mining assets	33% to 100%	Straight-line

When parts of an item of equipment, buildings and improvements have different useful lives, they are accounted for as separate items (major components) of equipment, buildings and improvements.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of equipment, buildings and improvements are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other items in profit or loss.

(e) Investments in associated companies

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company's proportion of dividends paid by the associated company reduces the carrying value of the investment.

(f) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company does not have a cash generating unit for which impairment testing is performed. An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments

Financial assets and liabilities are classified into one of the following categories based on the purpose for which the asset was acquired or for which the liability was incurred:

Financial assets:	Classification:
Cash	Amortized cost
Accounts and other receivables	Amortized cost
Loans receivable	Amortized cost
Notes receivable	Amortized cost
US real estate participation loans	Amortized cost
Investments	FVTPL

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Mortgages payable	Amortized cost

Fair value through profit or loss (“FVTPL”) makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in profit (loss) in the period of change.

Investments
Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in profit (loss).

At each financial reporting period, the Company’s management estimates the fair value of its investments based on the criteria below and reflects such valuations in the consolidated financial statements.

Transaction costs are expensed as incurred in profit (loss). The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company’s management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in profit (loss). The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see Note 19 – “Financial instruments and risk management”). The three levels are defined as follows:

Level 1 – investment with quoted market price;
Level 2 – investment which valuation technique is based on observable market inputs; and
Level 3 – investment which valuation technique is based on non-observable market inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

Publicly-traded investments:

Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the reporting date or the closing price on the last day the security traded if there were no trades at the reporting date. These are included in Level 1 as disclosed in Note 19.

Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2 as disclosed in Note 19.

Privately-held investments:

Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements. These are included in Level 3 as disclosed in Note 19. Options and warrants of private companies are valued using Black-Scholes where possible. Where inputs are not available for the Black-Scholes valuation technique, options and warrants of private companies are valued at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. The Company will take into account general market conditions when valuing the privately held investments in its portfolio. The absence of any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value.

Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(g) Financial instruments – continued

(i) Financial Assets

Under IFRS 9, financial assets are classified into one of the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through the consolidated statement of loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company measures financial assets (except for those classified as fair value through profit or loss) at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in the consolidated statement of loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized using the effective interest method. Foreign exchange gains and losses as well as any gain or loss arising on derecognition are recognized in the consolidated statement of loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the consolidated statement of loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the consolidated statement of loss.

Impairment
Under IFRS 9, the Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(ii) Financial Liabilities

Under IFRS 9, the Company's financial liabilities are classified into one of the two categories: at FVTPL or at amortized cost.

- FVTPL: Financial liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial liabilities held at FVTPL are recognized in the consolidated statement of loss in the period in which they arise, except for changes in fair value resulting from an entity's own credit risk which are recognized in other comprehensive loss.
- Financial liabilities at amortized cost: Financials liabilities carried at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

(h) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Preferred shares are classified as equity if it is non-redeemable or redeemable only at the Company's option and dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval of the Company's shareholders. The Company's common shares, preferred shares, warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(i) Share capital - continued

Loss Per Share
Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The calculation of diluted earnings per share assumes that outstanding stock options and warrants with an average exercise price below market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price for the period.

(j) Share-based payments

The fair values of share options granted to employees are recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(k) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(l) Discontinued operations

A discontinued operation is a component of the Company’s business, the operations and cash flows of which can be clearly distinguished and which:

- represents a separate major line of business or geographical area of operations;
- is part of single co-ordinated plan to dispose of a separate major line of business;
- is a subsidiary acquired exclusively with a view to re-sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(l) Discontinued operations - continued

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as discontinued operation, the comparative statement of loss and comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(m) 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.

IFRS 16 – Leases ("IFRS 16") specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 was applied retrospectively for annual periods beginning on or after January 1, 2019. During the year ended December 31, 2019 and prior to January 1, 2019, the Company entered into two leases (Note 8), all of which have been accounted for under the new standard using a modified retrospective approach with an adoption date of January 1, 2019.

(n) 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, 2020. 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

(a) Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

(b) Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(c) Fair value/impairment of loans receivable, accounts and other receivables
The recoverability of loans receivable, accounts and other receivables is assessed when events occur indicating impairment. Recoverability is based on factors that may include failure to pay interest on time, failure to pay the principal, termination of advisory agreements and other factors. The Company assesses expected credit losses at each reporting date. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. Refer to Note 6 for further details.

(d) Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(e) Fair value of investment in securities not quoted in an active market or private company investments
Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Note 19 for further details.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

(f) Income from digital assets mining
The Company recognizes income from digital currency mining from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Income from digital currency mining is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. The coins are recorded on the statement of financial position, as digital currencies, at their fair value less costs to sell and remeasured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit or loss. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency mining for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received.

(g) Estimated useful life of equipment, buildings and improvements
Management estimates the useful lives of equipment, buildings and improvements based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of equipment, buildings and improvements for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's equipment, buildings and improvements in the future.

(h) Contingencies
Please refer to Note 22.

5. ACCOUNTS AND OTHER RECEIVABLES

		December 31, 2019		**December 31, 2018**
Trade receivables (Note 6(i))	**$**	**36,647**	$	68,193
HST receivables (i)		**54,978**		29,197
Other receivables (Notes 10(ii) and 14(a)(ii))		**312,220**		75,595
Allowance for doubtful accounts		**(3,191)**		(3,191)
	$	**400,654**	$	169,794
Less: provision for other receivables		**(117,259)**		-
Total accounts and other receivables	**$**	**283,395**	$	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 year ended December 31, 2019, $57,981 was recorded as a non-recoverable input tax credits expense in the consolidated statements of loss and comprehensive loss (2018 - $45,077).

(Expressed in Canadian Dollars)

5. ACCOUNTS AND OTHER RECEIVABLES - continued

Aging analysis of trade receivables:		December 31, 2019		December 31, 2018
1-30 days	$	2,825	$	8,212
31 - 60 days		2,825		7,487
61 - 90 days		-		4,385
Greater than 90 days		30,997		48,109
	$	36,647	$	68,193

6. NOTES RECEIVABLE

		December 31, 2019		December 31, 2018
Franchise Holdings International Inc. (i)	$	228,526	$	228,526
Loan portfolio (ii)		241,828		236,070
1123568 BC Ltd. (iii)		-		-
Advantagewon Oil Corporation (iv)		-		-
Other (v)		65,940		114,051
	$	536,294	$	578,647
Less: provision for notes receivable		(228,526)		(334,876)
Total notes receivable	$	307,768	$	243,771
Classification:				
Short-term notes receivable	$	74,994	$	7,492
Long-term notes receivable		232,774		236,279
	$	307,768	$	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 had one common officer with FHI at the time of the agreement. 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 December 31, 2019, the balance outstanding on this loan was $141,293 (December 31, 2018 - $141,293). An additional amount of $nil outstanding from FHI was recorded as accounts and other receivables at December 31, 2019 for monthly repayment of interest (December 31, 2018 - $nil).

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 December 31, 2019, the balance outstanding on these notes was $87,232 (December 31, 2018 - $87,232) plus accrued interest of $nil.

An impairment loss of $228,525 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. As at December 31, 2019 and 2018, this loan is carried at $Nil net of the provision.

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

During the year ended December 31, 2019, the Company had issued a notice of default to FHI and its subsidiaries to commence the process of collections on the loans.

6. 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 was to be accreted to profit (loss) until April 10, 2018 when the loan matures. Accretion of $nil was recorded for the year ended December 31, 2019 (2018 - $4,237) in the consolidated statements of loss and comprehensive loss. During the year ended December 31, 2019, $nil (2018 - $342,682) 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 December 31, 2019, the balance outstanding on the above loan portfolios was USD 185,794 ($241,828) (December 31, 2018 – USD 173,198 ($236,070)). During 2019 a lien was placed on the debtors' personal assets in order to secure the loan, and subsequent to year end USD $18,000 ($23,429) repayments were made.

(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 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 Eastwest Bioscience Inc. (formerly Harbour Star Capital Inc.) (TSXV:EAST) ("Eastwest"). The Company received 658,182 common shares and 329,091 warrants of Eastwest 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).

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. 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 consolidated statements of loss as advisory revenue.

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 consolidated statements of loss as advisory revenue.

6. NOTES RECEIVABLE – continued

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 in the consolidated statement of loss for the year ended December 31, 2018.

(v) Other notes receivable

2230164 Ontario Inc.
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 10(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.

Bitblox Technologies Inc.
On March 19, 2018, the Company loaned $50,000 to 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. The loan is secured by a general security agreement over Bitblox as well as a charge on the assets of the business.

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.

During the year ended December 31, 2019, through the general security agreement noted above, the Company acquired all of Bitblox's digital asset mining equipment with an acquisition value of $40,000 based on the default of the loan described above.

Meryllion Resources Corporation
On August 29, 2018, the Company loaned $7,700 to Meryllion Resources Corporation ("Meryllion"), a company with two common officers and directors of the Company. At December 31, 2018, the outstanding balance of this loan was $7,700 (December 31, 2017 - $nil). During the year ended December 31, 2019, the Company received 385,000 shares of Meryllion in settlement of this loan and other amounts owing from Meryllion (Note 10(vi)).

During the year ended December 31, 2019, the Company advanced a further $11,190 to Meryllion. This amount was outstanding at December 31, 2019, does not bear interest and is due on demand.

6. NOTES RECEIVABLE – continued

(v) Other notes receivable – continued

<u>2598687 Ontario Inc.</u>
On September 16, 2019, the Company disposed of its subsidiary 935 Albert Street Inc. to a corporation with a common officer as the Company for $55,000. A realized loss of $5,603 was recorded in relation to the disposal of this subsidiary in the consolidated statements of loss. The loan will be repaid with an initial payment of $5,500 and eighteen monthly payments of $2,750 until it is fully paid off on April 30, 2021. As at December 31, 2019, the outstanding balance of this loan was $46,750 (December 31, 2018 - $nil).

<u>YK Group Inc.</u>
On September 16, 2019, the Company disposed of the assets and liabilities of GP Financial Services Corp. (“GPFS”) to a consultant of the Company for $48,000 (contingent on the continuation of certain revenue streams in GPFS). Subsequent to December 31, 2019, those revenue streams were discontinued, and the sale price was revised to $16,000. The net gain on disposition after writing-off the contingent consideration receivable was of $54,407 recorded in profit and loss. As at December 31, 2019, the outstanding balance of this receivable was $8,000 (December 31, 2018 - $nil).

<u>Other</u>
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 at December 31, 2019, the outstanding balance of this loan was $100,000 and accrued interest of $66 (December 31, 2018 - $nil).

An impairment loss of $100,066 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2019 (2018 - $nil) based on the present value of the estimated future cash flows from the loan.

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 at December 31, 2019, the outstanding balance of this loan was $25,000 plus accrued interest of $2,055 (December 31, 2018 - $nil).

An impairment loss of $27,055 was recorded on this loan on the consolidated statement of loss for the year ended December 31, 2019 (2018 - $nil) based on the present value of the estimated future cash flows from the loan.

7. 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. 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 year ended December 31, 2019 for a gain of USD14,120 ($18,741) recorded in the consolidated statement of loss, and the loan was repaid in full.

(Expressed in Canadian Dollars)

8. EQUIPMENT

	Digital mining assets	Equipment	Computers	Right-of-use assets	Total
Cost as at December 31, 2017	$ -	$ 54,117	$ 10,908	$ -	$ 65,025
Additions	-	3,608	-	-	3,608
Cost as at December 31, 2018	-	57,785	10,908	-	68,693
Adoption of IFRS 16 on January 1, 2019	-	-	-	297,852	297,852
Additions	263,646	1,936	-	-	265,582
Disposals	-	(5,157)	-	-	(5,157)
Cost as at December 31, 2019	**263,646**	**54,564**	**10,908**	**297,852**	**626,970**
Accumulated depreciation as at December 31, 2017	-	(25,200)	(8,404)	-	(33,604)
Charge for the year	-	(6,142)	(1,500)	-	(7,642)
Accumulated depreciation as at December 31, 2018	-	(31,342)	(9,904)	-	(41,246)
Charge for the year	(22,339)	(23,222)	(886)	(57,374)	(103,821)
Accumulated depreciation as at December 31, 2019	**(22,339)**	**(54,564)**	**(10,790)**	**(57,374)**	**(145,067)**
Net book value as at December 31, 2018	-	26,443	1,004	-	27,447
Net book value as at December 31, 2019	**$ 241,307**	$ -	**$ 118**	**$ 240,478**	**$ 481,902**

See Note 6(v) with regards to the acquisition of certain digital mining assets from Bitblox.

Right-of-use assets

The Company's right-of-use assets include an office lease in Ontario, Canada and a digital mining facility in Quebec, Canada.

Lease Liabilities

A reconciliation of the carrying amount of the lease liabilities recognized on initial adoption of IFRS 16 on January 1, 2019, and for the year ended December 31, 2019 is as follows:

	December 31, 2019
Balance, beginning of year	**$ -**
Additions	**297,852**
Lease payments	**(64,107)**
Lease interest	**11,161**
Balance, end of year	**$ 244,906**
Classification:	
Short-term leases liabilities	**$ 105,230**
Long-term leases liabilities	**139,676**
	$ 244,906

As at December 31, 2019, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is $268,697.

Short-term leases are leases with a lease term of twelve months or less. As at December 31, 2018, the Company did not have any short-term leases. As a December 31, 2019, the Company had one short-term lease which has been accounted for as an operating lease. As at December 31, 2019, there were no extension options that were reasonably certain to be exercised included in the measurement of the lease liabilities, and there were no leases with residual value guarantees.

(Expressed in Canadian Dollars)

9. 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, 2017	$ 474,267	$ 788,389	$ 144,958	$ 157,660	$ 209,834	$ 155,802	$ 312,126	$ 404,710	$ -	$ -	$ -	$ 308,071	$2,955,817
Additions	7,757	38,089	-	-	-	4,763	-	-	664,350	758,994	293,154	-	1,767,107
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
Disposals	(482,024)	(826,478)	(144,958)	(157,660)	(218,452)	(160,565)	(312,126)	(404,710)	(664,350)	(758,994)	(293,154)	-	(4,423,471)
Cost as at December 31, 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**308,071**	**308,071**
Accumulated depreciation as at December 31, 2017	(17,659)	(18,021)	(2,185)	(1,977)	(1,961)	(1,305)	(1,851)	(526)	-	-	-	(9,517)	(55,002)
Charge for the year	(12,050)	(20,211)	(3,624)	(3,942)	(5,695)	(4,101)	(7,803)	(10,118)	(15,843)	(17,723)	(5,482)	(7,702)	(114,295)
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 year	29,709	38,232	5,809	5,919	7,656	5,406	9,654	10,644	15,843	17,723	5,482	(7,701)	144,376
Acc. depreciation as at Decembr 31, 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,920)**	**(24,919)**
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	$4,562,246
Net book value as at December 31, 2019	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 283,151**	**$ 283,151**

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 year ended December 31, 2019, the Company disposed of eleven residential rental properties in Windsor, Ontario and London, Ontario for a gain of $236,237 (2018 - $nil) recorded in the discontinued operations of the statement of loss and comprehensive loss.

10. INVESTMENTS

	December 31, 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	19,416	1,627,287	55,450
Payfare Inc. (iii)	333,334	183,334	333,334	50,000
Advantagewon Oil Corp. (iv)	2,210,000	26,792	132,548	16,152
Cheetah Canyon Resources Corp. (v)	1,698,850	-	1,698,850	101,932
Meryllion Resources Corporation (vi)	-	-	2,000,000	30,000
Bitblox Technologies Inc. (vii)	-	-	1,900,000	-
Chess Supersite Corp (viii)	300,000	-	300,000	-
Eastwest Bioscience Inc. (ix)	658,182	23,036	774,849	131,498
Astro Airspace Ltd (x)	500,000	46,206	500,000	299,862
Eighteen Fifty Inc. (xi)	1,530,000	-	-	-
Hemp Inc. (xii)	24,000,000	228,040	-	-
Total investments		$ 526,824		$ 684,894
Classification:				
Short-term investments		$ 41,516		$ -
Long-term investments		485,308		684,894
		$ 526,824		$ 684,894

10. INVESTMENTS – continued

(i) During the year ended December 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 consolidated statements of loss. During the year ended December 31, 2018, CRHC paid a distribution to the Company of USD$16,833 ($22,943) which was recorded in the 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 6(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 year ended December 31, 2019, FHI completed a reverse 6:1 stock split. As such, the Company owned 271,215 shares of FHI.

As at December 31, 2019, FHI's quoted share price was USD $0.055 ($0.072). As a result, an unrealized loss of $36,034 was recorded for year ended December 31, 2019 (2018 – unrealized gain of $27,062). These shares are classified as short-term investments as they were disposed of subsequent to December 31, 2019.

During the year ended December 31, 2019, the Company subscribed to 5,000,000 subscription receipts of FHI for $250,000. Prior to December 31, 2019, the subscription receipts had not converted to common shares of FHI and the Company initiated the process to have its investment returned and $250,000 of subscription receipts was reallocated to other receivables (Note 5). An amount of $132,741 was recovered subsequent to December 31, 2019, and a provision was taken for the remaining $117,259 due to uncertainty surrounding collection.

(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. As at December 31, 2019, the shares were valued at $0.55 per share based on the subscription price of a recent private placement completed by Payfare Inc. As such, an unrealized gain of $133,334 was recorded for the year ended December 31, 2019 (2018 - $nil).

(iv) On October 20, 2016, the Company acquired 1,666,667 common shares of Advantagewon Oil Corporation ("AOC"). 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. During the year ended December 31, 2019, the remaining 132,548 shares of AOC were sold for $1,838 and an unrealized loss of $6,296 previously recognized was reversed and a realized loss of $7,109 was recorded in the consolidated statements of loss.

10. INVESTMENTS – continued

In relation to a loan agreements as described in Note 6(iv), the Company received a total of 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 December 31, 2019, 300,000 of these warrants expired unexercised. As at December 31, 2019, the remaining warrants had a fair value of $2,402. As a result, an unrealized loss of $10,437 was recorded for the year ended December 31, 2019 (2018 – unrealized loss of $47,101).

During the year ended December 31, 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 December 31, 2019, these warrants had a fair value of $2,290 (December 31, 2018 - $nil). As a result, an unrealized loss of $18,707 was recorded for the year ended December 31, 2019.

During the year ended December 31, 2019, the Company was issued 138,571 common shares of AOC as repayment for a receivable. These shares had an estimated fair value of $1,386 on the date of issuance based on the quoted market price of AOC on the date of issuance.

As at December 31, 2019, AOC's quoted share price was $0.01. As a result, an unrealized loss of $30,788 was recorded for the year ended December 31, 2019 (2018 - $nil). These shares are classified as current assets on the consolidated statements of financial position as they were disposed of subsequent to December 31, 2019.

(v) During fiscal 2017, Cheetah Canyon Resources Corp. ("Cheetah") (TSXV:CHTA) issued 1,698,850 common shares with a value of $149,885 to the Company in order to fully settle a loan. As at December 31, 2019, Cheetah's trading has been halted since March 2018 and its last quoted share price was $0.004. As a result, an unrealized loss of $101,931 was recorded for the year ended December 31, 2019 (2018 – unrealized gain of $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 a note receivable of $7,700 and amounts owed for services provided of $82,050.

During the year ended December 31, 2019, 6,487,500 shares of Meryllion were sold for $36,288 and an unrealized loss of $74,875 previously recognized was reversed and a realized loss of $103,462 was recorded in the consolidated statements of loss.

(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.

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.

10. INVESTMENTS – continued

(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, 2019, the quoted market price of Chess was USD $nil and as a result, an unrealized loss of $nil was recorded for the year ended December 31, 2019 (2018 – unrealized loss of $4,648).

(ix) In relation to a loan agreement with an unrelated party as described in Note 6(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.

During the year ended December 31, 2019, 116,667 of the Company’s common shares of Eastwest were sold for $8,017 and an unrealized gain of $9,917 previously recognized was reversed and a realized gain of $8,017 was recorded in the consolidated statements of loss.

On October 5, 2018, the Company subscribed for 658,182 units of Eastwest for $181,000. As at December 31, 2019, the quoted market price of Eastwest was $0.035 and as a result, an unrealized loss of $72,400 was recorded for the year ended December 31, 2018 (2018 – unrealized loss of $49,502).

(x) As consideration for the convertible debenture described in Note 13, 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 December 31, 2019, the quoted market price of Astro was USD $0.071 ($0.09) and as a result, an unrealized loss of $253,674 was recorded for the year ended December 31, 2019 (2018 – unrealized loss of $953,774).

(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 in relation to a service agreement between the two parties. During the year ended December 31, 2019, the agreement was terminated and the parties agreed to return the other party’s shares. This was completed subsequent to December 31, 2019.

As at December 31, 2019, the investment was fully impaired based on the estimated fair value of the 20,000 “Class – A” preferred shares of the Company that were expected to be returned subsequent to year end. The estimated fair value was based on the quoted market price of the Company’s “Class – A” preferred shares.

(xii) On February 28, 2019, the Company acquired 24,000,000 common shares of Hemp Inc. with the issuance of 15,000,000 common shares of the Company with a fair market value of $750,000. At December 31, 2019, the quoted market price of Hemp Inc. was USD $0.0073 ($0.009) and as a result, an unrealized loss of $521,960 was recorded for the year ended December 31, 2019 (2018 – $nil).

(Expressed in Canadian Dollars)

11. MORTGAGES PAYABLE

	Principal amount	Annual interest	Term of mortgage	Amortization life	Fair value at December 31, 2019	Fair value at December 31, 2018
57 Wellington Street, London, Ontario	$ 279,500	4.75%	36 months	300 months	**$ -**	$ 264,467
63 Wellington Street, London, Ontario	543,750	4.20%	60 months	300 months	**-**	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	**-**	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	**-**	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	**-**	358,811
53 McClary Ave, Windsor, Ontario	514,650	3.63%	60 months	360 months	**-**	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	**123,200**	130,845
Total mortgages payable	$ 3,100,669				**$ 123,200**	$ 2,925,500

	December 31, 2019	December 31, 2018
Balance, beginning of year	**$ 2,925,500**	$ 1,916,621
Proceeds from mortgages payable	**-**	1,298,713
Repayments	**(55,014)**	(313,098)
Discharge	**(2,762,366)**	
Accretion of transactions costs	**15,080**	23,264
Balance, end of year	**$ 123,200**	$ 2,925,500
Classification:		
Short-term mortgages payable	**$ 7,968**	$ 473,307
Long-term mortgages payable	**115,232**	2,452,193
	$ 123,200	$ 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 $146,250 over real property, and a first position security interest over accounts receivable.

12. LOANS PAYABLE

	December 31, 2019	December 31, 2018
Balance, beginning of year	**$ 176,148**	$ 160,464
Proceeds from loans payable	**150,000**	238,230
Interest	**6,907**	
Repayments	**(294,008)**	(215,749)
Foreign exchange loss	**(1,180)**	(6,797)
Balance, end of year	**$ 37,867**	$ 176,148
Classification:		
Short-term loans payable	**$ 5,572**	$ 138,281
Long-term loans payable	**32,295**	37,867
	$ 37,867	$ 176,148

12. LOANS PAYABLE – continued

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. The note was secured by a mortgage charge on the 1209 Hickory Road property. As at December 31, 2019, the carrying value of loan is $37,867 (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 December 31, 2019, the loan has been fully repaid and the carrying value of this loan is $nil (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 December 31, 2019, the carrying value of this loan is $nil (2018 - $68,066).

On August 25, 2019, the Company borrowed $150,000 from two corporations, one with a former common officer as the Company. The secured promissory notes bear interest of 12% per annum and have a maturity of August 1, 2023. The notes are 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. In connection with these loans, the Company issued 7,000,000 common shares of the Company to each of these lenders as a financing fee. These common shares were valued at $490,000 estimated by the fair market value of the common shares on the date of agreement. During the year ended December 31, 2019, $9,375 was repaid on these loans. On December 1, 2019, the Company issued 14,062,500 common shares with a fair value of $140,625 to settle the outstanding amount of the loans.

13. 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.

14. SHAREHOLDERS’ EQUITY

As at December 31, 2019, the Company’s authorized share capital consists of unlimited number of voting common shares, 6,591,157 non-voting, cumulative, “Class – A” preferred shares and “Class – B” preferred shares that are redeemable at the option of the Company at fair value.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY - continued

a) Preferred shares

Preferred shares

Class-A	**# of shares**		**Value of shares**
Balance, December 31, 2017	532,830	$	5,012,585
"Class - A" shares issued (i)	5,750		57,500
Share issue costs	-		(4,600)
"Class - A" shares repurchased (i)	(65,560)		(914,700)
Balance, December 31, 2018	**473,020**	**$**	**4,150,785**
"Class - A" shares issued (Note 10(xi))	20,000		200,000
Repurchase of shares (ii)	-		(146,930)
Reversal of repurchase of shares (ii)	-		77,200
Conversion to common shares units (Note 14(b)(ii))	-		(1,199,200)
Balance, December 31, 2019	**493,020**	**$**	**3,081,855**

(i) On July 25, 2018, the Company completed a financing of 5,750 "Class – A" preferred shares at $10 per share. Share issue costs of $4,600 were incurred in relation to the issuance.

Also see Notes 10(iv) and 12.

As at December 31, 2018, the Company held 18,190 Class – A preferred shares as treasury shares.

(ii) During the year ended December 31, 2019, the Company signed an agreement to repurchase a number of its Class – A preferred shares for $10 per share (Note 22). As at December 31, 2019 a total of $199,497 had been paid in relation to this agreement. In total 14,693 Class – A preferred shares had been returned to treasury (with a value of $146,930), with the remaining $52,567 within other receivables (Note 5) as at December 31, 2019.

During the year ended December 31, 2019, a total of 23,984,000 common shares were issued to re-acquire 119,920 Class – A preferred shares with a value of $1,199,200 into treasury.

During the year ended December 31, 2018, a 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 during the year ended December 31, 2018. During the year ended December 31, 2019, the Company was not able collect 7,720 of these Class – A preferred shares and realized a loss of $77,200 in relation to the uncollected shares during the year ended December 31, 2019.

As at December 31, 2019, the Company held 152,803 Class – A preferred shares treasury shares.

Class-B	**# of shares**		**Value of shares**
Balance, December 31, 2017 and 2018	33,550	$	278,860
Conversion to common shares units (i)	-		(266,360)
Cancellation of Class - B preferred shares	(32,300)		-
Balance, December 31, 2019	**1,250**	**$**	**12,500**

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY – continued

a) Preferred shares – continued

(i) During the year ended December 31, 2019, a total of 6,460,000 common shares were issued to re-acquire 32,300 Class – B preferred shares with a value of $323,000 into treasury. In relation to these shares $56,640 of related share issue costs were re-classified from preferred shares into share capital. These shares were then cancelled prior to December 31, 2019.

b) Common shares

As at December 31, 2019, the Company's authorized share capital includes an unlimited number of voting common shares

	# of shares	Value of shares
Balance, December 31, 2017	30,910,256	$ 6,703,871
Shares issued in settlement of debt (i)	1,100,000	82,500
Common shares issued in private placement (i)	18,484,828	924,241
Value of warrants granted in private placements (i)	-	(318,754)
Common shares issued in conversion of debenture (i)	15,000,000	1,235,641
Common shares issued for interest payments (i)	416,666	18,750
Cost of issue (i)	-	(65,427)
Balance, December 31, 2018	**65,911,750**	**$ 8,580,822**
Common shares issued (ii)	76,312,020	3,682,407
Value of warrants granted (ii)	-	(709,685)
Common shares issued in settlement of debt (ii)	56,422,500	1,029,025
Cost of issue (ii)	-	(77,704)
Balance, December 31, 2019	**198,646,270**	**$ 12,504,865**

(i) During the year ended December 31, 2018, the Company closed a non-brokered private placement raising gross proceeds of $154,241 through the issuance of 3,084,828 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 3,084,828 warrants was estimated as $43,845 using the Black-Scholes option pricing model with the following assumptions: 136% expected volatility; a risk-free interest rate of 2.30%; an expected dividend yield of Nil%; and 24 months expected term.

During the year ended December 31, 2018, the Company closed a non-brokered private placement raising gross proceeds of $770,000 through the issuance of 15,400,000 units at $0.075 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 15,400,000 warrants was estimated as $241,273 using the Black-Scholes option pricing model with the following assumptions: 137% expected volatility; a risk-free interest rate of 1.96%; an expected dividend yield of Nil%; and 24 months expected term.

A total of $65,427 of share issue costs were incurred in relation to the common shares issued above.

In addition, The Company issued an aggregate of 1,100,000 common shares with an estimated fair value of $82,500 to settle debts owed to an officer and certain consultants of the Company.

14. SHAREHOLDERS' EQUITY - continued

b) Common shares – continued

During the year ended December 31, 2018, a $750,000 convertible debenture was converted by the holder of the debenture at a conversion price of $0.05 per share. In relation to the debenture, 416,666 common shares of the Company with a fair value of $18,750 were issued to the holder of the debenture prior to the conversion of the convertible debenture.

(ii) 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.

On August 14, 2019, the Company closed a non-brokered private placement raising gross proceeds of $230,000 through the issuance of 4,600,000 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 4,600,000 warrants was estimated as $48,083 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.

On September 18, 2019, the Company closed a non-brokered private placement raising gross proceeds of $89,350 through the issuance of 1,787,000 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 1,787,000 warrants was estimated as $20,077 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 $65,657 of share issue costs were incurred in relation to the common shares issued above.

During the year ended December 31, 2019, 119,920 Class – A preferred shares of the Company were converted into 23,984,000 common share units of the Company at $0.05 per unit by the holders of Class – A preferred shares. 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 23,984,000 warrants was estimated as $354,478 using the Black-Scholes option pricing model with the following assumptions: 113% expected volatility; a risk-free interest rate of 1.65%; an expected dividend yield of Nil%; and 24 months expected term.

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY - continued

b) Common shares – continued

On November 25, 2019, 32,300 Class – B preferred shares of the Company were converted into 6,460,000 common share units of the Company at $0.05 per unit by the holders of Class – B preferred shares. 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 6,460,000 warrants was estimated as $93,819 using the Black-Scholes option pricing model with the following assumptions: 111% expected volatility; a risk-free interest rate of 1.59%; an expected dividend yield of Nil%; and 24 months expected term.

During the year ended December 31, 2019, the Company issued 7,941,020 common shares to shareholders of Bitblox. These shares had an estimated fair value of $320,641 on the date of issuance and are recorded as share based compensation for the year ended December 31, 2019.

See Notes 10(xii) and 14(c) with regards to the issuances of 15,000,000 and 2,500,000 additional common shares respectively during the year ended December 31, 2019

The Company issued an aggregate of 28,360,000 common shares with an estimated fair value of $398,400 to compensate for services provided by a consultant, a former consultant, a former officer, a former director and officers of the Company.

See Note 12 with regards to an additional 28,062,500 common shares issued in the year ended December 31, 2019 in connection to loans

c) Units to be issued

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 subsequent to December 31, 2018. 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 $0.12 for a period of 12 months from the closing date. The fair value of the 2,500,000 warrants was estimated as $24,856 using the Black-Scholes option pricing model with the following assumptions: 137% expected volatility; a risk-free interest rate of 1.36%; an expected dividend yield of Nil%; and 12 months expected term. The common share portion of the 2,500,000 units was valued at $100,000 based on the quoted market price of the Company's common shares on the date of the agreement.

d) Warrants

	# of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2017	**6,561,137**	**$ 356,535**	**$ 0.146**
Granted (i), (Note 14 (b)(i))	28,484,828	537,118	0.091
Balance, December 31, 2018	**35,045,965**	**$ 893,653**	**$ 0.101**
Granted (Note 14(b)(ii))	53,371,000	685,461	0.080
Expired	(3,560,137)	(239,439)	(0.13)
Balance, December 31, 2019	**84,856,828**	**$ 1,339,675**	**$ 0.052**

(Expressed in Canadian Dollars)

14. SHAREHOLDERS' EQUITY – continued

d) Warrants

The following warrants were in existence as at December 31, 2019:

# of warrants		Fair value of warrants	Weighted average exercise price	Expiry Date
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
4,600,000		48,083	0.075	August 12, 2021
1,787,000		20,077	0.075	September 18, 2021
23,484,000		347,217	0.075	October 21, 2021
6,960,000		98,710	0.075	November 25, 2021
84,856,828	$	1,339,675		

* These warrants expired unexercised subsequent to December 31, 2019.

e) Contributed surplus

Balance, December 31, 2017 and 2018	**$**	**1,570,047**
Expiry of warrants		239,439
Share-based compensation		197,000
Balance, December 31, 2019	**$**	**2,006,486**

Stock options

	# of options		**Fair value of options**		**Weighted average exercise price**
Balance, December 31, 2017 and 2018	**2,250,000**	**$**	**227,600**	**$**	**0.106**
Granted	10,500,000		197,000		0.050
Balance, December 31, 2019	**12,750,000**	**$**	**424,600**	**$**	**0.064**

As at December 31, 2019, the Company's outstanding stock options are as follows:

stock options

# 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%
1,000,000		38,000	0.05	September 4, 2024	185%	5	0%	1.85%
8,500,000		121,000	0.05	October 18, 2024	195%	5	0%	1.53%
12,750,000	$	424,600						

14. SHAREHOLDERS' EQUITY – continued

e) Contributed surplus

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 year ended December 31, 2019, $197,000 (2018 - $nil) of stock-based compensation was recorded in the consolidated statement of loss for 10,500,000 stock options (2018 – nil) granted to directors, officers, former officers and consultants of the Company.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The Company grants all employee stock options with an exercise price equal to or greater than the market value of the underlying common shares on the date of grant.

f) Dividends

On January 4, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred share and "Class – B" preferred share for a total of $122,276. On April 4, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares and "Class – B" preferred share for a total of $121,276. On July 3, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred shares and "Class – B" preferred share for a total of $109,314. On October 3, 2018, the Company declared and paid a dividend of $0.20 per "Class – A" preferred share and "Class – B" preferred share for a total of $101,314.

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 $101,312.

15. 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 years ended December 31, 2019 and 2018.

16. 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.

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS – continued

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. See Note 17.

Other related parties

During the years ended December 31, 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	
	Years ended December 31,	
	2019	**2018**
Advantagewon Oil Corporation	**$ -**	$ 59,939
Meryllion Resources Corporation	**77,586**	30,000
Bitblox Technologies Inc.	**32,000**	68,000

The Company formerly had a common officer and currently has one common officer with Advantagewon Oil Corporation ("Advantagewon"). The Company has two common officers with Meryllion Resources Corporation ("Meryllion") and Bitblox Technologies Inc.("Bitblox"). Included in accounts receivable are $nil from Advantagewon, $33,900 owing from Meryllion and $nil owing from Bitblox as at December 31, 2019 (2018 - $nil, 28,878 and $nil). In addition to the above revenues, the Company also earned $nil in interest income from Advantagewon in the year ended December 31, 2019 (2018 - $29,803). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the year ended December 31, 2019, the Company disposed of its subsidiary 53 McClary Ave Inc. to corporations controlled by a former officer and a former consultant of the Company. In relation to this disposal, the former officer and former consultant of the Company forgave $271,200 of accounts paying owing to them. A realized gain of $20,740 was recorded in relation to the disposal of this subsidiary in the consolidated statements of loss.

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:

	Year ended December 31,	
	2019	**2018**
Short-term benefits	**$ 838,600**	$ 253,200
Share-based payments	**202,765**	-

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.

(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION

As at December 31, 2019, the Company owed $5,374 (December 31, 2018 - $5,374) to a former 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 6(ii), 6(iv), 6(v), 10(iv), 10(vi), 10(vii), 12, 14(b)(i), 14(b)(ii), 14(e).

As at December 31, 2019, the Company has five reportable segments; corporate, merchant banking, real estate, consulting and advisory and digital asset 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 digital asset mining segment earns revenue from the provision of transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. All of the Company’s revenues are recognised at a point in time. During 2018, the Company discontinued its payment processing segment. During 2019, the Company discontinued its real estate segment.

December 31, 2019	Corporate	Merchant banking	Real estate	Consulting and advisory	Digital assets mining	Total
Assets						
Canada	$ 586,733	$ 211,063	$ -	$ -	$ 411,093	$ 1,208,889
US	-	274,246	-	-	-	274,246
Non-current assets	$ 586,733	$ 485,309	$ -	$ -	$ 411,093	$ 1,483,135

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	Year ended December 31, 2019	2018
Corporate	**$ -**	$ -
Merchant banking	**100,693**	172,138
Real estate	**8,720**	10,022
Consulting and advisory	**133,485**	177,868
Digital assets mining	**94,456**	
	$ 337,354	$ 360,028

(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION – continued

The Company had discontinued operations as follows:

	Year ended December 31, 2019	2018
Revenues		
Payment processing services	$ -	$ 141,689
Interest	72,195	92,121
Residential rental income	285,498	373,015
	357,693	606,824
Expenses		
Consulting fees	$ -	$ (34,948)
Legal and audit	(17,405)	(6,285)
Office and general	(32,625)	(43,536)
Property taxes and maintenance	(148,481)	(254,318)
Loan interest	(99,198)	(119,596)
Non-recoverable input tax credits	-	(1,077)
Bank service charges	(10,410)	(4,045)
Amortization	(83,091)	(107,158)
Foreign exchange	1,590	(913)
Accretion on financial instruments	(42,918)	(23,264)
Gain on sale of properties	236,237	-
Profit for discontinued operations	$ 161,392	$ 11,684
Operating cash flows from discontinued operations	$ (380,150)	$ 182,432
Investing cash flows from discontinued operations	$ 1,570,726	$ 1,086,481

18. 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.

(Expressed in Canadian Dollars)

18. CAPITAL MANAGEMENT - continued

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 years ended December 31, 2019 and 2018.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
December 31, 2019			
Cash	$ 852,926	$ -	$ 852,926
Accounts and other receivables	228,417	-	228,417
Notes receivable	307,768	-	307,768
Investments	-	526,824	526,824
Accounts payable and accrued liabilities	(311,059)	-	(311,059)
Loans payable	(37,867)	-	(37,867)
Mortgages payable	(123,200)	-	(123,200)

	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 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 years ended December 31, 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 December 31, 2019 which made up of approximately 43% and 35% (December 31, 2018 – 44%) of the total equity portfolio. (See Note 10).

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

For the year ended December 31, 2019, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $41,000 (December 31, 2018 - $30,000).

For the year ended December 31, 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 $12,000 (December 31, 2018 - $68,000).

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 December 31, 2019, the Company's current liabilities totaled $429,829 (2018 - $991,540) and cash totaled $852,926 (2018 - $981,354). The Company generates cash flow from advisory fees, loan interest, rental income and payment processing services. The payment processing segment was discontinued in 2018 (see Note 17).

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.

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	$ 311,059	$ 311,059	$ 311,059	$ -	$ -	$ -
Mortgages payable	123,200	160,221	13,540	27,080	27,080	92,521
Leases liabilities	244,905	265,967	119,928	146,039	-	-
Loans payable	37,867	344,561	68,400	160,800	113,303	2,058
Total	$ 717,031	$ 1,081,808	$ 512,927	$ 333,919	$ 140,383	$ 94,579

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 5 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 December 31, 2019 was $307,768 (December 31, 2018 - $243,771). One lendee make up 79% of the Company's notes receivable balance at December 31, 2019 (December 31, 2018 – one lendee makes up 97%). Management considered the potential impairment of loans and receivables and recorded an impairment for the years ended December 31, 2019 and 2018.

The Company's advisory services revenues are primarily derived from a small number of customers within Canada. The Company had one customer who represented 58% of advisory services revenues in 2019 (2018 consulting fees revenue – three customers who represented 40%, 28% and 17% of advisory services). 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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.

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 December 31, 2019 and 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	$ 338,800	$ 4,691	$ -	$ 343,491
Private investments	-	-	183,334	183,334
December 31, 2019	$ 338,800	$ 4,691	$ 183,334	$ 526,825
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 years ended December 31, 2019 and 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 consolidated statements of loss.

Investments classified as Level 3, fair value	For the years ended December 31, 2019	2018
Balance, beginning of year	$ 50,000	$ 95,000
Purchase at cost - shares	200,000	100,000
Impairment	(200,000)	(145,000)
Adjustment to fair value	133,334	-
Balance, end of year	$ 183,334	$ 50,000

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

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 10(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.

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 December 31, 2019 and 2018. A +/- 25% change in the fair value of these Level 3 investments as at December 31, 2019 will result in a corresponding +/- $46,000 (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.

20. INCOME TAXES

a) The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (2018 – 26.5%) to income tax expense is as follows:

	2019	**2018**
Loss before income taxes	**$ (4,672,744)**	$ (2,625,683)
Expected income tax recovery based on statutory rate	**(1,238,000)**	(696,000)
Adjustment to expected income tax benefit:		
Share-based compensation	**137,000**	-
Expenses not deductible for tax purposes	**307,000**	424,000
Other	**14,000**	2,000
Temporary difference of subsidiaries sold	**(86,000)**	-
True-up of prior year provision to statutory returns	**(209,000)**	
Change in benefit of tax assets not recognized	**1,075,000**	270,000
Deferred income tax provision (recovery)	**$ -**	$ -

(Expressed in Canadian Dollars)

20. INCOME TAXES - continued

b) The tax effect of temporary differences that give rise to deferred tax assets and liabilities in Canada at December 31, 2019 and 2018 are as follows:

	2019	**2018**
Deferred tax assets (liabilities) recognized:		
Buildings and improvements	**$ (10,000)**	$ (227,000)
Tax loss carry-forwards	**10,000**	227,000
Deferred income tax assets (liabilities)	**$ -**	$ -

c) Deferred income tax assets have not been recognized in respect of the following temporary differences:

	2019	**2018**
Non-capital loss carry-forwards	**$ 6,284,000**	$ 2,965,000
Share issue costs	**363,000**	423,000
Right-of-use assets	**3,000**	-
Mineral property costs	**783,000**	783,000
Capital losses	**1,073,000**	-
Investments	**2,289,000**	1,214,000
Other temporary differences	**23,000**	32,000
Total temporary differences	**$ 10,818,000**	$ 5,417,000

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.

d) The Company has approximately $6,315,000 of non-capital losses in Canada as at December 31, 2019 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

2028	$ 55,000
2029	229,000
2030	312,000
2031	241,000
2032	198,000
2034	33,000
2035	92,000
2036	685,000
2037	227,000
2038	895,000
2039	3,355,000
	$ 6,322,000

(Expressed in Canadian Dollars)

21. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,	
	2019	**2018**
Interest paid	**$ 56,936**	$ 63,537
Common shares issued for debt settlement	**140,625**	82,500
Common shares issued for services and compensation	**1,209,041**	-
Common shares issued for loan fees	**490,000**	-
Investments received for debentures	**-**	1,235,641
Investments received for revenues	**47,586**	-
Shares issued for investments	**950,000**	-

22. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $360,000 (December 31, 2018 - $315,000) and additional contingent payments of up to approximately $nil (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 consolidated financial statements.

In connection to the repurchase of Class – A preferred shares described in Note 14(b)(ii), the Company has commitments to repurchase a further $350,000 of Class – A preferred share at $10 per share over the next thirty-three months. Of this amount, $132,000 is expected to be repurchased in the next year. Subsequent to December 31, 2019, an amendment was made and commitment in the next year was reduced to $48,000.

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 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 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 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.

Since the adoption of IFRS 16 on January 1, 2019, the Company no longer include lease agreements in commitments. Lease agreements are accounted for right-of-use assets and financial lease liabilities, see Notes 8 and Note 18.

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company issued 4,090,000 common shares in relation to the conversion of 20,450 Class – A preferred shares.

See Notes 2(d), 10(xi) and 22.