BLUESKY DIGITAL ASSETS CORP.

(Formerly Gunpowder Capital Corp.)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONHTS ENDED MARCH 31, 2020 AND 2019

May 29, 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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

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

	Notes		March 31, 2020		December 31, 2019
ASSETS					
CURRENT					
Cash		$	**636,127**	$	852,926
Accounts and other receivables	4, 13		**151,774**		283,395
Prepaid expenses			**27,887**		51,284
Notes receivable	5		**75,001**		74,994
Investments	8		**1,325**		41,516
Total current assets			**892,114**		1,304,115
EQUIPMENT	6		**507,136**		481,902
BUILDINGS AND IMPROVEMENTS	7		**281,226**		283,151
LONG-TERM NOTES RECEIVABLE	5		**237,321**		232,774
LONG-TERM INVESTMENTS	8		**422,565**		485,308
TOTAL ASSETS		$	**2,340,362**	$	2,787,250
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	13	$	**264,751**	$	311,059
Lease liability - current portion	6		**107,349**		105,230
Mortgages payable - current portion	9		**8,101**		7,968
Loans payable - current portion	10		**5,684**		5,572
Total current liabilities			**385,885**		429,829
LONG-TERM MORTGAGES PAYABLE	9		**113,131**		115,232
LONG-TERM LEASE LIABILITIES	6		**112,032**		139,676
LONG-TERM LOANS PAYABLE	10		**30,832**		32,295
TOTAL LIABILITIES			**641,879**		717,032
SHAREHOLDERS' EQUITY					
Preferred shares	11(a)		**3,094,355**		3,094,355
Common shares	11(b)		**12,504,865**		12,504,865
Contributed surplus	11(d)		**2,020,796**		2,006,486
Warrants	11(c)		**1,325,365**		1,339,675
Deficit			**(17,246,898)**		(16,875,163)
TOTAL SHAREHOLDERS' EQUITY			**1,698,483**		2,070,218
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	**2,340,362**	$	2,787,250

Description of business (Note 1)
Going concern of operations (Note 2(d))
Subsequent events (Note 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "Frank Kordy"
DIRECTOR

Signed "Ben Gelfand"
DIRECTOR

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

BLUESKY DIGITAL ASSETS CORP.
(formerly Gunpowder Capital Corp.)
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the three months ended March 31,

	Notes		**2020**		2019
INCOME					
Advisory services		**$**	**5,416**	$	92,136
Interest			**13,854**		29,365
Digital assets mined			**101,611**		-
Rental			**630**		1,905
COST OF DIGITAL ASSETS MINED					
Site operating costs			**(132,211)**		-
Depreciation			**(60,098)**		-
Exchange fees			**(1,820)**		-
GROSS PROFIT			**(72,618)**		123,406
EXPENSES					
Management fees			**137,459**		84,300
General, office and administrative			**18,056**		54,964
Marketing and investor relations			**15,276**		46,445
Loan interest and fees			**13,370**		1,557
Amortization			**12,040**		3,178
Transfer agent and filing fees			**10,693**		16,788
Legal and audit fees			**10,000**		13,098
Non-recoverable input tax credits	4		**8,458**		10,897
Travel and accomodations			**2,761**		40,581
Consulting and other professional fees	13		**-**		100,309
Property taxes and maintenance			**-**		1,693
Bank service charges			**2,466**		1,204
NET (LOSS) BEFORE OTHER ITEMS			**(303,197)**		(251,608)
Unrealized (loss) on investments	8		**(54,905)**		20,392
Impairment of financial instruments	5, 8		**(7,031)**		-
Other income			**15,284**		-
Realized (loss) gain on investments	8		**(41,954)**		25,688
Foreign exchange (loss) gain			**20,068**		(14,224)
TOTAL LOSS ON CONTINUING OPERATIONS			**(371,735)**		(219,753)
DISCONTINUED OPERATIONS:					
Revenue	14		**-**		130,818
Expenses	14		**-**		(134,788)
TOTAL INCOME ON DISCONTINUED OPERATIONS			**-**		(3,970)
NET LOSS AND COMPREHENSIVE LOSS		**$**	**(371,735)**	$	(223,722)
Weighted average number of shares outstanding					
- basic and diluted			**16,553,856**		6,392,738
Basic and diluted (loss) income per share	12				
- continuing operations			**(0.02)**		(0.03)
- discontinued operations			**(0.00)**		(0.00)

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

BLUESKY DIGITAL ASSETS CORP.
(formerly Gunpowder Capital Corp.)
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Notes	Number of shares	Preferred shares	Common shares	Units to be issued	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2018		**5,999,216**	**$ 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)	11	2,250,000	-	1,212,403	(124,856)	-	112,403	-	1,199,950
Issuance of preferred shares	11	20,000	200,000	-	-	-	-	-	200,000
Expiry of warrants	11	-	-	-	-	12,046	(12,046)	-	-
Dividends	11	-	-	-	-	-	-	(101,314)	(101,314)
Net loss for the period		-	-	-	-	-	-	(223,722)	(223,722)
Balance, March 31, 2019		**8,269,216**	**$ 4,629,645**	**$ 9,793,225**	**$ -**	**$ 1,582,093**	**$ 994,010**	**$ (12,426,141)**	**$ 4,572,832**
Issuance of common shares (net of share issue costs)	11	3,447,583	-	1,361,974	-	-	573,058	-	1,935,032
Shares issued for debt	11	4,701,875	-	1,029,025	-	-	-	-	1,029,025
Repurchase of preferred shares	11	-	(1,535,290)	-	-	-	-	-	(1,535,290)
Cancellation of preferred shares	11	(32,300)	-	-	-	-	-	-	-
Expiry of warrants	11	-	-	-	-	227,393	(227,393)	-	-
Share-based compensation	11	661,752	-	320,641	-	197,000	-	-	517,641
Dividends	11	-	-	-	-	-	-	-	-
Net loss for the period		-	-	-	-	-	-	(4,449,022)	(4,449,022)
Balance, December 31, 2019		**17,048,126**	**$ 3,094,355**	**$ 12,504,865**	**$ -**	**$ 2,006,486**	**$ 1,339,675**	**$ (16,875,163)**	**$ 2,070,218**
Expiry of warrants	11	-	-	-	-	14,310	(14,310)	-	-
Net loss for the period		-	-	-	-	-	-	(371,735)	(371,735)
Balance, March 31, 2020		**17,048,126**	**$ 3,094,355**	**$ 12,504,865**	**$ -**	**$ 2,020,796**	**$ 1,325,365**	**$ (17,246,898)**	**$ 1,698,483**

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

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

	2020	2019
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the period	**$ (371,735)**	$ (223,722)
Items not involving cash:		
Amortization	**72,139**	31,881
Non-cash income	**(11,284)**	(47,586)
Non-cash expenses	**4,729**	-
Impairment of financial instruments	**7,031**	-
Unrealized loss on investments	**54,905**	(20,392)
Realized loss (gain) on investments	**41,954**	(18,741)
Accretion on notes receivable	**-**	4,561
Foreign exchange	**(12,913)**	(7,157)
Changes in working capital items other than cash:		
Accounts and other receivables	**135,874**	(16,630)
Prepaid expenses	**23,397**	(23,898)
Accounts payable and accrued liabilities	**(46,309)**	(70,037)
CASH (USED IN) OPERATING ACTIVITIES	**(102,211)**	(391,721)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Share issue costs	**-**	(40,050)
Proceeds from issuance of common shares	**-**	445,000
Cash dividends paid to preferred shareholders	**-**	(101,313)
Lease payments - principal portion	**(25,526)**	-
Lease payments - interest portion	**(4,729)**	-
Repayment of loan payable	**(1,352)**	(84,642)
Repayment of mortgages payable	**(1,968)**	(18,897)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(33,575)**	200,098
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Repayments from US real estate participation loans	**-**	258,801
Funds loaned for notes receivable	**-**	(125,000)
Repayments received for notes receivable	**3,509**	544
Purchase of investments	**-**	(312,500)
Proceeds from sale of investments	**10,925**	-
Purchase of buildings	**-**	(23,436)
Purchase of equipment	**(95,447)**	(760)
CASH FLOWS (USED IN) INVESTING ACTIVITIES	**(81,013)**	(202,351)
CHANGE IN CASH	**(216,799)**	(393,974)
Cash, beginning of the period	**852,926**	981,354
Cash, end of the period	**$ 636,127**	$ 587,380

The accompanying notes are integral part to these unaudited condensed interim 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.PR.A" 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 unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2020 and 2019 were authorized for issuance in accordance with a resolution of the board of directors on May 29, 2020.

2. BASIS OF PRESENTATION

(a) Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION - continued

(a) Basis of consolidation (continued)

The following companies have been consolidated within the 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 unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") 34, Interim Financial Reporting ("IAS34") and apply the same accounting policies and application as disclosed in the annual consolidated financial statements for the year ended December 31, 2019 other than noted below. They do not include all of the information and disclosures required by IFRS for annual statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited unaudited condensed interim consolidated financial statements. Operating results for the period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2020. For further information, see the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2019.

(c) Basis of measurement

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

2. BASIS OF PRESENTATION - continued

(d) Going concern of operations

The Company incurred a net loss of $371,735 during the three months ended March 31, 2020 (2019 - $223,722) and, as of that date the Company's deficit was $17,246,898 (December 31, 2019 - $16,875,163).

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

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.

e) Significant accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements were the same as those applied to the Company's audited consolidated financial statements for the year ended December 31, 2019.

(Expressed in Canadian Dollars)

3. CHANGES IN ACCOUNTING POILICES AND PRONOUNCEMENTS

Changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2020 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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 adoption of IAS 1 on January 1, 2020 did not have a material impact on the Company's condensed interim consolidated financial statements.

4. ACCOUNTS AND OTHER RECEIVABLES

		March 31, 2020		December 31, 2019
Trade receivables (Note 6(i))	**$**	**33,456**	$	36,647
HST receivables (i)		**35,840**		54,978
Other receivables (Notes 10(ii) and 14(a)(ii))		**82,478**		312,220
Allowance for doubtful accounts		**-**		(3,191)
	$	**151,774**	$	400,654
Less: provision for other receivables		**-**		(117,259)
Total accounts and other receivables	**$**	**151,774**	$	283,395

(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 three months ended March 31, 2020, $8,458 was recorded as a non-recoverable input tax credits expense in the consolidated statements of loss and comprehensive loss (2019 - $10,897).

Aging analysis of trade receivables:		March 31, 2020		December 31, 2019
1-30 days	**$**	**-**	$	2,825
31 - 60 days		**-**		2,825
61 - 90 days		**-**		-
Greater than 90 days		**33,456**		30,997
	$	**33,456**	$	36,647

(Expressed in Canadian Dollars)

5. NOTES RECEIVABLE

		March 31, 2020		December 31, 2019
Franchise Holdings International Inc. (i)	**$**	**228,526**	$	228,526
Loan portfolio (ii)		**244,963**		241,828
Other (iii)		**124,959**		65,940
	$	**598,448**	$	536,294
Less: provision for notes receivable		**(286,126)**		(228,526)
Total notes receivable	**$**	**312,322**	$	307,768
Classification:				
Short-term notes receivable	**$**	**75,001**	$	74,994
Long-term notes receivable		**237,321**		232,774
	$	**312,322**	$	307,768

(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 March 31, 2020, the balance outstanding on this loan was $141,293 (December 31, 2019 - $141,293). An additional amount of $nil outstanding from FHI was recorded as accounts and other receivables at March 31, 2020 for monthly repayment of interest (December 31, 2019 - $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 March 31, 2020, the balance outstanding on these notes was $87,232 (December 31, 2019 - $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 March 31, 2020 and December 31, 2019, 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.

5. NOTES RECEIVABLE - continued

(ii) On November 23, 2016, the Company entered into two purchase and sale agreements with companies to acquire loan portfolios. The portfolios included four loans with interest rates ranging from 12% to 24%. The maturity date of the loans in these loan portfolios range from August 1, 2017 to March 31, 2037. During the year ended December 31, 2018, one of the loans in the portfolio was fully repaid.

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. During the year ended December 31, 2017, one of the loans in the portfolio was fully repaid.

At March 31, 2020, the balance outstanding on the above loan portfolios was USD 169,491 ($240,134) plus accrued interest of $4,799 (December 31, 2019 – USD 185,794 ($241,828) plus accrued interest of $17,818). During 2019 a lien was placed on the debtors' personal assets in order to secure the loan.

(iii) Other notes receivable

<u>2230164 Ontario Inc.</u>
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 $57,600 (December 31, 2017 - $61,867). See Note 8(ii).

An impairment loss of $57,600 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.

<u>Bitblox Technologies Inc.</u>
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.

(Expressed in Canadian Dollars)

5. NOTES RECEIVABLE – continued

(iii) Other notes receivable – continued

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 8(vi)).

During the year ended December 31, 2019 and the three months ended March 31, 2020, the Company advanced a further $31,609 to Meryllion. This amount was outstanding at March 31, 2020, does not bear interest and is due on demand.

2598687 Ontario Inc.
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 March 31, 2020, the outstanding balance of this loan was $35,750 (December 31, 2019 - $46,750).

YK Group Inc.
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). During the three months ended March 31, 2020, 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 for the year ended December 31, 2019. As at March 31, 2020, the outstanding balance of this receivable was $nil (December 31, 2019 - $8,000).

6. EQUIPMENT

	Digital mining assets	Equipment	Computers	Right-of-use assets	Total
Cost as at December 31, 2019	263,646	54,564	10,908	297,852	626,970
Additions	95,446	-	-	-	95,446
Cost as at March 31, 2020	**359,092**	**54,564**	**10,908**	**297,852**	**722,416**
Accumulated depreciation as at December 31, 2019	(22,339)	(54,564)	(10,790)	(57,374)	(145,068)
Charge for the period	(43,120)	-	(16)	(27,077)	(70,213)
Accumulated depreciation as at March 31, 2020	**(65,459)**	**(54,564)**	**(10,806)**	**(84,451)**	**(215,280)**
Net book value as at December 31, 2019	$ 241,307	$ -	$ 118	$ 240,478	$ 481,902
Net book value as at March 31, 2020	**$ 293,633**	$ -	**$ 102**	**$ 213,401**	**$ 507,136**

See Note 5(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.

(Expressed in Canadian Dollars)

6. EQUIPMENT – Continued

Lease Liabilities

A reconciliation of the carrying amount of the lease liabilities is as follows:

	For the three months ended March 31, 2020	For the year ended December 31, 2019
Balance, beginning of period	$ 244,906	$ -
Additions	-	297,852
Lease payments	(30,255)	(64,107)
Lease interest	4,729	11,161
Balance, end of period	$ 219,380	$ 244,906
Classification:		
Short-term leases liabilities	$ 107,349	$ 105,230
Long-term leases liabilities	112,031	139,676
	$ 219,380	$ 244,906

As at March 31, 2020, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is $235,985.

Short-term leases are leases with a lease term of twelve months or less. As at March 31, 2020, the Company had one short-term lease which has been accounted for as an operating lease. As at March 31, 2020, 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.

7. BUILDINGS AND IMPROVEMENTS

	Madoc Self Storage
Cost as at December 31, 2019	$ 308,071
Disposals	-
Cost as at March 31, 2020	**308,071**
Accumulated depreciation as at December 31, 2019	(24,920)
Charge for the year	(1,925)
Acc. depreciation as at March 31, 2020	**(26,845)**
Net book value as at December 31, 2019	$ 283,151
Net book value as at March 31, 2020	**$ 281,226**

(Expressed in Canadian Dollars)

8. INVESTMENTS

	March 31, 2020		December 31, 2019	
	# of shares	Estimated fair market value	# of shares	Estimated fair market value
Franchise Holdings International Inc. (i)	1,627,287	34,972	1,627,287	19,416
Payfare Inc. (ii)	333,334	183,334	333,334	183,334
Advantagewon Oil Corp. (iii)	-	2,862	2,210,000	26,792
Cheetah Canyon Resources Corp. (iv)	1,698,850	-	1,698,850	-
Chess Supersite Corp (v)	300,000	-	300,000	-
Eastwest Bioscience Inc. (vi)	658,182	9,873	658,182	23,036
Astro Airspace Ltd (vii)	500,000	60,221	500,000	46,206
Eighteen Fifty Inc. (viii)	-	-	1,530,000	-
Hemp Inc. (ix)	24,000,000	132,628	24,000,000	228,040
Total investments		$ 423,890		$ 526,824
Classification:				
Short-term investments		$ 1,325		$ 41,516
Long-term investments		422,565		485,308
		$ 423,890		$ 526,824

(i) 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 March 31, 2020, FHI's quoted share price was USD $0.091 ($0.129). As a result, an unrealized gain of $15,556 was recorded for three months ended March 31, 2020 (2019 – unrealized gain of $53,146).

(ii) 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 March 31, 2020, the shares were valued at $0.55 per share based on the subscription price of a recent private placement completed by Payfare Inc. Un unrealized gain of $nil was recorded for the three months ended March 31, 2020 (2019 - $nil).

(iii) On May 25, 2018, 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 March 31,2020, 300,000 of these warrants expired unexercised. As at March 31, 2020, the remaining warrants had a fair value of $1,538. As a result, an unrealized loss of $864 was recorded for the three months ended March 31, 2020 (2019 – unrealized gain of $2,578).

8. INVESTMENTS – continued

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 March 31, 2020, these warrants had a fair value of $1,325. As a result, an unrealized loss of $965 was recorded for the three months ended March 31, 2020 (2019 – unrealized gain of $5,476).

During the three months ended March 31, 2020, the Company disposed of 2,071,429 shares of AOC for proceeds of $10,240. In relation to this disposal, the Company reversed its previously recorded unrealized loss of $38,789 and recorded a realized loss of $41,263.

(iv) 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 March 31, 2020, 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 $nil was recorded for the three months ended March 31, 2020 (2019 – unrealized loss of $nil).

(v) 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 March 31, 2020, the quoted market price of Chess was USD $nil and as a result, an unrealized loss of $nil was recorded for the three months ended March 31, 2020 (2019 – unrealized loss of $nil).

(vi) 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 March 31, 2020, the quoted market price of Eastwest was $0.015 and as a result, an unrealized loss of $13,163 was recorded for the three months ended March 31, 2020 (2019 – unrealized loss of $50,139).

(vii) On August 6, 2018, the Company received 500,000 shares of Astro Airspace Ltd. ("Astro). 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 March 31, 2020, the quoted market price of Astro was USD $0.085 ($0.12) and as a result, an unrealized gain of $14,014 was recorded for the three months ended March 31, 2020 (2019 – unrealized gain of $20,466).

(viii) 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 during the three months ended March 31, 2020.

(Expressed in Canadian Dollars)

8. INVESTMENTS – continued

(ix) On February 28, 2019, the Company acquired 24,000,000 common shares of Hemp Inc. with the issuance of 1,250,000 common shares of the Company with a fair market value of $750,000. At March 31, 2020, the quoted market price of Hemp Inc. was USD $0.0039 ($0.0055) and as a result, an unrealized loss of $95,421 was recorded for the year ended December 31, 2019 (2019 – $nil).

9. MORTGAGES PAYABLE

	Principal amount	Annual interest	Term of mortgage	Amortization life	Fair value at December 31, 2019	Fair value at December 31, 2019
57 Wellington Street, London, Ontario	$ 279,500	4.75%	36 months	300 months	**$ -**	$ -
63 Wellington Street, London, Ontario	543,750	4.20%	60 months	300 months	**-**	-
1209 Hickory Road, Windsor, Ontario	101,250	4.65%	60 months	300 months	**-**	-
559 Assumption Road, Windsor, Ontario	112,425	4.65%	60 months	300 months	**-**	-
1571 Hickory Road, Windsor, Ontario	149,925	4.20%	12 months	300 months	**-**	-
935 Albert Street, Windsor, Ontario	105,000	4.55%	60 months	240 months	**-**	-
663 Marentette Ave, Windsor, Ontario	210,000	4.55%	60 months	240 months	**-**	-
491 Louis Ave, Windsor, Ontario	316,000	3.85%	60 months	300 months	**-**	-
1 Balfour Place, Windsor Ontario	393,919	3.63%	60 months	360 months	**-**	-
53 McClary Ave, Windsor, Ontario	514,650	3.63%	60 months	360 months	**-**	-
1021 Henry Ford Centre Drive, Windsor, Ontario	228,000	3.55%	60 months	360 months	**-**	-
Madoc storage facility	146,250	4.63%	60 months	180 months	**121,232**	123,200
Total mortgages payable	$ 3,100,669				**$ 121,232**	$ 123,200

	For the three months ended March 31, 2020	For the year ended December 31, 2019
Balance, beginning of year	**$ 123,200**	$ 2,925,500
Proceeds from mortgages payable	**-**	-
Repayments	**(1,968)**	(55,014)
Discharge	**-**	(2,762,366)
Accretion of transactions costs	**-**	15,080
Balance, end of year	**$ 121,232**	$ 123,200
Classification:		
Short-term mortgages payable	**$ 8,101**	$ 7,968
Long-term mortgages payable	**113,131**	115,232
	$ 121,232	$ 123,200

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.

(Expressed in Canadian Dollars)

10. LOANS PAYABLE

	For the three months ended March 31, 2020	For the year ended December 31, 2019
Balance, beginning of period	**$ 37,867**	$ 176,148
Proceeds from loans payable	**-**	150,000
Interest	**749**	6,907
Repayments	**(2,100)**	(294,008)
Foreign exchange loss	**-**	(1,180)
Balance, end of period	**$ 36,516**	$ 37,867
Classification:		
Short-term loans payable	**$ 5,684**	$ 5,572
Long-term loans payable	**30,832**	32,295
	$ 36,516	$ 37,867

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 March 31, 2020, the carrying value of loan is $36,516 (December 31, 2019 - $37,867).

11. SHAREHOLDERS' EQUITY

Effective May 12, 2020, the Company consolidated its common shares on the basis of one new common share for every 12 common shares outstanding. All references to common shares, per share amounts, warrants and options for all periods presented have been retroactively restated to reflect this consolidation.

As at March 31, 2020, 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.

a) Preferred shares

Preferred shares

Class-A	**# of shares**	**Value of shares**
Balance, December 31, 2018	473,020	$ 4,150,785
"Class - A" shares issued (Note 8(viii))	20,000	200,000
Balance, March 31, 2019	**493,020**	**$ 4,350,785**
Balance, December 31, 2019 and March 31, 2020	**493,020**	**$ 3,081,855**

Class-B	**# of shares**	**Value of shares**
Balance, December 31, 2018 and March 31, 2019	**33,550**	**$ 278,860**
Balance, December 31, 2019 and March 31, 2020	**1,250**	**$ 12,500**

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY - continued

b) Common shares

As at March 31, 2020, the Company's authorized share capital includes an unlimited number of voting common shares.

	# of shares		Value of shares
Balance, December 31, 2018	5,492,646		8,580,822
Common shares issued (i)	2,200,000		1,319,856
Value of warrants granted (i)	-		(122,105)
Common shares issued in settlement of debt (i)	50,000		45,000
Cost of issue (i)	-		(30,348)
Balance, March 31, 2019	**7,742,646**	**$**	**9,793,225**
Balance, December 31, 2019 and March 31, 2020	**16,553,856**	**$**	**12,504,865**

(i) During the year ended December 31, 2018, the Company entered into an agreement where 208,333 units of the Company would be issued to a third party as part of its business development process. These units were issued in the three months ended March 31, 2019. Each unit is comprised of one common share of the Company plus one common share warrant. Each warrant entitles the holder to acquire one common share of the Company for $0.144 for a period of 12 months from the closing date. The fair value of the 208,333 warrants was estimated as $14,310 using the Black- Scholes option pricing model with the following assumptions: 100% expected volatility; a risk-free interest rate of 1.86%; an expected dividend yield of Nil%; and 12 months expected term.

On March 4, 2019, the Company closed a non-brokered private placement raising gross proceeds of $445,000 through the issuance of 741,667 units at $0.60 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 $0.90 for a period of 24 months from the closing date. The fair value of the 741,667 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.

A total of $30,348 of share issue costs were incurred in relation to the common shares issued above.

See Note 8(ix).

In addition, the Company issued an aggregate of 50,000 common shares with an estimated fair value of $45,000 to settle debts owed to a consultant of the Company.

c) Warrants

	# of warrants		Fair value of warrants		Weighted average exercise price
Balance, December 31, 2018	**2,920,497**	**$**	**893,653**	**$**	**1.207**
Granted (Note 14 (b)(i))	950,000		112,403		0.960
Expired	(17,042)		(12,046)		(1.80)
Balance, March 31, 2019	**3,853,455**	**$**	**994,010**	**$**	**2.064**

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY - continued

c) Warrants - continued

	# of warrants		Fair value of warrants		Weighted average exercise price
Balance, December 31, 2019	**7,071,402**	**$**	**1,339,675**	**$**	**1.011**
Expired	(208,333)		(14,310)		(1.44)
Balance, March 31, 2020	**6,863,069**	**$**	**1,325,365**	**$**	**0.998**

The following warrants were in existence as at March 31, 2020:

# of warrants		Fair value of warrants	Weighted average exercise price	Expiry Date
250,083		117,097	1.80	May 17, 2020
833,333		252,000	1.44	April 18, 2020*
257,069		43,844	0.90	October 17, 2020
1,283,333		241,273	0.90	December 19, 2020
741,667		98,093	0.90	March 4, 2021
428,333		58,971	0.90	April 29, 2021
383,333		48,083	0.90	August 12, 2021
148,917		20,077	0.90	September 18, 2021
1,957,000		347,217	0.90	October 21, 2021
580,000		98,710	0.90	November 25, 2021
6,863,069	$	1,325,365		

* These warrants expired unexercised subsequent to March 31, 2020

d) Contributed surplus

Balance, December 31, 2018	**$**	**1,570,047**
Expiry of warrants		12,046
Balance, March 31, 2019	**$**	**1,582,093**

Balance, December 31, 2019	**$**	**2,006,486**
Expiry of warrants		14,310
Balance, March 31, 2020	**$**	**2,020,796**

As at March 31, 2020, the Company's outstanding stock options are as follows:

Stock options

	# of options		Fair value of options		Weighted average exercise price
Balance, December 31, 2018 and March 31, 2019	**187,500**	**$**	**227,600**	**$**	**1.266**

	# of options		Fair value of options		Weighted average exercise price
Balance, December 31, 2019 and March 31, 2020	**1,062,500**	**$**	**424,600**	**$**	**0.765**

(Expressed in Canadian Dollars)

11. SHAREHOLDERS' EQUITY – continued

d) Contributed surplus

# 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
16,667	$	14,100	1.20	July 11, 2021	161%	5	0%	0.53%
8,333		3,500	1.20	December 1, 2021	156%	5	0%	1.07%
129,167		179,000	1.44	May 5, 2026	143%	10	0%	0.98%
33,333		31,000	1.20	June 19, 2027	131%	10	0%	1.54%
83,333		38,000	1.20	May 27, 2024	188%	5	0%	1.46%
83,333		38,000	0.60	September 4, 2024	185%	5	0%	1.85%
708,333		121,000	0.60	October 18, 2024	195%	5	0%	1.53%
1,062,500	$	424,600						

Employee share option plan

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

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.

12. BASIC AND DILUTED LOSS PER SHARE

Shares issuable from options and warrants were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three months ended March 31, 2020 and 2019.

13. RELATED PARTY TRANSACTIONS

Other related parties

During the three months ended March 31, 2020 and 2019, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Revenue earned from services			
	Three months ended March 31,			
		2020		**2019**
Meryllion Resources Corporation	**$**	**-**	$	55,086
Bitblox Technologies Inc.		**-**		17,000

The Company has two common officers with Meryllion Resources Corporation ("Meryllion") and Bitblox Technologies Inc.("Bitblox"). Included in accounts receivable are $33,900 owing from Meryllion and $nil owing from Bitblox as at March 31, 2020 (December 31, 2019 - $33,900 and $nil). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS – continued

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

	Three months ended March 31,	
	2020	**2019**
Short-term benefits	**$ 121,500**	$ 52,800
Share-based payments		-

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

As at March 31, 2020, the Company owed $5,374 (December 31, 2019 - $5,374) to a former officer of the Company and $nil (December 31, 2019 - $nil) to directors of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

See Notes 5(v), 10(iii), 11(b)(i).

14. SEGMENTED INFORMATION

As at March 31, 2020, the Company has four reportable segments; corporate, merchant banking, 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.

March 31, 2020	**Corporate**	**Merchant banking**	**Real estate**	**Consulting and advisory**	**Digital assets mining**	**Total**
Assets						
Canada	$ 730,723	$ 231,042	$ -	$ -	$ 293,635	$ 1,255,400
US	-	192,848	-	-	-	192,848
Non-current assets	$ 730,723	$ 423,891	$ -	$ -	$ 293,635	$ 1,448,248

December 31, 2019	**Corporate**	**Merchant banking**	**Real estate**	**Consulting and advisory**	**Payment processing**	**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

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION - continued

	Three months ended March 31,	
Revenues	**2020**	**2019**
Corporate	**$ -**	$ -
Merchant banking	**13,854**	29,365
Real estate	**630**	1,905
Consulting and advisory	**5,416**	92,136
Digital assets mining	**101,611**	
	$ 121,511	$ 123,406

The Company had discontinued operations as follows:

	Three months ended March 31,	
	2020	**2019**
Revenues		
Payment processing services	**$ -**	$ 25,553
Interest	**-**	-
Residential rental income	**-**	105,265
	-	130,818
Expenses		
Consulting fees	**$ -**	-
Legal and audit	**-**	(45)
Office and general	**-**	(11,506)
Property taxes and maintenance	**-**	(60,376)
Loan interest	**-**	(29,182)
Non-recoverable input tax credits	**-**	-
Bank service charges	**-**	(1,201)
Amortization	**-**	(28,702)
Foreign exchange	**-**	786
Accretion on financial instruments	**-**	(4,561)
Gain on sale of properties	**-**	**-**
Profit for discontinued operations	**$ -**	**$ (3,970)**
Operating cash flows from discontinued operations	**$ -**	**$ 32,264**
Investing cash flows from discontinued operations	**$ -**	**$ (42,462)**

15. 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.

(Expressed in Canadian Dollars)

15. CAPITAL MANAGEMENT – continued

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company and its subsidiaries is not subject to externally imposed capital requirements. There were no significant changes in the Company's approach to capital management during the three months ended March 31, 2020 and 2019.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities as at March 31, 2020 and December 31, 2019 are as follows:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
March 31, 2020			
Cash	$ 636,127	$ -	$ 636,127
Accounts and other receivables	115,935	-	115,935
Notes receivable	312,322	-	312,322
Investments	-	423,890	423,890
Accounts payable and accrued liabilities	(264,751)	-	(264,751)
Loans payable	(36,516)	-	(36,516)
Mortgages payable	(121,232)	-	(121,232)

	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)

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

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 three months ended March 31, 2020 and 2019. 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 March 31, 2020 which made up of approximately 43% and 35% (December 31, 2019 – two positions of 43% and 35%) of the total equity portfolio. (See Note 8).

For the three months ended March 31, 2020, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $31,600 (2019 - $142,000).

For the three months ended March 31, 2020, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of $10,800 (2019 - $64,000).

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 March 31, 2020, the Company's current liabilities totaled $385,885 (December 31, 2019 - $429,829) and cash totaled $636,127 (December 31, 2019 - $852,926). The Company generates cash flow from advisory fees, loan interest, rental income and digital asset mining.

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	$ 264,752	$ 264,752	$ 264,752	$ -	-	$ -
Mortgages payable	121,232	156,836	13,540	27,080	27,079.68	89,136
Leases liabilities	219,379	235,985	119,928	116,057	-	-
Loans payable	36,516	318,461	68,400	160,800	89,303.00 -	42
Total	$ 641,880	$ 976,034	$ 466,621	$ 303,937	116,382.68	$ 89,094

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Credit risk

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

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

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 March 31, 2020 was $312,322 (December 31, 2019 - $307,768). One lendee make up 78% of the Company's notes receivable balance at March 31, 2020 (December 31, 2019 – one lendee makes up 79%). Management considered the potential impairment of loans and receivables and recorded an impairment for the three months ended March 31, 2020 and 2019.

The Company's advisory services revenues are primarily derived from a small number of customers within Canada. The Company did not have any customers from advisory services revenues in 2020 (2019 consulting fees revenue – two customers who represented 60% and 18% 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.

<u>Currency Risk</u>
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 March 31, 2020 and December 31, 2019:

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	$ 237,694	$ 2,862	$ -	$ 240,556
Private investments	-	-	183,334	183,334
March 31, 2020	$ 237,694	$ 2,862	$ 183,334	$ 423,890
Publicly traded investments	$ 338,800	$ 4,690	$ -	$ 343,490
Private investments	-	-	183,334	183,334
December 31, 2019	$ 338,800	$ 4,690	$ 183,334	$ 526,824

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the three months ended March 31, 2020 and year ended December 31, 2019. 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 three months ended March 31, 2020	For the year ended December 31, 2019
Balance, beginning of period	$ 183,334	$ 50,000
Purchase at cost - shares	-	200,000
Impairment	-	(200,000)
Adjustment to fair value	-	133,334
Balance, end of period	$ 183,334	$ 183,334

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 8(ii).

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 March 31, 2020 and December 31, 2019. A +/- 25% change in the fair value of these Level 3 investments as at March 31, 2020 will result in a corresponding +/- $46,000 (December 31, 2019 - +/- $46,000). 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.

(Expressed in Canadian Dollars)

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2020	**2019**
Interest paid	**$ 10,046**	$ 30,740
Common shares issued for debt settlement	**-**	45,000
Investments received to settle receivables	**-**	89,750

18. CONTINGENCIES

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $360,000 (December 31, 2019 - $360,000) and additional contingent payments of up to approximately $nil (December 31, 2019 - $nil) 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, 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 March 31, 2020, an amendment was made and commitment in the next year was reduced to $84,000.

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 6 and Note 16.

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2020, the Company issued 4,090,000 common shares in relation to the conversion of 20,450 Class – A preferred shares.

See Note 18.