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

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE & NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

## 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 | Sept 30, 2020 | Dec 31, 2019 |
|---|---|---|---|
| | | | |
| **ASSETS CURRENT** | | | |
| Cash | | **$ 325,996** | $ 852,926 |
| Accounts and other receivables | **4** | **112,046** | 283,395 |
| Prepaid expenses | | **41,516** | 51,284 |
| Notes receivable | **5** | **5,500** | 74,994 |
| Investments | **8** | **1,538** | 41,516 |
| Total current assets | | **486,596** | 1,304,115 |
| | | | |
| LONG-TERM NOTES RECEIVABLE | **5** | **72,809** | 232,774 |
| EQUIPMENT | **6** | **602,400** | 481,902 |
| BUILDINGS AND IMPROVEMENTS | **7** | **-** | 283,151 |
| LONG-TERM INVESTMENTS | **8** | **434,066** | 485,308 |
| TOTAL ASSETS | | **$ 1,595,872** | $ 2,787,250 |
| | | | |
| **LIABILITIES CURRENT** | | | |
| Accounts payable & accrued liabilities | | **$ 83,129** | $ 311,059 |
| Lease liability - current portion | **6** | **60,510** | 105,230 |
| Mortgages payable - current portion | | **-** | 7,968 |
| Loans payable - current portion | **10** | **2,100** | 5,572 |
| Total current liabilities | | **145,739** | 429,829 |
| | | | |
| LONG-TERM MORTGAGES PAYABLE | | **-** | 115,232 |
| LONG-TERM LEASE LIABILITIES | **6** | **93,632** | 139,676 |
| LONG-TERM LOANS PAYABLE | **10** | **73,629** | 32,295 |
| TOTAL LIABILITIES | | **313,000** | 717,032 |
| | | | |
| SHAREHOLDERS EQUITY | | | |
| Common shares | **11 (a)** | **12,964,930** | 12,504,865 |
| Preferred shares | **11 (b)** | 2,709,355 | 3,094,355 |
| Warrants | **11 (c)** | 966,643 | 1,339,675 |
| Contributed surplus | **11 (d)** | **2,288,553** | 2,006,486 |
| Deficit | | **(17,636,609)** | (16,875,163) |
| TOTAL SHAREHOLDERS EQUITY | | **1,282,872** | 2,070,218 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | | **$ 1,595,872** | $ 2,787,250 |

Description of business (Note 1)
Going concern of operations (Note 2(d))
Subsequent events (Note 18)

**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)

| | Three months ended Sept 30, | | | Nine months ended Sept 30, | |
|---|---|---|---|---|---|
| | **2020** | 2019 | | **2020** | 2019 |
| INCOME | | | | | |
| Digital Assets Mined | 198,264 | 42,792 | | 484,201 | 57,256 |
| Interest | 413 | 23,383 | | 16,650 | 83,040 |
| Advisory Services | 5,500 | 7,500 | | 12,207 | 117,136 |
| Rental | - | - | | 1,352 | - |
| Legacy Business (Payment processing) | - | 20,823 | | - | 72,195 |
| TOTAL INCOME | 204,178 | 94,498 | | 514,410 | 329,627 |
| COST OF DIGITAL ASSETS MINED | | | | | |
| Site Operation Costs | (50,146) | - | | (317,253) | - |
| Depreciation | (60,562) | - | | (181,222) | - |
| Exchange Fees | (1,963) | - | | (5,608) | - |
| GROSS PROFIT | 91,507 | - | | 10,327 | - |
| EXPENSES | | | | | |
| Management fees | 117,417 | 575,800 | | 389,576 | 754,400 |
| General, office and administrative | 19,372 | 178,153 | | 43,790 | 304,706 |
| Marketing and investor relations | 8,505 | 29,079 | | 37,926 | 109,587 |
| Loans interest and fees | 6,486 | 509,022 | | 21,273 | 522,742 |
| Transfer Agent and filing fees | 2,659 | 27,787 | | 24,671 | 55,656 |
| Legal and audit fees | 4,000 | 30,622 | | 27,378 | 83,221 |
| Non-recoverable input tax credits | - | 22,231 | | 19,233 | 43,994 |
| Travel and accommodations | - | 15,182 | | 2,761 | 95,552 |
| Consulting & other professional fees *(note 13)* | 53,550 | 89,196 | | 53,551 | 275,657 |
| Property taxes and maintenance | 2,179 | - | | 4,358 | - |
| Bank service charges | 593 | 2,416 | | 3,429 | 4,308 |
| Share-based compensation | 25,000 | 38,000 | | 25,000 | 76,000 |
| Amortization | 2,100 | 29,163 | | 24,112 | 31,844 |
| NET (LOSS) BEFORE OTHER ITEMS | (239,763) | (1,452,328) | | (677,057) | (2,028,040) |
| Unrealized (loss) gain on investments | - | (135,704) | | (54,905) | (359,474) |
| Impairment of financial instruments | - | (130,576) | | (7,031) | (130,576) |
| Other income | - | - | | (15,284) | - |
| Accretion on financial instruments | - | - | | - | - |
| Realized (loss) gain on investments | 42,379 | (53,788) | | 54,814 | (29,400) |
| Realized (loss) gain on buildings | (92,376) | - | | (92,376) | - |
| Foreign exchange (loss) gain | - | (2,037) | | 20,068 | (26,053) |
| TOTAL OTHER ITEMS | (49,978) | (318,031) | | (94,714) | (581,503) |
| TOTAL LOSS ON CONTINUING OPERATIONS | (198,234) | - | | (761,445) | - |
| DISCONTINUED OPERATIONS | | | | | |
| Revenue | - | 68,194 | | - | 269,561 |
| Expenses | - | (81,072) | | - | (368,425) |
| Loss from sale of buildings | | (26,004) | | - | (18,059) |
| TOTAL INCOME (LOSS) ON DISCONTINUED OPERATIONS | - | (38,882) | | | (116,923) |
| | | | | | |
| NET LOSS AND COMPREHENSIVE LOSS | (198,234) | (1,809,241) | | (761,455) | (2,726,466) |
| | | | | | |
| Weighted average number of shares outstanding | | | | | |
| - Basic & diluted | 25,679,130 | 115,399,227 | | 25,679,130 | 97,378,880 |
| | | | | | |
| Basic and diluted (loss) income per share | *(note 12)* | | | | |
| - continuing operations | (0.01) | (0.02) | | (0.03) | (0.03) |
| - discontinued operations | (0.00) | (0.00) | | (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, Dec 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) | | 68,371,000 | - | 2,574,377 | (124,856) | - | 685,461 | - | 3,134,982 |
| Shares issued for debt | | 56,422,500 | - | 1,029,025 | - | - | - | - | 1,029,025 |
| Issuance of preferred shares | | 20,000 | 200,000 | - | - | - | - | - | 200,000 |
| Repurchase of preferred shares | | - | (1,535,290) | - | - | - | - | - | (1,535,290) |
| Cancellation of preferred shares | | (32,300) | - | - | - | 239,439 | (239,439) | - | - |
| Expiry of warrants | | - | - | - | - | 197,000 | - | - | 517,641 |
| Share-based compensation | | 7,941,020 | - | 320,641 | - | - | - | - | - |
| Dividends | | - | - | - | - | - | - | (101,314) | (101,314) |
| Net loss for the period | | - | - | - | - | - | - | (4,672,744) | (4,672,744) |
| **Balance, Dec 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 | | - | - | - | - | 383,407 | (383,407) | - | - |
| Repurchased preferred shares | 11 | | (124,500) | | | | | | (124,500) |
| Units issued to repurchase preferred shares | 11 | 207,000 | 124,500 | | | | | | 124,500 |
| Issuance of common shares for equipment acquisitions | 11 | 1,303,334 | | 234,600 | | | | | 234,600 |
| Share based compensation | 11 | 138,888 | | 25,000 | | (25,000) | | | - |
| Common shares for debt | 11 | 513,400 | | 51,340 | | (51,340) | | | - |
| Share-based compensation | 11 | 138,888 | | | | 25,000 | | | - |
| Transfer of Class-A shares for investment portfolio | 11 | | (260,500) | | | | | | (260,500) |
| Net loss for the period | | - | - | - | - | - | - | (761,445) | (761,445) |
| **Balance, Sept 30, 2020** | | **19,349,636** | **$ 2,709,355** | **12,954,930** | **0** | **2,288,553** | **966,643** | **(17,636,609)** | **(1,282,872)** |

***** Denotes displayed on a 1:12 post-consolidated basis: 16,553,856 Common Shares + 494,270 Class – A & Class – B Preferred Shares***

*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)

| | Three months ended Sept 30, | | Nine months ended Sept 30, | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Net loss for the period | (198,235) | (1,809,241) | (761,445) | (2,726,467) |
| Items not involving cash: | | | | |
| Amortization | 62,622 | (29,199) | 144,733 | 31,844 |
| Non-cash income | - | (48,000) | (21,189) | (105,697) |
| Share-based compensation | 25,000 | 38,000 | 25,000 | 76,000 |
| Non-cash expenses | - | 130,510 | 9,458 | 130,510 |
| Impairment financial instruments | - | - | 7,031 | - |
| Unrealized loss on buildings | 92,376 | - | 92,376 | - |
| Unrealized loss on investments | - | 135,704 | - | 395,474 |
| Realized gain on investments | (41,398) | 112,322 | 29,094 | 93,581 |
| Accretion on notes receivable | - | 3,848 | - | 16,970 |
| Foreign exchange | 931 | (7,170) | (11,982) | (9,181) |
| Changes in working capital items other than cash: | | | | |
| Accounts and other receivables | 114,225 | (41,644) | 330,193 | (41,552) |
| Prepaid expenses | 41,516 | 67,566 | 44,083 | 44,704 |
| Accounts payable and accrued liabilities | (83,129) | 742,529 | (203,154) | 617,257 |
| CASH (USED IN) OPERATING ACTIVITIES | 12,019 | (704,774) | (260,857) | (1,476,557) |
| CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES | | | | |
| Share issue costs | (2,842) | (25,681) | (2,842) | (87,511) |
| Proceeds from issuance of common shares | - | 319,350 | - | 1,021,350 |
| Cash dividends paid to preferred shareholders | - | - | - | (101,312) |
| Proceeds from loans payable | - | 150,000 | - | 150,000 |
| Lease payments – principle portion | (30,255) | - | (86,035) | - |
| Lease payments – interest portion | (2,200) | - | (11,649) | - |
| Repayment of loan payable | 2,100 | (146,328) | (1,352) | (247,271) |
| Repayment of mortgages payable | (127,400) | (11,476) | (131,336) | (47,509) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (164,797) | 285,865 | (233,214) | 687,747 |
| 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 loans receivable | 5,500 | - | 9009 | 544 |
| Purchase of investments | - | - | - | (322,500) |
| Proceeds from sale of investments | - | 23,825 | 10,925 | 23,825 |
| Purchase of buildings | - | (19,917) | - | (66,754) |
| Purchase of equipment | - | (34,834) | (95,447) | (36,133) |
| Proceeds from sale of buildings | 42,653 | 51,724 | 42,653 | 404,707 |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES | 48,153 | 20,798 | (32,859) | 137,490 |
| CHANGE IN CASH | (104,624) | (398,111) | (526,930) | (651,321) |
| Cash, beginning of the period | 430,620 | 728,144 | 852,926 | 981,354 |
| Cash, end of the period | 325,996 | 330,033 | 325,996 | 330,033 |

*The accompanying notes are integral part to these unaudited condensed interim consolidated financial statement*

**(Expressed in Canadian Dollars)**

## 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 of 2019 the Company has been focused on pivoting from being a merchant bank to becoming a technology-based company with its primary focus on digital assets and AI software. Once the Company further develops its primary focus, it will commence its secondary focus of acquiring other technology based companies and making strategic investments into other technology based companies. 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 and nine months ended September 30, 2020 and 2019 were authorized for issuance in accordance with a resolution of the board of directors on November 30, 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.

The following companies have been consolidated within the consolidated financial statements:

| Company Name | Registered | Principle Activity |
|---|---|---|
| Bluesky Digital Assets Corp. | Canada | Parent Company |
| Bluesky Digital Assets Inc. (1) | Canada | Holding Company |
| MethodeVerte Inc. (1) | Canada | Holding Company |
| GP Reality Inc. (1) | Canada | Holding Company |
| GP Self Storage Inc. (1) | Canada | Storage facility rental company |
| 57 Wellington St. Inc. (2) | Canada | Real estate rental company |
| 63 Wellington St. 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 |

(1) Denoted 100% owned by the parent Company
(2) Denoted 100% owned by GP Reality Inc.

## 2. BASIS OF PRESENTATION – continued

*(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 condensed interim consolidated financial statements. Operating results for the period ended September 30, 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.

*(d) Going concern of operations*

The Company incurred a net loss of $803,842 and $2,726,466 during the three and nine months ended September 30, 2020 respectively (three and three and nine months ended September 30, 2020 - $240,632 and $1,809,241 respectively) and of that date the Company's deficit was $17,679,006 (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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| | | |
| Trade receivables | **$ 905** | $ 36,647 |
| HST receivables | **48,877** | 54,978 |
| Other receivables | **68,728** | 312,220 |
| Allowance for doubtful accounts | **(6,464)** | (3,191) |
| | **$ 112,046** | $ 400,654 |
| | | |
| Less: provision for other receivables | **-** | (117,259) |
| Total accounts and other receivables | **$ 112,046** | $ 283,395 |

## 5. NOTES RECEIVABLE

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Franchise Holdings International Inc. (i) | **$ 228,526** | $ 228,526 |
| Loan portfolio (ii) | **-** | 241,828 |
| Other (iii) | **78,809** | 65,940 |
| | **$ 306,835** | $ 536,294 |
| Less: provision for notes receivable | **(228,526)** | (228,526) |
| Total notes receivable | **$ 78,309** | $ 307,768 |
| | | |
| Classification: | | |
| Short-term notes receivable | **$ 5,500** | $ 74,994 |
| Long-term notes receivable | **72,809** | 232,744 |
| | **$ 78,309** | $ 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. As At September 30, 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 September 30, 2020 for monthly repayment of interest (December 31, 2019 - $nil).

(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.

On August 29, 2019, The Company announced that it had commenced the process of purchasing a financial instrument. The instrument had an implied value of $500,000. The Company agreed to make payments of approximately $20,000 CDN per month, which included principle and interest, until the instrument was paid in full. On September 30, 2020, the Company entered into a secondary agreement with the holder of the financial instrument. The Company agreed to transfer ownership

## 5. NOTES RECEIVABLE - continued

of the Loan Portfolio for in exchange for ownership of the financial instrument. As At September 30, 2020 the balance owed on the financial instrument amounted to $260,500 CDN.

As At September 30, 2020 the loan portfolio had an implied value of $225,160 CDN. The Company issued 513,400 Common Shares of the Company at a deemed price of $0.10 CDN per Common Share to settle the outstanding balance between the value of the loan portfolio and the financial instrument. As at September 30, 2020 the difference was $51,340 CDN which included $35,340 CDN in principle and $16,000 CDN in interest.

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. As At September 30, 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 September 30, 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.

(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>Meryllion Resources Corporation</u>
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)).

(iii) Other notes receivable – continued

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 does not bear interest and is due on demand. On June 10, 2020 the Company received a cash payment of $32,900 from Meryllion Resources to settle the advance of $31,609 and to settle other administrative costs which totaled $1,291. As at September 30, 2020, the outstanding balance of this receivable was $nil (December 31, 2019 - $31,609)

<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 September 30, 2020, the outstanding balance of this loan was $22,000 (December 31, 2019 - $46,750).

<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). 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).

**(Expressed in Canadian Dollars)**

## 6. EQUIPMENT

| | Digital Mining Assets | Equipment | Computers | Right-of-use assets | Total |
|---|---|---|---|---|---|
| Costs as at Dec 31, 2020 | 263,646 | 54,564 | 10,908 | 297,852 | 626,970 |
| 2020 Additions | 357,125 | - | - | - | 357,125 |
| **Costs as at June 30, 2020** | **359,092** | **54,564** | **10,908** | **297,852** | **984,095** |
| Accumulated depreciation as at Dec 31, 2019 | (22,339) | (54,564) | (10,790) | (57,374) | (145,068) |
| Charge for the three and nine months ended Sept 30 | (164,244) | - | (42) | (72,342) | (154,796) |
| **Accumulated depreciation as at Sept 30, 2020** | **(186,583)** | **(54,564)** | **(10,832)** | **(129,716)** | **(381,696)** |
| | | | | | |
| Net book value as at Dec 31, 2019 | $ 241,307 | $ - | $ 118 | $ 240,478 | $481,902 |
| **Net book value as at Sept 30, 2020** | $ **434,188** | $ - | $ **76** | $ **168,136** | **$602,400** |

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.

Lease Liabilities

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

| | For the nine months ended Sept 30 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Balance, beginning of period | **$ 244,906** | $ - |
| Addition | - | 297,852 |
| Lease payments for the nine months ended Sept 30, 2020 | **(90,764)** | (64,107) |
| Lease Interest for the nine months ended Sept 30, 2020 | **4,239** | 11,161 |
| Balance, end of period Sept 30, 2020 | **$ 154,141** | $ 244,906 |
| Classification: | | |
| Short-term leases liabilities | **$ 60,509** | $ 105,230 |
| Long-term leases liabilities | **93,631** | $ 139,676 |
| | **$ 154,141** | $ 244,906 |

As at September 30, 2020, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is $154,141.

Short-term leases are leases with a lease term of twelve months or less. As at September 30, 2020, the Company had one short-term lease which has been accounted for as an operating lease. As at September 30, 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 June 30, 2020 | $308,071 |
| Accumulated depreciation as December 31, 2019 | (24,920) |
| Charge for the year | (5,775) |
| Acc. Depreciation as at September 30, 2020 | (30,695) |
| Net book value as at December 31, 2019 | $283,151 |
| Net book value as at June 30, 2020 | $277,376 |
| (i) July 31, 2020 Discharge | $185,000 |
| Net book value as at September 30, 2020 | $Nil |

(i) On July 31, 2020 the Company sold the Madoc Self Storage for $185,000 CDN resulting in a loss of ($92,376) CDN

**(Expressed in Canadian Dollars)**

## 8. INVESTMENTS

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | # of shares | Estimated fair market value | # of shares | Estimated fair market value |
| Worksport Ltd (i) | 271,215 | 72,186 | 1,627,287 | 19,416 |
| Payfare Inc. (ii) | 333,334 | 183,334 | 333,334 | 183,334 |
| Advantagewon Oil Corp. (iii) | - | 1,538 | 2,210,000 | 26,792 |
| Cheetah Canyon Resources Corp. (iv) | 1,698,850 | - | 1,698,850 | - |
| Target Group Inc. | 300,000 | 3,992 | 300,000 | - |
| Eastwest Bioscience Inc. | 658,182 | 16,454 | 658,182 | 23,036 |
| Astro Areospace Ltd. | 500,000 | 39,924 | 500,000 | 46,206 |
| Eighteen Fifty Inc. | - | - | 1,530,000 | - |
| Hemp Inc. | 24,000,000 | 118,175 | 24,000,000 | 228,040 |
| Total Investments | | $ 453,428 | | $ 526,824 |
| | | | | |
| Classification: | | | | |
| Short-term investments | | 1,538 | | $ 41,516 |
| Long-term investments | | 434,066 | | 485,308 |
| | | $ 435,604 | | $ 526,824 |

(i) On September 16, 2016, the Company acquired 50,000 common shares of Worksport Ltd.,("WKSP") formally "Franchise Holdings International Inc." ("FHI") as part of a capital market consulting agreement with WKSP for $nil cost to the Company. The Company had one common officer with WKSP. 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 WKSP on the date of acquisition.

In relation to the note receivable described in Note 6(i), WKSP 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 WKSP 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 WKSP.

As at September 30, 2020, FHI's quoted share price was USD $0.20 (CDN $0.27). As a result, an unrealized gain $45,674 was recorded for the three months ended September 30, 2020 and an unrealized gain of $52,770 was recorded for the three and nine months ended September 30, 2020 (three and nine months ended Sept 30, 2019 – unrealized loss of $14,284 and $24,210),

(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 September 30, 2020 the shares were valued at $0.55 per share based on the subscription price of a recent private placement completed by Payfare Inc. An unrealized gain of $Nil was recorded for the three months ended September 30, 2020 and an unrealized gain of $Nil was recorded for the three and six months ended September 30, 2020 (three and nine months ended September 30, 2019 – unrealized gain of $Nil and $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 September 30, 2020, the remaining warrants had a fair value of $1,538. As a result, an unrealized loss of $0 was recorded for the three months ended Three and nine months ended September 30, 2020 (2019 – unrealized gain of $2,578).

(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 September 30, 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 and nine months ended September 30, 2020 (2019 – unrealized loss of $nil).

**(Expressed in Canadian Dollars)**

## 8. INVESTMENTS – continued

(v) On February 6, 2018, the Company received 300,000 common shares of Target Group Inc. formally "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. September 30, 2020, the quoted market price of Chess was USD $0.01 and as a result, an unrealized gain of $3,992 CDN was recorded for the for the three and nine months ended September 30, 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 September 30, 2020, the quoted market price of Eastwest was $0.025 and as a result, an unrealized gain of $16,454 was recorded for the three months ended September 30, 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. As At September 30, 2020, the quoted market price of Astro was USD $0.06 ($0.08 CDN) and as a result, an unrealized gain of $100 was recorded for the three months ended September 30, 2020 (2019 – unrealized gain of $20,466).

(viii) 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 Dec 31, 2019 | Fair value Dec 31, 2018 |
|---|---|---|---|---|---|---|
| Madoc storage facility | $146,250 | 4.63% | 60 months | 180 months | $121,232 | $123,200 |

| | For the nine months ended Sept 30, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Balance, beginning of year | $ **123,200** | $ 2,925,500 |
| Proceeds from mortgage payable | **42,653** | - |
| Repayments | **(7,896)** | (55,014) |
| Discharge | **(185,000)** | (2,762,366) |
| Accretion of transactions costs | **27,043** | 15,080 |
| Balance, end of year | $ **Nil** | $ 123,200 |
| | | |
| Classification: | | |
| Short-term mortgages payable | $ **Nil** | $ 7,968 |
| Long-term mortgages payable | **Nil** | 115,232 |
| | $ **Nil** | $ 123,200 |

(i) 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. On July 31, 2020 the Company sold the Madoc Self Storage for $185,000 CDN resulting in a loss of ($92,376) CDN after all fees and closing cost associated with the closing were factored in.

**(Expressed in Canadian Dollars)**

## 10. LOANS PAYABLE

| | For the nine months ended Sept 30, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| Balance, beginning of period | **$ 77,136** | $ 176,148 |
| Proceeds from loans payable | **-** | 150,000 |
| Interest | **693** | 6,907 |
| Repayments | **(2,100)** | (294,008) |
| Foreign exchange loss | **-** | (1,180) |
| Balance, end of period | **$ 75,729** | $ 37,867 |
| Classification: | | |
| Short-term loans payable | **$ 2,100** | 5,572 |
| Long-term loans payable | **73,629** | 32,295 |
| | **$ 73,729** | $ 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 September 30, 2020, the carrying value of loan is $34,202 (December 31, 2019 - $37,867).

On May 26, 2020 the Company entered into a loan agreement with a syndicate of lenders for the amount of $42,000. The syndicate includes two Directors of the Company. The loan bares no interest and is due on Jan 1, 2023. No monthly payments on the loan are required in 2020. As At September 30, 2020 the carrying value of loan is $42,000 (December 31, 2019 - $Nil).

## 11. SHAREHOLDERS' EQUITY

On May 12, 2020, the Company consolidated its common shares on the basis of 1 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 September 30, 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) Common shares

As at September 30, 2020, the Company's authorized share capital includes an unlimited number of voting common shares.

On April 15, 2020 the Company issued 340,833 Units to acquire ownership of 20,450 "Class -A" preferred shares. The Preferred Shares have an implied value of $204,500 CDN. The Company is in the process of retiring the 20,450 Class – A Preferred shares is has received.

| | # of shares | Value of shares |
|---|---|---|
| Balance, December 31, 2018 | 5,492,646 | 8,580,822 |
| Common shares issued (i) | 3,822,335 | 2,216,847 |
| Value of warrants granted (i) | - | (261,388) |
| Common shares issued in settlement of debt (i) | 1,216,666 | 535,000 |
| Cost of issue (i) | | (65,657) |
| Balance, September 30, 2019 | **10,531,647** | **$ 11,005,624** |
| | | |
| Balance December 31, 2019 | **16,553,832** | **12,504,865** |
| Common shares issued in acquisition (ii) | 207,500 | 124,500 |
| Common shares issued in acquisition of equipment (ii) | 1,345,001 | 259,600 |
| Common shares issued for compensation (ii) | 138,888 | 25,000 |
| Common shares issued for debt (ii) | 513,400 | 51,340 |
| Balance, September 30, 2020 | **18,758,645** | **$ 12,965,305** |

(i) During the year ended December 31, 2018, the Company entered into an agreement where 208,333 units (2,500,000 units on a pre-consolidation basis) 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 (8,900,000 units at $0.05 per unit on a pre-consolidation basis). 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.

On April 29, 2019, the Company closed a non-brokered private placement raising gross proceeds of $257,000 through the issuance of 741,667 units at $0.60 per unit (5,140,000 units at $0.05 per unit on a pre-consolidated basis). 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 $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 148,916 units at $0.60 per unit (1,787,00 units at $0.05 per unit on a pre-consolidation basis). 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 148,916 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.

The Company issued an aggregate of 50,000 common shares (600,000 common shares on a pre-consolidation basis) with an estimated fair value of $45,000 to settle debts owed to a consultant of the Company.

During the nine months ended September 30, 2019, the Company issued 661,751 common shares (7,941,020 common shares on a pre-consolidation basis) to shareholders of Bitblox in a transaction to purchase assets owned by Bitblox for the Company's cryptocurrency mining services. These shares had an estimated fair value of $320,641 on the date of issuance.

(ii) On April 15th, 2020, the Company issued 207,500 Units to acquire 12,500 Class – A Preferred Shares at an implied value of $124,500 CDN. Due to COVID-19 the Company is still in the process of acquiring the Class – A shares. Should the Company fail to acquire the shares the Units will be cancelled.

On August 18, 2020, the Company issued 1,277,778 common shares to acquire ASIC equipment with an implied value of $230,000.00 CDN. The Corporation also issued an additional 25,556 common shares at a price of $0.18 CDN per common share as an interest payment on the $230,000.00 CDN owed to the former owners of the ASIC equipment which the Corporation agreed to be paid if the acquisition was finalized in Common Shares versus cash.

On August 18, 2020, the Company issued 138,888 common shares with an estimated fair value of $25,000 to as compensation to a Director of the Company.

On September 30, 2020, the Company issued 41,667 common shares with an estimated fair value of $25,000 as a payment due to a former shareholder of BitBlox. The payment completed an outstanding portion due to the shareholder in regard to the transaction to purchase assets owned by Bitblox for the Company's cryptocurrency mining services.

On August 29, 2019, The Company announced that it had commenced the process of purchasing a financial instrument. The instrument had an implied value of $500,000. The Company agreed to make payments of approximately $20,000 per month until the instrument was paid in full. On September 30, 2020, the Company entered into a secondary agreement with the holder of the financial instrument. The Company agreed to transfer ownership of the Loan Portfolio for remaining amount outstanding on the instrument. As At September 30, 2020 the balance owed on the financial instrument amounted to $260,500 CDN. The Company agreed to transfer ownership of its loan portfolio to the holder of the financial instrument. As At September 30, 2020 the loan portfolio had an implied value of $225,160 CDN. The Company issued 513,400 Common Shares of the Company at a deemed price of $0.10 CDN per Common Share to settle the outstanding balance of $51,340 which included $35,340 in principle and interest.

**(Expressed in Canadian Dollars)**

### B) Preferred shares

***Preferred shares***

| **Class-A** | **# of shares** | **Value of shares** |
|---|---|---|
| Balance, December 31, 2019 | 493,020 | $3,081,855 |
| Balance September 30, 2020 | 493,020 | $3,081,855 |
| Class-B | | |
| Balance, December 31, 2019 | 33,550 | $278,860 |
| Balance September 30, 2020 | 1,250 | $12,500 |

### C) Warrants

| | **# of warrants** | **Fair value of warrants** |
|---|---|---|
| Balance, December 31, 2019 | 7,071,402 | $1,339,675 |
| Expired | (1,291,749) | $(383,407) |
| Issued | 207,500 | $ 99,600 |
| Balance, September 30, 2020 | 5,987,152 | $1,055,868 |

The following warrants were in existence as at September 30, 2020:

| **# of warrants** | **Fair value of warrants** | **Weighted average exercise price** | **Expiry Date** |
|---|---|---|---|
| 257,069 | 43,844 | 0.90 | Oct 17, 2020 |
| 1,283,333 | 213,639 | 0.90 | Dec 19, 2020 |
| 741,667 | 98,093 | 0.90 | Mar 04, 2021 |
| 428,333 | 58,971 | 0.90 | Apr 29, 2021 |
| 383,333 | 48,083 | 0.90 | Aug 12, 2021 |
| 148,917 | 20,077 | 0.90 | Sep 18, 2021 |
| 1,957,000 | 347,217 | 0.90 | Oct 21, 2021 |
| 580,000 | 98,710 | 0.90 | Nov 25, 2021 |
| 207,500 | 99,600 | 0.90 | Apr 22, 2022 |
| 5,987,152 | $ 1,055,868 | | |

### d) Contributed surplus

| | |
|---|---|
| **Balance, Dec 31, 2018** | **$ 1,570,047** |
| Expiry of warrants | 187,187 |
| **Balance, September 30, 2019** | **$ 1,795,234** |
| | |
| **Balance, Dec 31, 2019** | **$ 2,006,486** |
| Expiry of warrants | 383,407 |
| Other Transactions | (532,940) |
| **Balance, September 30, 2020** | **$ 1,856,953** |

As at September, 2020, the Company’s outstanding stock options are as follows:

**(Expressed in Canadian Dollars)**

***Stock options***

| | # of options | Fair value of options | Weighted average exercise price |
|---|---|---|---|
| **Balance, December 31, 2018 and September 30, 2019** | **187,500** | **$227,600** | **$1.266** |
| | | | |
| | **# of options** | **Fair value of options** | **Weighted average exercise price** |
| **Balance, December 31, 2019 and September 30, 2020** | **1,062,500** | **$424,600** | **$0.765** |

### d) Contributed surplus

| # of options outstanding and exercisable | Estimated fair value at grant date | Exercise price | Expiry date | Expected volatility | Expected life (years) | Expected divided yield | Risk-free interest rate |
|---|---|---|---|---|---|---|---|
| 16,667 | $14,100 | 1.20 | 07.11.2021 | 161% | 5 | 0% | 0.53% |
| 8,333 | 3,500 | 1.20 | 12.01.2021 | 156% | 5 | 0% | 1.07% |
| 129,167 | 179,000 | 1.44 | 05.05.2026 | 143% | 10 | 0% | 0.98% |
| 33,333 | 31,000 | 1.20 | 06.19.2027 | 131% | 10 | 0% | 1.54% |
| 83,333 | 38,000 | 1.20 | 05.27.2024 | 188% | 5 | 0% | 1.46% |
| 83,333 | 38,000 | 0.60 | 09.04.2024 | 185% | 5 | 0% | 1.85% |
| 708,333 | 121,000 | 0.60 | 10.18.2024 | 195% | 5 | 0% | 1.53% |
| [redacted] | | | | | | | |
| 1,062,500 | $424,600 | | | | | | |

## 11. SHAREHOLDERS' EQUITY – continued

<u>Employee share option plan</u>

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 and nine months ended September 30, 2020 and 2019.

## 13. RELATED PARTY TRANSACTIONS

*<u>Other related parties</u>*

During the three and nine months ended September 30, 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. Three months ended September 30, 2020

**Revenue earned from services**

| | Three months ended Sept 30, | | Nine months ended Sept 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Meryllion Resources Corp. | - | 7,500 | - | 15,000 |
| Bitblox Technologies Inc. | - | 17,000 | - | 27,000 |

**(Expressed in Canadian Dollars)**

The Company had two common officers with Meryllion Resources Corporation ("Meryllion") and Bitblox Technologies Inc.("Bitblox"). Previously in Company's Q1 financial statements included in accounts receivable was $33,900 owing from Meryllion and $nil owing from Bitblox (December 31, 2019 - $33,900 and $nil). As at June 30, 2020 Meryllion paid in full the $33,900 owed. The amounts were unsecured, non-interest bearing with no fixed terms of repayment.

## 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 Sept 30,** | | **Nine months ended Sept 30** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Short-term benefits | **$ 108,480** | $ 303,300 | **$ 264,500** | $ 397,900 |
| Share based payments | **25,000** | 38,000 | **25,000** | **76,000** |

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

## 14. SEGMENTED INFORMATION

As at September 30, 2020, the Company has four reportable segments; corporate, merchant banking, consulting and advisory and digital assets 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.

| | Three months ended Sept 30, | | | Six months ended Sept 30, | |
|---|---|---|---|---|---|
| | **2020** | 2019 | | **2020** | 2019 |
| INCOME | | | | | |
| Digital Assets Mined | 198,264 | 42,792 | | 484,201 | 57,256 |
| Interest | 413 | 23,383 | | 16,650 | 83,040 |
| Advisory Services | 5,500 | 7,500 | | 12,207 | 117,136 |
| Rental | - | - | | 1,352 | - |
| Legacy Business (Payment processing) | - | 20,823 | | - | 72,195 |
| TOTAL INCOME | 204,178 | 94,498 | | 514,410 | 329,627 |

The Company had discontinued its Payment processing segment and it is anticipated that it will complete it's exit from real estate in the third quarter of this year.

## 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.

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)**

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company and its subsidiaries is not subject to externally imposed capital requirements. There were no significant changes in the Company's approach to capital management during the three and nine months ended September 30, 2020 and 2019.

## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities as at September 30, 2020 and December 31, 2019 are as follows:

| September 30, 2020 | Assets & liabilities at value at amortized cost | Assets & liabilities at value through profit and loss | Total |
|---|---|---|---|
| Cash | 325,996 | | 325,996 |
| Accounts and other receivables | 118,510 | | 118,510 |
| Note receivable | 78,309 | | 78,309 |
| Investments | | 435,604 | 435,604 |
| Accounts payable and accrued liabilities | (83,129) | | (83,129) |
| Loans payable | (75,729) | | (75,729) |
| Mortgage payable | - | | - |

| December 31, 2019 | Assets & liabilities at value at amortized cost | Assets & liabilities at value through profit and loss | Total |
|---|---|---|---|
| Cash | 852,926 | | 852,926 |
| Accounts and other receivables | 228,417 | | 228,417 |
| Note 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) |
| Mortgage payable | (123,200) | | (123,200) |

## 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 and nine months ended September 30, 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 one position as at September 30, 2020 (December 31, 2019 – two positions of 43% and 35%) of the total equity portfolio. (See Note 8).

For the nine months ended September 30, 2020, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $129,400 (2019 - $142,000).

For the three months ended September 30, 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 $43,400 (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 September 30, 2020, the Company's current liabilities totaled $313,000 (December 31, 2019 - $429,829) and cash totaled $325,996 (December 31, 2019 - $852,926). The Company generates cash flow primarily from 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.

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 September 30, 2020 was $ 278,309 (December 31, 2019 - $307,768). One lendee make up 78% of the Company's notes receivable balance at September 30, 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 and six months ended June 30, 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.

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 September 30, 2020 and December 31, 2019:

| **Investments, fair value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | Quoted market price | (Valuation technique – observable market inputs) | (Valuation technique – non-observable market inputs) | |
| Publicly traded investments | $250,732 | $1,538 | - | $252,270 |
| Private investments | - | - | $183,334 | $183,334 |
| September 30, 2020 | $250,732 | $1,538 | $183,334 | $435,604 |

| **Investments, fair value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | Quoted market price | (Valuation technique – observable market inputs) | (Valuation technique – non-observable market inputs) | |
| Publicly traded investments | $338,800 | $4,690 | - | $343,490 |
| Private investments | - | - | $183,334 | $183,334 |
| December 31, 2019 | $338,800 | $4,690 | $183,334 | $456,289 |

**(Expressed in Canadian Dollars)**

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 September 30, 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 nine months ended Sept 30, 2020** | **For the year ended Dec 31, 2019** |
|---|---|---|
| Balance, beginning of period | $ 183,334 | $ 50,000 |
| Purchase at cost - shares | - | 200,000 |
| Impairment | - | (200,000) |
| Adjusted 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 September 30, 2020 and December 31, 2019. A +/- 25% change in the fair value of these Level 3 investments as at September 30, 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.

## 17. 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.

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.

## 18. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Company conducted a non-brokered private placement financing with the purpose of raising up to $900,000 CDN via the issuance of up to 10,000,00) Units at a price o$0.09 CDN per Unit. Each Unit will consist of 1 Common Share in the capital of the Corporation and 1 Common Share Purchase Warrant, with each Warrant entitling the holder thereof to purchase one additional Common Share of the Corporation at an exercise price of Fifteen Cents $0.15 CDN per Common Share for a period of 36 months from the closing of the financing. As At November 30, 2020 $723,500.00 CDN was raised via the sale of 8,038,888 Units.

Subsequent to September 30, 2020, the Company issued of 500,000 Stock Options in connection to the closing of the first tranche of the offering. The Stock Options will vest immediately and are exercisable at a price of $0.15 CDN per Stock Option. The Stock Options will expire three years from the date of issuance.

Subsequent to September 30, 2020, the Company issued repriced certain existing Stock Options totaling 641,667 Stock Options. The repriced Stock Options have been set to $0.15 CDN per Stock Option. On November 20th ,2020 the Corporation also granted certain Directors and Officers of the Corporation 900,000 Stock Options at a price of $0.15 per Stock Option. The Stock Options vest immediately and expire 36 months after the issuance date.