Consolidated Financial Statements
(Expressed in Canadian dollars)

FINEQIA INTERNATIONAL INC.

. **(FORMERLY NANOSTRUCK TECHNOLOGIES INC.)**

For the three month periods ended December 31, 2019 and 2018

(Unaudited)

NOTICE TO READER

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 condensed consolidated unaudited interim financial statements have been prepared by and are the responsibility of management.

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

Fineqia International Inc.

Consolidated statements of financial position

(Expressed in Canadian Dollars)

	Notes	December 31, 2019	September 30, 2019
		$	$
Assets			
Current assets			
Cash		**33,536**	**9,773**
Receivables		**31,387**	**28,772**
Prepaid expenses and deposits		**24,700**	**29,864**
Total current assets		**89,623**	**68,409**
Receivables	6	**1,350,108**	**1,346,000**
Investments	8	**1,375,861**	**1,359,188**
Total assets		**2,815,592**	**2,773,597**
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities			
Accounts payable and accrued liabilities		**490,749**	**351,723**
Due to related parties		**2,812,376**	**2,815,070**
Total current liabilities		**3,303,125**	**3,166,793**
Long term liabilities			
Accounts payable	7	**403,421**	**403,421**
Total Liabilities		**3,706,546**	**3,570,214**
Shareholders' (deficit) equity			
Share capital		**11,156,320**	**11,156,320**
Contributed surplus	10	**3,450,046**	**3,450,046**
Deficit		**(15,497,320)**	**(15,402,982)**
Total shareholders' equity (deficit)		**(890,954)**	**(796,617)**
Total liabilities and shareholders' equity (deficit)		**2,815,592**	**2,773,597**

Nature of operations (Note 1), going concern (Note 2) and subsequent events (Note 12)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Bundeep Singh Rangar"

"Stephen John McCann"

Fineqia International Inc.

Consolidated statements of loss and comprehensive loss

(Expressed in Canadian dollars)

	Notes	Three months ended December 31 2019	December 31 2018
		$	$
Revenue	5	**108,232**	-
Total Revenue		**108,232**	**-**
Expenses			
Salaries and wages	5	**161,842**	169,000
Professional fees, consulting and advisory	5	**19,664**	21,078
Promotion		**17,630**	44,750
Travel and lodging		**16,780**	3,911
Office costs		**104**	1,327
Insurance		**5,164**	5,260
Transfer agent and filing fees		**615**	1,950
Bank service charges		**547**	541
Foreign exchange loss (gain)		**(28,358)**	(15,923)
Unrealized fair value gain on investments	8	**12,690**	-
Total Expenses		**206,677**	231,894
Loss before finance income		**(98,445)**	(231,894)
Finance income			
Interest income		**4,108**	4,643
Loss before tax		(94,337)	(227,251)
Tax recovery	12	**-**	-
Net Loss and comprehensive loss for the period		**(94,337)**	(227,251)
Basic and diluted loss per share	3	**(0.0001)**	(0.0003)
Weighted average number of common shares outstanding - basic and diluted		**760,013,064**	760,013,064

See accompanying notes to the consolidated financial statements.

Fineqia International Inc.

Consolidated statements of changes in (deficit) equity

(Expressed in Canadian dollars)

	Share capital				
	Number of shares	Amount ($)	Contributed Surplus ($)	Deficit ($)	Total ($)
Balance at September 30, 2017	**760,013,064**	**11,156,320**	**3,538,396**	**(13,162,601)**	**1,532,115**
Expired options and warrants	**-**	**-**	(65,100)	65,100	-
Net loss and comprehensive loss for the year	-	-	-	(1,434,102)	(1,434,102)
Balance at September 30, 2018	**760,013,064**	**11,156,320**	**3,473,296**	**(14,531,603)**	**98,013**
Net loss and comprehensive loss for the period	-	-	-	(227,251)	(227,251)
Balance at December 31, 2018	**760,013,064**	**11,156,320**	**3,473,296**	**(14,758,854)**	**(129,238)**
Expired options			(23,250)	23,250	-
Net loss and comprehensive loss for the period	-	-	-	(667,379)	(667,379)
Balance at September 30, 2019	**760,013,064**	**11,156,320**	**3,450,046**	**(15,402,983)**	**(796,617)**
				(94,337)	(94,337)
Balance at December 31, 2019	**760,013,064**	**11,156,320**	**3,450,046**	**(15,497,320)**	**(890,954)**

See accompanying notes to the consolidated financial statements.

Fineqia International Inc.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Three months ended December 31 2019	December 31 2018
	$	$
Cash flows from operating activities		
Net Loss	**(94,337)**	**(227,251)**
Adjustments for non-cash items:		
Unrealised fair value loss on investments	**12,690**	**-**
Unrealised exchange gain on investments	**(29,362)**	**-**
Changes in non-cash working capital items:		
Receivables	**(6,723)**	**(455,905)**
Prepaid expenses and deposits	**5,164**	**4,283**
Accounts payables and accrued liabilities	**139,027**	**2,793**
Cash flows from operating activities	**26,458**	**(676,080)**
Cash flows from investing activities		
Investments	**-**	**-**
Advances to related parties	**(2,695)**	**-**
Cash flows used in investing activities	**(2,695)**	**-**
Net decrease in cash	**23,763**	**(676,080)**
Cash, beginning of year	**9,773**	**704,677**
Cash, end of period	**33,536**	**28,597**

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Fineqia International Inc. ("Fineqia" or the "Company"), was incorporated in British Columbia under the Business Corporations Act on June 20, 2006 under the name Golden Cross Resources Inc. The Company's main focus was the business of water remediation and tailings processing, using nanotechnology solutions to clean wastewater and recover precious metals from mine tailings. On August 2, 2016, the Company changed its business to become a platform for the emerging area of alternative finance known as crowdfunding and discontinue its water remediation and tailings processing business. The Company's corporate head office and principal place of business is Suite 804, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7, Canada. The Company's shares are listed on the Canadian Securities Exchange ("CSE") exchange under the symbol FNQ.

The Company's strategic focus has been to provide a platform and associated services to support security issuances and manage administration of debt securities. The platform is designed to bring an issuing company's minibonds to market, by distributing and marketing minibonds to the crowd, as well as transparently highlighting the risks and objectively outlining opportunities involved.

The platform went live on November 1, 2017. The essence of Fineqia's platform is to match those companies that are originating asset-backed loans, with financial institutions, family offices, hedge funds, and more. The Company's focus is therefore as much on investors seeking high yield as those seeking to raise capital.

2. Going concern

These unaudited consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The ability of the Company to continue as a going concern is dependent upon its ability to obtain financing on reasonable terms and to attain profitable operations and further fund operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate additional financing in the future, in which case the Company may be unable to meet its obligations. In the event that Company is not able to secure additional financing and continue as a going concern, material adjustments may be required to the carrying value of assets and liabilities and the statement of financial position classifications used.

The Company had a loss of $94,337 for three months ended December 31, 2019 (December 31, 2018 - $227,251), a deficit as at December 31, 2019 of $15,497,320 (September 30, 2019 - $15,402,983) and a net working capital deficiency of $3,213,502 as at December 31, 2019 (September 30, 2019 – $3,098,384). However, included in the net working capital is $2,767,444 as at December 31, 2019 (September 30, 2019 - $2,597,664) due to directors and entities controlled by officers and directors of the Company. These related parties have indicated that they would not demand repayment of the balances owing if it would have a negative impact on the operations of the Company. The Company's revenue is beginning to ramp up but at a relatively low level. However, these conditions indicate the existence of material uncertainties that casts significant doubt about the Company's ability to continue as a going concern. These financial statements do not contain the adjustments that would be necessary if the Company was unable to continue as a going concern. Such adjustments would include presenting assets at their recoverable amounts, which would be likely to result in further provisions to the current carrying amounts in these consolidated financial statements and to providing for further liabilities that might arise on a break up basis of presentation.

3. Significant accounting policies

Statement of Compliance

These unaudited consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting principles applied in the preparation of these consolidated financial statements included herein have been applied consistently for each of the periods presented.

These financial statements have been authorized for issuance by the Company's Board of Directors on March 2, 2020.

Basis of Consolidation

Fineqia Limited, incorporated in the UK, is the operating company and 100% owned legal subsidiary of the Company. The Company incorporated Fineqia Investments Limited, a Malta incorporated entity, during the year ended September 30, 2018. In addition, the Company has a wholly owned interest in Blue Gold Tailing Technologies, incorporated in Ontario, which is inactive.

Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. 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. The 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.

Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention, except for certain financial instruments that have been measured at fair value. The financial statements have also been presented on an accrual basis, except for cash flow information.

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held on deposit with banks, other highly liquid short-term interest bearing investments with maturities of 90 days or less than the original date of acquisition and bank overdrafts. The Company did not have any cash equivalents during the three months ended December 31, 2019 and 2018.

3. Significant accounting policies (continued)

(b) Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of share-based payments is determined using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When options are exercised, their grant date fair value is reclassified from contributed surplus to share capital.

In situations where the Company issues units, the value of warrants is included in the contributed surplus. The grant date fair value of warrants included in units is determined using the Black-Scholes option pricing model. When options or warrants expire unexercised, their grant date fair value is reclassified from contributed surplus to deficit.

In accordance with IFRIC 19, when debt is extinguished with equity, the difference between the carrying amount of the debt extinguished and the fair value of the equity is recognized in the consolidated statement of loss, unless the settlement was determined to be a transaction with an owner, in which case the difference is recognized in equity

(c) Investments

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

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

Transaction costs are expensed as incurred in profit (loss). The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in the statements of comprehensive loss. The Company is also required to present its investments into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see Note 11, "Financial instruments and risk management"). The three levels are defined as follows:

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

3. Significant accounting policies (continued)

(c) Investments (continued)

Publicly-traded investments:

1. Securities, including shares, options, and warrants that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 as disclosed in Note 11.

2. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2.

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

The amounts at which the Company’s publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

Privately-held investments:

1. Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company’s management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 as disclosed in Note 11. Options and warrants of private companies are carried at their intrinsic value.

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

3. Significant accounting policies (continued)

(c) Investments (continued)

2. An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that, for example, reduce the corporate tax burden, or reduce or eliminate the need for regulatory approvals;
- receipt by the investee company of regulatory approvals, which allow the investee company to proceed with its project(s);
- release by the investee company of positive operational results, and;
- important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

3. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates that increases the tax burden on companies, that increases the need for regulatory approvals, etc.;
- denial of the investee company's application for regulatory approvals that prohibit the investee company from proceeding with its projects;
- the investee company releases negative operational results;
- changes to the management of the investee company take place that the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
- the investee company is placed into receivership or bankruptcy; and
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The Company also holds an investment in a convertible promissory note of a privately-held company. The investment in the convertible promissory note is carried at fair value, estimated using a valuation approach based on the terms of the conversion feature.

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

3. Significant accounting policies (continued)

(d) Financial instruments

Accounting policy under IFRS 9 applicable from October 1, 2018

Financial assets

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

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

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. The Company has classified a promissory note with an equity conversion option as financial assets measured at FVPL. Other receivables held for collection of contractual cash flows and cash are measured at amortized cost.

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

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

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

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

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

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

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

Financial liabilities

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

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

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

Accounting policy under IAS 39 applicable prior to October 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, excluding derivative instruments related to hedging activities, was similar to the accounting policy adopted in fiscal 2019 with the following exceptions:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial assets and liabilities are measured subsequently as described below.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial assets

The Company's financial assets include cash and cash equivalents, receivables and investments.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

a. Loans and receivables;
b. Financial assets at fair value through profit or loss;
c. Held-to-maturity investments; and
d. Available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Assets in this category are measured at fair value with gain or losses recognized in profit or loss. The Company's investments fall into this category of financial instruments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company has no financial assets in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at the fair value and the net change in fair value is recognized in other comprehensive income and reported within the available-for-sale reserve within equity. The Company has no financial assets in this category.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in profit or loss, if applicable.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities and due to related parties. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(e) Revenue recognition

The Company earns finder's fees and consulting fees. This revenue is recognised at the fair value of the consideration received or receivable when the services have been provided and collectability is reasonably assured.

(f) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the related tax is recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or recoverable for the current year based on substantively enacted tax rates at the reporting date. Deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry forwards that are probable, and for which taxable profit will be available against which the asset can be realized. Deferred income tax assets and liabilities are measured using substantively enacted tax rates that are anticipated to be in effect when the differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs.

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss, in which case the related tax is recognized directly in equity or in other comprehensive loss.

Deferred income taxes are reviewed at each reporting date and to the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, a deferred tax asset is not recognized.

3. Significant accounting policies (continued)

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. Related expense such as maintenance and insurance expense are charged to income as incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful life or their lease terms. The corresponding rental obligations are included in other long-term liabilities as finance lease liabilities. Interest incurred on finance leases is charged to the consolidated statement of operations on an accrual basis. The Company does not have any finance leases.

(h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects. Equity to be issued is recognized when an agreement to acquire shares has been entered into, consideration has been received and there is an obligation to issue shares. Equity to be issued is transferred to common shares once the shares have formally been issued.

(i) Basic and diluted loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of the diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the “if converted” method.

Since the Company had losses during the hree ended December 31, 2019 and 2018, all outstanding warrants and share options were not included in this calculation as they would be anti-dilutive.

3. Significant accounting policies (continued)

(j) Foreign exchange

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each reporting date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in the consolidated statement of loss.

(k) IFRS 34 Interim Financial Reporting - Statement of compliance

The Company applies International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board [“IASB”]. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of March 2, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended September 30, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending September 30, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

During the year ended September 30, 2019, the Company had adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2, and IFRIC 22. These new standards and changes did not have any material impact on the Company’s financial statements.

Effective October 1, 2018, the Company adopted IFRS 9, Financial Instruments, and IFRS 15 Revenue from Contracts with Customers, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standard, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at October 1, 2018. There were no material effects on opening balances at October 1, 2018 with respect to the adoption of these policies.

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

and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Investments	Held for trading	FVPL
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended September 30, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

3. Significant accounting policies (continued)

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, Construction contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standard Interpretations Committee interpretation 31, Revenue – Barter Transactions Involving Advertising Services.

Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

The adoption of IFRS 15 did not have a material impact on the Company's financial statements. The Company adopted IFRS 15 retrospectively without restating comparatives and therefore the comparative information in respect of revenue for the year ended September 30, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 18. There are no differences in the current and previous accounting policies pertaining to revenue recognition.

Recent Accounting Pronouncements

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

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

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

3. Significant accounting policies (continued)

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

4. Significant management judgements and estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and continent liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Valuation of receivables – The valuation of receivables is based on management's best estimate of the fair value of the financial instrument and is based on management's analysis of the ability of the debtor to repay the amount. This analysis included consideration of the assets of the debtor and consideration of the current and future expected profitability and cash flows of the debtor. Short-term receivables are due on demand and have therefore been classified as current assets based on management's expectation that it will realize the receivables prior to September 30, 2020. Any portion of the recievables that are expected to be realized after 12 months have been included as long-term receivables (see note 6). Should IXL Holdings Limited exercise its right to convert the receivable into shares, the Company will hold an investment in IXL PremFina Limited, a private corporation. Changes in the financial condition of the counterparties may result in changes to the collectability of the receivables, resulting in an impairment. Such impairment can result in a material change to the Company's assets.

Share-based payments and warrants - The estimation of share-based payment costs and warrant valuations requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's share price, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

4. Significant management judgements and estimates (continued)

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

Impairment – In assessing impairment, management must determine the level at which independent cash flows exist, the asset or an asset grouping. Estimates of the recoverable amount of each asset or cash generating unit is determined. Estimation uncertainty relates to assumptions about the value in use of such assets.

Fair value of investments in securities not quoted in an active market or private company investments - Where the fair values of investments recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Notes 8 and 11 for further details.

Fair value of investments in convertible promissory notes – Investments in convertible promissory notes to private companies are carried at fair value, and are determined using valuation techniques based on the conversion terms of the promissory notes. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Notes 8 and 11 for further details.

Investment in associate - Investments in associates are accounted for using the equity method, whereby the investment is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the investment. The Company's share of the results of operations of an associate is reflected in the profit and loss. An associate is an entity in which the Company has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. Management reviews and makes considerations for the relevant factors in determining whether significant influence exists in investments. During the three months ended December 31, 2019 and 2018, the Company determined it did not have any associates.

Functional currency determination - The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar. Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates, and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

(Expressed in Canadian dollars)

5. Related party transactions

The following is the detail of remuneration paid or accrued to key management personnel during the three months ended December 31,2019:

Name of Officer/ Director	Position	Nature of Payment	Fees Accrued/Paid ($)
Bundeep S. Rangar	Chairman, CEO	Consulting/Board Fees	63,500
Steve McCann	CFO, Chair of Audit Committee	Consulting/Board Fees	45,500
Martin Graham	Chairman	Board Fees	16,000
Brij Chadda	Director	Board Fees	5,500
IndusView UK Ltd.	A company controlled by a director and officer	Consulting Fees	7,500
Rooftop Ventures Inc.	A company controlled by a director and officer	Consulting Fees	16,000
			154,000

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the three months ended December 31, 2019 and 2018.

Key management personnel were granted stock options with a grant date value of $Nil expensed during the three months ended December 31, 2019 and 2018.

Due to related parties as at December 31, 2019 of $2,984,850 (2018 - $2,815,070) is comprised of amounts owing to certain directors, officers and companies controlled by officers of the Company or companies that directors and officers have significant influence over. These amounts are unsecured, non-interest bearing and due on demand.

Officers and companies controlled by officers also have common shareholdings in the investments as detailed in Note 8.

During the three months ended December 31, 2019, the Company charged $108,232 (December 31, 2018 - $nil) for consulting fees to PremFina Limited, a corporation controlled by officers and directors of the Company. As at September 30, 2019, there is a receivable of $20,001 (September 30, 2019 - $58,547) from PremFina Limited relating to these revenues. This amount is unsecured, non-interest bearing and due on demand.

See also Note 6.

6. Receivables

Included in the receivables amount of $1,350,108 as at December 31, 2019 (September 30, 2019 - $1,346,000) is $916,831 (September 30, 2019 - $912,723) receivable from IXL Holdings Limited, a Company located in Malta with UK operating subsidiaries IXL PremFina Limited and PremFina Limited. A director and officer of the Company is the controlling shareholder of IXL Holdings Limited.

Interest accrued on the receivables amount at a rate of 2% per annum from the date of the loan until the receivables are settled. Interest income for the three months ended December 31, 2019 is $4,108 (December 30, 2018 - $4,643). IXL Holdings Limited has the option to repay the receivables through the issuance of IXL PremFina Limited ordinary shares, valued at market value of the shares at the time of issuance. The loan is unsecured and repayable on demand. Interest shall accrue on the receivables amount at a rate of 2% per annum from January 18, 2019 until the receivables are settled.

Also included in receivables as at December 31, 2019 is $433,277 (September 30, 2019 - $433,277) receivable from PremFina Limited, a corporation controlled by directors and officers of the Company. This amount is unsecured, non-interest bearing and due on demand.

7. Long term liabilities

During the year ended September 30, 2018, the Company transferred $403,421 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses incurred by the Company related to prior business activities, which are no longer active. The Statute-barred Claims are classified as long-term liabilities since the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

8. Investments

During the year ended September 30, 2018, the Company acquired the following minority equity interests:

On November 22, 2017, the Company acquired 250 shares in IXL PremFina Limited, representing a 0.89% equity interest, from IXL Holdings Limited, a related party of the Company, to settle $342,825 of a loan owed to the Company by IXL Holdings Limited (see note 6).

On January 25, 2018, the Company acquired a minority equity stake in Nivaura Limited ("Nivaura"), a private U.K. fintech Company that is building a new way for automated issuance and administration of financial instruments under the oversight of the U.K's Financial Conduct Authority. A director and officer of the Company also acquired an equity stake in Nivaura.

On January 25, 2018, the Company acquired a minority equity stake in Phunware Inc, ("Phunware") a private entity that offers iOS and Android application development platforms. The Company subscribed for 35,458 Series F preferred shares, convertible into common shares, and also concurrently received 35,458 warrants to purchase Series F preferred shares at an exercise price of US$4.23 until January 25, 2023. The Company also received warrants to receive PhunCoins (a token) in the event Phunware completes a Token Generation Event. PhunCoins do not currently exist. The warrants were estimated to have a nominal fair value at the date of acquisition and at September 30, 2018.

During the year ended September 30, 2019, the Company had the following investment transactions:

On December 26, 2018, Phunware completed a reverse merger with a U.S. registrant and became a U.S. listed company. The Company's holdings of preferred stock were converted into common shares of the resulting listed entity on the basis of 0.459 resulting issuer share for every one share held in the private entity. Warrants held by the Company were converted into warrants exercisable into common shares and PhunCoins of the resulting issuer, on the same 0.459:1 conversion ratio. After the reverse merger transaction, the Company held 16,275 common shares of Phunware, Inc. and 16,275 common share purchase warrants at an exercise price of US $9.22 until January 25, 2023.

(Expressed in Canadian dollars)

8. Investments (continued)

During the year ended September 30, 2019, the Company exercised 16,275 common share warrants of Phunware on a net settlement basis and received 15,084 common shares of Phunware. The Company did not receive any PhunCoins on exercise of the warrants as PhunCoins do not currently exist. The exercise price of

the warrants was US $9.22. As at December 31, 2019, the Company held a total of 31,359 common shares of Phunware Inc.

On April 30, 2019, the Company announced it had acquired an additional 2,593 shares of Nivaura at a price of £18.78 ($32.85) per share. Nivaura's capital markets platform, which is licensed to clients on a white label basis, enables fully automated securities issuance and execution using either existing capital markets infrastructure or blockchain infrastructure. The Company's investment in Nivaura as at September 30, 2019, representing a 0.91% equity interest, is held via its subsidiary Fineqia Investments Ltd.

During the year ended September 30, 2019, the Company acquired 5,288 common shares in Black Syndicate Holdings Limited ("Black"), a privately held entity based in Estonia, at a price of €22.50 ($32.52). This investment represents a 10.09% equity stake in Black. Black Syndicate Holdings Limited, through its related party, Black Foundation OU, holds IP for digitisation in the insurance industry. A director and officer of the Company is a co-founder and shareholder of Black.

During the year ended September 30, 2019, the Company acquired a US$150,000 convertible promissory note in Wave Financial Group LLC ("Wave", formerly Gen Holdings, LLC) as part of a debt financing in the amount of US$2,075,000. The note bears interest at 4% per annum, increasing to 10% per annum following an event of default, and matures March 31, 2020. In the event of an equity financing before the maturity date, with aggregate proceeds greater than US$1,000,000, the outstanding amount including accrued interest, shall automatically convert into the same class of equity interests as issued in the financing at a conversion price per unit equal to the lower of i) the price per unit in the financing or ii) valuation of US$5,000,000.

On the 18th month anniversary of November 9, 2018, if the note has not been converted or repaid in full, the outstanding amount and accrued interest will automaticall convert into the same class of equity interests as is issued to existing investors at a conversion price per unit equal to the pre-money valuation for all then outstanding units of the Company of US$5,000,000.

For so long as the note is not repaid or automatically converted, the holder may elect to convert up to all of the principal and accrued interest into other equity securities issued by Wave in a bona fide financing that does not qualify for automatic conversion, at the same price per unit paid by the investors in that financing. Wave has not closed any financing transactions subsequent to the convertible promissory note financing.

The following is a listing of the investments held by the Company at December 31, 2019:

Investee	Cost per share	Cost per share CAD ($)	Cost CAD ($)	Number held	Fair value ($)
IXL PremFina Limited – common shares	£824	1,384.02	346,005	250	335,450
Nivaura Limited – common shares	£9.07	14.77	294,434	19,149	616,053
PhunWare – common shares	US $9.22	12.58	204,598	31,359	54,922
Black Syndicate Holdings Limited – common shares	€22.50	32.52	179,505	5,288	170,813
Wave Financial Group LLC- convertible promissory note	N/A	N/A	197,850	N/A	198,623
					1,375,861

(Expressed in Canadian dollars)

9. Share capital

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2019, the Company had 760,013,064 (September 30, 2019 – 760,013,064) common shares issued and outstanding.

10. Contributed surplus

	Number of options	Weighted average exercise price	Grant date fair value of options	Number of warrants	Weighted average exercise price	Grant date fair value of warrants	Total value
		($)	($)		($)	($)	($)
September 30, 2017	75,850,000	0.05	705,405	608,151,852	0.05	2,832,991	3,538,396
Expired	-7,000,000	0.05	-65,100	-	-	-	-65,100
September 30, 2018	68,850,000	0.05	640,305	608,151,852	0.05	2,832,991	3,473,296
Expired	-2,500,000	0.05	-23,250	-	-	-	-23,250
September 30, 2019	66,350,000	0.05	617,055	608,151,852	0.05	2,832,991	3,450,046
December 31, 2019	66,350,000	0.05	617,055	608,151,852	0.05	2,832,991	3,450,046

Options

The Company's stock option plan allows for 10% of the issued share capital at any point in time. The Board of Directors of the Company may terminate the plan at any time provided that the termination does not alter the terms or conditions of any options granted or impair the right of any shareholder. Amendments to any provisions of the plan are subject to any necessary regulatory approvals unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this plan to service providers.

The following are the stock options issued and outstanding as at December 31, 2019:

Expiry date	Total options issued	Total options exercisable	Exercise Price
22 March 2022	66,350,000	66,350,000	$0.05

As at December 31, 2019, the weighted average remaining life of options was 2.25 years.

Warrants

Pricing models require the input of highly subjective assumptions in the expected price volatility. Changes to subjective input assumptions can materially affect the fair value estimate and therefore the existing models may not necessarily provide a reliable measure of the fair value of the Company's warrants.

The warrants, if not exercised, will expire as follows:

Expiry date	Total warrants issued	Exercise price
11 August 2020	157,900,000	$0.05
11 August 2020	6,838,854	$0.05
28 October 2021	359,219,950	$0.05
28 October 2021	22,599,066	$0.05
21 March 2022	58,746,401	$0.05
21 March 2022	2,847,581	$0.05
Total	**608,151,852**	$0.05

11. Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity price risk). The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk and Economic Dependence

Credit risk is the risk that a customer or a related party receivable will be unable to pay the Company in full when an amount becomes due. The Company holds significant receivables from certain related companies (see Note 6). The Company actively monitors the financial status of these related companies to minimize the credit risk associated with these receivables. A decline in the operations of these companies could result in uncertain collectability of these receivables. Revenue from one customer represented 100% of the Company's total revenue for the three months ended December 31, 2019 (December 31, 2018 – 0%).

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it has sufficient funds available to meet current and foreseeable financial requirements. As at September 30, 2019, the Company had net working capital deficiency of $3,213,502 (September 30, 2019 – $3,098,384. The short-term accounts payables and accrued liabilities are due within 90 days. See also Notes 2 and 6.

Foreign currency risk

Foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company has transactions in US dollars, Euros and British pounds. The Company had the following foreign currency balances at December 31, 2019 and September 30, 2019:

	December 31, 2019			September 30, 2019		
	GBP	EUR	USD	GBP	EUR	USD
Cash	534	-	51	1,268	-	51
Receivables	4,103	-	-	9,701	-	-
Investments	596,153	117,806	182,467	565,618	118,980	197,157
Accounts payable and accrued liabilities	-	-	-	11,807	-	-

A 10% appreciation (depreciation) of the British Pound against the Canadian dollar, with all other variables held constant, would result in approximately a $57,000 decrease (increase) in the Company's net loss for the year. A 10% appreciation (depreciation) of the Euro against the Canadian dollar, with all other variables held constant, would result in approximately a $16,000 increase (decrease) in the Company's net loss for the year. A 10% appreciation (depreciation) of the US dollar against the Canadian dollar, with all other variables held constant, would result in approximately a $19,000 decrease (increase) in the Company's net loss for the year.

11. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company's exposure to interest rate risk is nominal as it does not have any interest bearing assets or liabilities.

Price risk

The Company is exposed to price risks arising from investments in non-public companies recognised at their estimated fair value. As the valuation of investments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates. A 10% change in the price of the shares of the investees would result in a $136,000 increase or decrease in the Company's net loss for the year.

Capital management

The capital structure of the Company consists of equity, comprising share capital, shares to be issued, contributed surplus, net of accumulated deficit. The Company's shareholders' deficit was $890,954 as at December 31, 2019 (September 30, 2019 – deficit of $796,617).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets. Management reviews the capital structure on a regular basis to ensure that the Company's capital management objectives are achieved.

The Company's objectives when managing capital are:

a) To maintain and safeguard accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds for its operational needs.
b) To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
c) To obtain the necessary financing, if and when it is required.

There were no changes in the Company's approach to capital management during the three months ended December 31, 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body. As of December 31, 2019, the Company had net working capital deficiency of $3,213,502 (September 30, 2019 – $3,098,384). However, included in the net working capital is $2,767,444 as at December 31, 2019 (September 30, 2019 - $2,597,664) due to directors and entities controlled by officers and directors of the Company. These related parties have indicated that they would not demand repayment of the balances owing if it would have a negative impact on the operations of the Company.

Notwithstanding the risks described in Note 2 of the consolidated financial statements, the Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

(Expressed in Canadian dollars)

11. Financial instruments and risk management (continued)

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount, given their short term nature. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data

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

i. The carrying values of cash, receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these instruments.

ii. Investments in private entities are carried at management's best estimates of their fair value as disclosed below.

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

	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Aggregate Fair Value $
Public investments	54,922	-	-	54,922
Non-public investments	-	-	1,320,939	1,320,939
	54,922	-	1,320,939	1,375,861

Level 3 hierarchy:

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net change in unrealized gains (loss) is recognized in the operations.

Investment at fair value	Opening balance $	Purchases $	Transfers in/out $	Net unrealized gain (loss) $	Ending balance $
December 31, 2019	1,291,577	-	-	29,362	1,320,939
September 30, 2019	740,276	445,154	(186,780)	294,927	1,291,577

Within Level 3, the Company includes non-public company investments. 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, the marketability of the shares and the share performance of comparable publicy-traded companies.

(Expressed in Canadian dollars)

11. Financial instruments and risk management (continued)

The following tables present the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

September 30, 2019

Investment Name	Valuation technique	Fair value $	Unobservable inputs
IXL PremFina Limited	Recent financing (i)	335,450	Marketability of shares
Nivaura Limited	Recent financing (ii)	616,053	Marketability of shares
Black Syndicate Holdings Limited	Recent financing (iii)	170,813	Marketability of shares
Wave Financial Group LLC	Recent financing (iv)	198,623	Marketability of shares
		1,320,939	

(i) Based on equity financing in August 2018.
(ii) Based on equity financing in February 2019.
(iii) Based on equity financing in March 2019.
(iv) Based on convertible debt financing in November 2018.

As the valuation of investments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments.

For those investments valued based on a recent financing, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2019 and September 30, 2019. A 10% decrease (increase) on the fair value of these investments will result in a corresponding decrease (increase) of approximately $132,000 (September 30, 2019- $129,000) in the total fair value of the investments. The Company has applied a marketability discount of 0% to its non-public investments valued based on recent financing. Had the Company applied a marketability discount of 5% it would have resulted in a corresponding decrease (increase) of approximately $66,000 (September 30, 2019 - $65,000) in the total fair value of the investments. 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 uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such 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.

12. Subsequent event

None