TRENCHANT CAPITAL CORP.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended December 31, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited-Prepared by Management)

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 condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated interim financial statements have been prepared by and are the responsibility of the management of Echelon Petroleum Corp.

The Company's independent auditor has not performed a review of these condensed consolidated 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.

Vancouver, Canada

February 28, 2019

Trenchant Capital Corp.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2018	March 31, 2018
ASSETS			
Current assets			
Cash		$ 159,078	$ 489,483
Prepaids		15,132	9,425
Interest receivable		497,978	240,509
		672,188	739,417
Long-term assets			
Furniture and fixtures		37,846	-
PIK interest receivable	4	262,518	163,147
Loans receivable	4	17,234,000	14,899,000
TOTAL ASSETS		**$ 18,206,552**	**$ 15,801,564**
LIABILITIES			
Current liabilities			
Accounts payable	5,6,7	$ 381,924	$ 379,247
Dividends payable		166,000	216,000
		547,924	595,247
Long-term Liabilities			
Preferred share liability		391,667	354,044
Debentures	6	15,093,807	12,704,624
TOTAL LIABILITIES		**16,033,398**	**13,653,915**
SHAREHOLDERS' EQUITY			
Share capital	8	4,157,518	4,111,518
Preferred shares	8	2,192,676	2,192,676
Share-based payment reserve	8	343,158	343,158
Deficit		(4,520,198)	(4,499,703)
TOTAL EQUITY		**2,173,154**	**2,147,649**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 18,206,552**	**$ 15,801,564**

Trenchant Capital Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		Three month periods ended		Nine month periods ended	
	Notes	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Revenues					
Interest income	4	$ 403,200	$ 245,928	$ 1,332,681	$ 573,639
Expenses					
Consulting		1,313	32,869	20,940	117,869
Business development		22,316	-	66,800	-
General and administrative		25,266	47,940	53,071	103,040
Interest		382,422	195,930	1,119,014	458,461
Investor relations		-	10,000	-	30,950
Transfer agent and filing fees		3,385	14,472	32,126	48,706
Professional fees	7	23,799	920	61,225	19,833
		(458,501)	(302,131)	(1,353,176)	(778,859)
Net and comprehensive income (loss) for the period		$ (55,301)	$ (56,203)	$ (20,495)	$ (205,220)
Income (loss) per share – basic and diluted		**$ 0.00**	**$ (0.00)**	**$ 0.00**	**$ (0.02)**

Trenchant Capital Corp.
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital						
	Number of Common shares	Number of Preferred shares	Common shares	Preferred shares	Share-based payment reserve	Deficit	Total
Balance at March 31, 2017	**11,535,885**	**-**	**$ 4,111,518**	**$ -**	**$ 343,158**	**$ (4,150,706)**	**$ 303,970**
Issue of preferred shares (Note 7)	-	6,750,000	-	2,700,000	-	-	2,700,000
Comprehensive loss	-	-	-	-	-	(205,220)	(205,220)
Balance at December 31, 2017	**11,535,885**	**6,750,000**	**$ 4,111,518**	**$ 2,700,000**	**$ 343,158**	**$ (4,355,926)**	**$ 2,798,750**
Balance at March 31, 2018	**11,535,885**	**6,750,000**	**$ 4,111,518**	**$ 2,192,676**	**$ 343,158**	**$ (4,499,703)**	**$ 2,147,649**
Issue of common shares (Note 7)	102,222		46,000	-	-	-	46,000
Comprehensive loss	-	-	-	-	-	(20,495)	(20,495)
Balance at December 31, 2018	**11,638,107**	**6,750,000**	**$ 4,157,518**	**$ 2,192,676**	**$ 343,158**	**$ (4,520,198)**	**$ 2,173,154**

Trenchant Capital Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	Nine month periods ended	
	December 31, 2018	**December 31, 2017**
Operating activities		
Net income (loss)	$ 34,806	$ (205,220)
Non-cash items:		
Interest	92,202	50,054
Changes in non-cash working capital items:		
GST receivable	-	(5,558)
Interest receivable	(256,206)	(196,742)
Prepaids	(8,918)	20,000
Accounts payable and accrued liabilities	19,511	138,737
Net cash flows used in operating activities	(118,605)	(198,729)
Investing activities		
Furniture and fixtures	(17,831)	-
PIK interest receivable	(99,371)	(114,728)
Loans	(2,335,000)	(7,740,000)
Advance	-	(1,500,000)
Cash flows used in investing activities	(2,452,202)	(9,354,728)
Financing activities		
Issue of preferred shares for cash	-	2,700,000
Issue of debentures for cash	2,309,205	7,352,661
Cash flows from financing activities	2,309,205	10,052,661
Increase (decrease) in cash	(261,602)	499,204
Cash, beginning	489,483	188,651
Cash, ending	**227,881**	**$ 687,855**

1. Nature and continuance of operations

Trenchant Capital Corp. (the "Company") was incorporated under the British Columbia Business Corporations Act on December 17, 2009. The Company's shares are listed on the TSX Venture Exchange ("TSXV").

The Company's head office is located at 1790-1066 West Hastings St. V6E 3X1. The Company has three subsidiaries, 0960128 B.C. Ltd., 1141864 B.C. Ltd. and TCC Management Inc.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has incurred losses since its inception and had an accumulated deficit of $4,4520,198 at December 31, 2018, which has been funded primarily by issuance of securities debentures and loans from related parties. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company was formed as a Capital Pool Company on the TSXV. In May 2011, the Company completed its qualifying transaction as a resource issuer and was engaged in the exploration and development of natural resource properties.

In May 2016, the Company announced that it was pursuing a change of business to become an Investment Issuer on the TSXV (the "Change of Business"). In connection with the Change of Business the Company changed its name to Trenchant Capital Corp. on May 16, 2017 and commenced trading under the symbol "TCC.H". Approval for the Change of Business was obtained from the TSXV on May 26, 2017.

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulating authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the "Debentures") priced at $1,000 per Debenture (the "Debenture Offering Price"), for gross proceeds of a minimum of $5,000,000 and a maximum of $20,000,000 (the "Debenture Offering" (Note 6).

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at $1,000 per Debenture, for gross proceeds of a minimum of $10,000,000 and a maximum of $20,000,000 (or $23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering") (Note 6).

2. Significant accounting policies and basis of preparation

These unaudited condensed consolidated interim financial statements were authorized for issue on February 28, 2019 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The condensed consolidated interim financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with

2. Significant accounting policies and basis of preparation (cont'd)

International Accounting Standard ("IAS") 34 – Interim Financial Reporting. Reporting, which do not include all the disclosures in the annual financial statements in accordance with IFRS. They should be read in conjunction with the Company's consolidated financial statements for the year ended March 31, 2017. The accounting policies were consistently applied to all periods presented.

Basis of preparation

The condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Advance

On June 29, 2017, the Company advanced a refundable deposit of $1,500,000 to 10164950 Canada Ltd., a company controlled by the Hillcore Group Ltd. ("Hillcore"), as an advance on a second investment transaction with Hillcore, the terms of which are currently being negotiated. If the advance is not repaid, or the parties have not completed a second investment by December 31, 2017, the advance shall automatically convert into an additional loan by the Company to Waiward Steel Limited Partnership (Note 4).

4. Loans

	December 31, 2018	March 31, 2018
May 18, 2017	$ 5,522,000	$ 5,522,000
June 26, 2017	1,488,000	1,488,000
July 19, 2017	730,000	730,000
Waiward loans	7,740,000	7,740,000
March 23, 2018	5,659,000	5,659,000
May 17, 2018	2,335,000	-
March 2018	1,500,000	1,500,000
ABO loans	9,494,000	7,159,000
	$ 17,234,000	$ 14,899,000

The Company has entered into a loan agreement (the "Loan Agreement") dated March 2, 2017 (which replaces the loan agreement dated October 28, 2016) with Waiward Investments Limited Partnership (the "Borrower"), a limited partnership related to the Hillcore Group Ltd. ("Hillcore"), pursuant to which a wholly owned subsidiary of the Company (the "Lender") has agreed to loan a minimum of $5,000,000 and a maximum of $20,000,000 (or $23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Waiward Loan") to the Borrower, secured by the Borrower's indirect equity interest in Waiward Steel Limited Partnership ("Waiward Steel"), a Canadian steel fabricator and erector.

(Expressed in Canadian Dollars)

Loans

The Waiward loans were made by the Company's subsidiary 0960128 B.C. Ltd., and bears interest at the rate of 12.5% per annum, with 10% payable quarterly in cash and 2.5% added quarterly to the principal balance and payable at maturity on March 31, 2022. Interest earned in the nine months ended December 31, 2018 was $698,589 (2017 - $573,639), of which $201,737 (2017 - $196,742) was receivable at December 31, 2018 and $262,518 (2017 - $114,728) was interest accrued for payment in kind ("PIK"). The loan is secured by the Borrower's indirect equity interest in Waiward Steel.

In December 2017 the Company' subsidiary 1141864 B.C. Ltd. agreed to lend $5,569,000 to ABO Investments Limited Partnership ("ABO"). The loan bears interest at the rate of 10.0% per annum, payable quarterly in cash until maturity on January 27, 2023 (the "ABO Loan"). On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of $2,335,000 were raised through the issuance of 2,335 Omni Debentures.

Interest earned in the nine months ended December 31, 2018 was $572,221 (2017 - $Nil), of which $201,492 was receivable at December 31, 2018. The loan is secured by the borrower's indirect equity interest in Omni Health Investments Inc.

On June 29, 2017, the Company advanced a refundable deposit of $1,500,000 to 10164950 Canada Ltd., a company controlled by Hillcore, as an advance on a second investment transaction with Hillcore. If the advance is not repaid, or the parties have not completed a second investment by December 31, 2017, the advance shall automatically convert into an additional loan by the Company to Waiward Steel. In December 2017 the Company agreed to loan the advance to ABO in a sidecar loan on the same terms as, and be subordinated to, the ABO Loan. The loan bears interest at the rate of 8.0% per annum, payable annually in cash until maturity on January 27, 2023. Interest earned in the nine months ended December 31, 2018 was $61,871 (2017 - $Nil), which was receivable at December 31, 2018.

5. Accounts payable

	December 31, 2018	March 31, 2018
Accounts payable (Notes 5 and 6)	$ 381,924	$ 365,094
Accrued liabilities	$ -	$ 14,153

6. Debentures

	December 31, 2018	March 31, 2018
Balance, beginning	$ 12,704,624	$ -
Proceeds from issuance of debentures	2,335,000	13,399,000
Deferral of financing costs	(48,788)	(780,239)
Interest expense	1,016,043	593,720
Interest paid or payable	(1,016,043)	(593,720)
Accretion of financing costs	102,971	85,863
	$ 15,093,807	$ 12,704,624

6. Debentures (cont'd)

The Debenture Offering

On March 7, 2017, the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 5,000 and a maximum of 20,000 secured convertible debentures (the "Debentures") priced at $1,000 per Debenture (the "Debenture Offering Price"), for gross proceeds of a minimum of $5,000,000 and a maximum of $20,000,000 (the "Debenture Offering"). The Debenture Offering closed in three tranches for aggregate gross proceeds of $7,740,000. The first tranche, pursuant to which gross proceeds of $5,522,000 were raised through the issuance of 5,522 Debentures, closed on May 18, 2017. The second tranche, pursuant to which gross proceeds of $1,488,000 were raised through the issuance of 1,488 Debentures, closed on June 26, 2017. The third tranche, pursuant to which gross proceeds of $730,000 were raised through the issuance of 730 Debentures, closed on July 19, 2017. In connection with the Debenture Offering, the Company paid the agents aggregate cash commissions equal to 6.5% of the gross proceeds raised under the Debenture Offering and were reimbursed for their reasonable expenses.

During the nine months ended December 31, 2018, the Company has recognized as accretion expense of $102.971 (2017 - $67.590) related to this Debenture Offering. During the nine months ended December 31, 2018, interest expense of $174,150 (2017 - $174,150) was accrued and is included in accounts payable (Note 4).

The Debentures will mature on March 31, 2022 and the outstanding principal of the Debentures will bear interest (the "Debenture Interest") at the rate of 9.0% per annum, payable quarterly in cash. The terms of the Debentures are set out in a trust indenture entered into between the Company and Computershare Trust Company of Canada ("Computershare").

Commencing on May 18, 2018, the outstanding principal amount of the Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.00 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Debentures, and accrued but unpaid interest thereon, in cash, at any time after May 18, 2019, being two years after the closing of the first tranche of the Debenture Offering, by paying the Debenture holders 105% of the outstanding principal amount of the Debentures in year three, 103% of the outstanding principal amount of the Debentures in year four, and 101% of the outstanding principal amount of the Debentures in year five, plus any accrued but unpaid interest thereon.

The Company pledged all of the outstanding shares of 0960128 B.C. Ltd. to Computershare, on behalf of the holders of the Debentures, as security for the Company's outstanding obligations under the Debentures. The holders of Debentures have no recourse to the Company other than with respect to such shares.

Effective on October 26, 2017, the Debentures commenced trading on the TSXV under the symbol "TCC.DB".

6. Debentures (cont'd)

The Omni Debentures

In December 2017 the Company filed and obtained a receipt for a preliminary prospectus with security regulatory authorities for a proposed public offering of a minimum of 10,000 and a maximum of 20,000 8% secured convertible debentures (the "Omni Debentures") priced at $1,000 per Debenture, for gross proceeds of a minimum of $10,000,000 and a maximum of $20,000,000 (or $23,000,000 in the event that the Over-Allotment Option is exercised in full) (the "Omni Debenture Offering"). The net proceeds of the Omni Debenture Offering will be used to fund the Omni Loan, as described below. On March 23, 2018, the Company closed the first tranche of the Omni Debentures for which gross proceeds of $5,659,000 were raised through the issuance of 5,659 Omni Debentures.

On May 17, 2018, the Company closed the second tranche of the Omni Debentures for which gross proceeds of $2,335,000 were raised through the issuance of 2,335 Omni Debentures.

During the nine months ended December 31, 2018, the Company incurred financing costs of $25,795 (2017 - $72,696) related to these Omni Debentures. During the nine months ended December 31, 2018, interest expense of $455,970 (2017 - $Nil) was paid and accrued, of which $159,880 is included in accounts payable (Note 4).

The Omni Debenture Offering is being made on a best efforts basis, through a syndicate of agents led by Canaccord Capital Corp. and Industrial Alliance Securities Inc. (collectively, the "Agents"). The Omni Debentures issued in the Omni Debenture Offering will have a maturity date of January 27, 2023 and bear interest at the rate of 8.0% per annum, payable quarterly in cash. Commencing two years from closing, the outstanding principal amount of the Omni Debentures may be converted, at the option of the holder, into common shares of the Company at a conversion price equal to the greater of: (i) 95% of the volume weighted average trading price of the common shares for the 30 trading day period ending three business days before the conversion date, and (ii) $1.25 per common share, provided that, unless the conversion is being effected in connection with a redemption by the Company, no more than 25% of the aggregate principal amount of Debentures held by a holder may be converted in any 180-day period.

The Company may prepay the outstanding principal of the Omni Debentures, and accrued but unpaid interest thereon, in cash, at any time after two years from the closing of the first tranche of the Omni Debenture Offering, by paying the Omni Debenture holders 105% of the outstanding principal amount of the Omni Debentures in year three, 103% of the outstanding principal amount of the Omni Debentures in year four, and 101% of the outstanding principal amount of the Omni Debentures in year five, plus any accrued but unpaid interest thereon.

The Company has agreed to pledge all of the outstanding shares of 1141864 B.C. Ltd. as security for the Company's outstanding obligations under the Omni Debentures. The holders of Omni Debentures will have no recourse to the Company other than with respect to such shares.

(Expressed in Canadian Dollars)

7. Related party transactions

Related party balances:

The following amounts are due to related parties and included in accounts payable:

	December 31, 2018	March 31, 2018
Directors and officers of the Company (Note 5)	$ -	$ 1,57

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management personnel compensation

	Nine month periods ended	
	December 31, 2018	December 31, 2017
Professional	$ 4,725	$ 4,725

8. Share capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

Issued share capital

At December 31, 2018 there were 11,638,107 (2017 - 11,535,885) issued and fully paid common shares.

During the nine months ended December 31, 2018, the Company issued 102,222 Common shares at $0.45 as settlement of $46,000 of the dividend payable.

During the year ended March 31, 2018, the Company issued 6,750,000 preferred shares at a price of $0.40 per share for gross proceeds of $2,700,000.

Preferred shares

On May 18, 2017, the Company closed a private placement of non-voting convertible preferred shares, pursuant to which it raised gross proceeds of $2,700,000 through the issuance of 6,750,000 preferred shares at a price of $0.40 per share (the “Preferred Share Offering”, and together with the Debenture Offering, the “Offerings”). No commissions or finder’s fees were paid in connection with the Preferred Share Offering.

The preferred shares are entitled to receive annual non-cumulative dividends at a fixed rate of 8% per annum. Holders of preferred shares may, commencing on May 18, 2018, convert their preferred shares into common shares on a one for one basis, subject to a semi-annual maximum conversion limit of such number of common shares as is equal to 25% of a particular holder’s preferred shares. The preferred shares will automatically convert into common shares on a one for one basis on May 18, 2020.

(Expressed in Canadian Dollars)

8. Share capital (cont'd**)**

Holders of Preferred Shares are not entitled to receive notice of, attend, or vote at, any general meeting of the shareholders of the Company. The preferred shares are not, and are not expected to be, listed for trading on the TSXV or on any other stock exchange or quotation system.

The fair value of the liability component of the preferred shares was calculated using a market interest rate, which the Company determined to be 8.5%. The residual amount, representing the equity component of the preferred shares, is included in shareholders equity. As at December 31, 2018, there are dividends payable on the preferred shares of $166,000 (2017: $Nil).

The continuity of the preferred share liability for the year ended December 31, 2018 is as follows:

	December 31, 2018	March 31, 2018
Balance, beginning	$ 354,044	$ -
Proceeds from issuance of preferred shares	-	2,700,000
Equity component of preferred shares	-	(2,192,676)
Interest expense	37,623	62,720
Dividends payable	-	(216,000)
Balance, ending	$ 391,667	$ 354,044

Basic and diluted earnings (loss) per share

The calculation of basic earnings per share for the nine months ended December 31, 2018 was based on the loss attributable to common shareholders of $20,495 (2017: loss $205,220) and the weighted average number of common shares outstanding of 11,638,107 (2017: 11,535,885).

Stock options

On March 3, 2010, the directors of the Company consented to adopt a Company Share Option Plan (the "Plan"). The shareholders of the Company approved the Plan on September 8, 2011. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the common shares outstanding at the time of the granting of options. Such options may be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

There were no options outstanding at December 31, 2018 and 2017.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. 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

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company had no exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk and the debentures have fixed interest rates. Interest rate risk is assessed as low.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

9. Financial risk and capital management (cont'd)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2018	March 31, 2018
Held for trading:		
Cash	$ 159,078	$ 489,483
Loans and receivables:		
Interest receivable	497,978	240,509
PIK interest receivable	262,517	163,147
Loans receivable	17,234,000	14,899,000
	$ 18,153,573	$ 15,792,139

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2018	March 31, 2018
Non-derivative financial liabilities:		
Accounts payable	$ 381,924	$ 365,094
Dividends payable	166,000	216,000
Preferred share liability	391,667	354,044
Debentures	15,093,807	12,704,624
	$ 16,033,398	$ 13,639,762

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

10. Commitments

On April 23, 2018, the Company entered into an office lease agreement, which commences September 1, 2018 for a period of three years. Annual rents for the three year period are $56,406, $57,749, and $59,092, respectively. The Company has subsequently sub-leased approximately 50% of the office.