

MLI Marble Lending Inc.

Combined Financial Statements

Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MLI Marble Lending Inc.

Opinion

We have audited the accompanying combined financial statements of MLI Marble Lending Inc., which comprise the combined statements of financial position as at December 31, 2018 and 2017, the combined statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the combined financial statements present fairly, in all material respects, the financial positions of MLI Marble Lending Inc. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises management's discussion and analysis for the year ended December 31, 2018.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

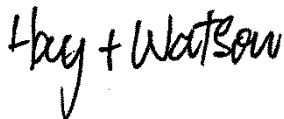
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Chartered Professional Accountants
Vancouver, BC
April 19, 2019

MLI Marble Lending Inc.
Combined Statements of Financial Position
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
Assets			
Cash		\$ 1,457,298	\$ 374,804
Interest receivable		62,480	182,060
Loans receivable - current	6	502,721	164,867
Other receivables		-	67,774
Prepaid expenses		70,108	52,668
		2,092,607	842,173
Loans receivable	6	2,038,529	3,839,953
Office furniture and equipment	7	6,603	10,160
Intangible assets	8	405,751	320,196
		\$ 4,543,490	\$ 5,012,482
Liabilities			
Accounts payable and accrued liabilities		\$ 391,984	\$ 432,688
Interest payable		22,689	20,869
Other payables		3,418	-
Promissory notes	10	200,000	180,000
Bonds – current	11	618,434	4,270,431
		1,236,525	4,903,988
Bonds	11	4,832,678	1,061,798
		6,069,203	5,965,786
Shareholders' Deficiency			
Share capital	12	2,968,976	2,361,128
Shares to be issued		12,000	-
Other reserve		28,899	5,899
Deficit		(4,535,588)	(3,320,331)
		(1,525,713)	(953,304)
		\$ 4,543,490	\$ 5,012,482

The accompanying notes are an integral part of these combined financial statements.

Approved on behalf of the Board of Directors

“M.Marrandino” Director

“J. Scharfe” Director

MLI Marble Lending Inc.
Combined Statements of Loss and Comprehensive Loss
Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
Interest revenue		\$ 782,642	\$ 1,176,289
Interest expense		592,378	674,116
Net Interest Income		190,264	502,173
Other income		23,923	65,728
		214,187	567,901
Bad Debt Expenses	6b	259,334	8,942
Operating Expenses			
Administration costs		385,019	366,913
Depreciation	7	3,557	4,645
Consulting fees		574,528	491,322
Marketing		48,479	91,515
Salary and benefits		158,527	182,454
Share based payments			4,780
		1,170,110	1,141,629
Loss from Operations		(1,215,257)	(582,670)
Other Income (Expense)			
Gain on settlement of liabilities		-	36,750
Net Loss and Comprehensive Loss		\$ (1,215,257)	\$ (545,920)
Basic and Diluted Loss Per Share	16	\$ (0.03)	\$ (0.02)
Basic and Diluted Weighted Average Number of Shares Outstanding	16	34,777,420	27,939,399

The accompanying notes are an integral part of these combined financial statements.

MLI Marble Lending Inc.
Combined Statement of Changes in Shareholders' Deficiency
Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	Share Capital		Shares to be issued	Other Reserve	Deficit	Total
		Number of Shares	Amount				
Balances, December 31, 2016		26,883,135	\$ 1,906,628	\$ 132,500	\$ 1,119	\$ (2,774,411)	\$ (734,164)
Issue of shares		1,095,000	322,000	-	-	-	322,000
Share subscriptions received		331,250	132,500	(132,500)	-	-	-
Options issued for services		-	-	-	4,780	-	4,780
Net loss		-	-	-	-	(545,920)	(545,920)
Balances, December 31, 2017		28,309,385	\$ 2,361,128	\$ -	\$ 5,899	\$ (3,320,331)	\$ (953,304)
Issue of shares		2,509,818	365,365	-	-	-	365,365
Shares issued to settle debt		4,849,685	242,484	-	-	-	242,484
Shares to be issued		80,000	12,000	-	-	-	12,000
Warrants issued	12	-	-	-	23,000	-	23,000
Net loss		-	-	-	-	(1,215,257)	(1,215,257)
Balances, December 31, 2018		35,748,888	\$ 2,980,976	\$ -	\$ 28,899	\$ (4,535,588)	\$ (1,525,713)

The accompanying notes are an integral part of these combined financial statements.

MLI Marble Lending Inc.
Combined Statements of Cash Flows
Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note	2018	2017
Cash Flows (Used in) from Operating Activities:			
Net Loss		\$ (1,215,257)	\$ (545,920)
Items not affecting cash:			
Depreciation of office furniture and equipment		3,557	4,645
Bond transaction cost amortization		62,736	117,763
Gain on settlement of liabilities		-	36,750
Shares issued for services	20	242,484	4,780
		(906,480)	(381,982)
Changes in non-cash working capital:			
Interest receivable		119,459	(132,552)
Other receivables		67,775	(42,040)
Loans receivable		1,463,570	895,318
Prepaid expenses		(17,438)	(41,912)
Accounts payable and accrued liabilities		(40,704)	(125,968)
Interest payable		26,967	36,476
Other payable		3,418	-
Forbearance contingency		-	(250,077)
Net cash used in operating activities		716,567	(42,737)
Cash Flows Used in Investing Activities:			
Purchases of office furniture and equipment		-	(3,824)
Development of intangible assets		(85,555)	(120,225)
Net cash used in financing activities		(85,555)	(124,049)
Cash Flows (Used in) from Financing Activities:			
Common shares issued		365,482	322,001
Common shares to be issued		12,000	-
Warrants Issued	20	23,000	-
Repayment of promissory notes		(180,000)	-
Promissory notes received		200,000	-
Issuance of bonds		277,000	776,000
Redemption of bonds		(246,000)	(867,938)
Transaction costs related to bonds		-	(66,817)
Net cash from financing activities		451,482	163,246
Cash (decrease) increase for the period		1,082,494	(3,540)
Cash at the beginning of the period		374,804	378,344
Cash at the End of the Period		\$ 1,457,298	\$ 374,804
Supplemental Cash Flow Information			
Operating activities			
Interest received		\$ 708,307	\$ 1,046,093
Interest paid		\$ 500,659	\$ 519,877

Reconciliation of changes in liabilities arising from financing activities (Note 19)

Supplemental cash flow information (Note 20)

The accompanying notes are an integral part of these combined financial statements.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

a. General information

MLI Marble Lending Inc. ("Marble") was incorporated as Phoenix N2N Capital Inc. under the Business Corporation Act (British Columbia) on July 7, 2015. On September 15, 2016, Marble was continued under the Canada Business Corporation Act and on December 16, 2015 changed its name from Phoenix N2N Capital Inc. to MLI Marble Lending Inc. On July 1, 2016, Marble acquired 100% of the outstanding voting common shares of TPFM The Phoenix Fund Management Ltd. ("TPFM"), 100% of the outstanding non-voting common shares of TPF The Phoenix Fund Inc. ("TPF") and 40% of the outstanding voting preferred shares of TPF for consideration of \$700,000 and the issuance of 10,000,000 common shares of Marble. The combined companies, Marble, TPFM and TPF, which were controlled by the same shareholders since incorporation, are referred to in these combined financial statements as the "Group".

Target Capital Inc. ("Target") owns the remaining 60% of the voting preferred shares of TPF. On October 5, 2012, the Group entered into a majority of the minority agreement with Target. Under the terms of the agreement, the Group agreed to pay Target certain annual and capital raising fees in consideration for Target holding the majority of TPF's voting preferred shares, which allows certain debt securities of the Group to be qualified investments for deferred plan investors. Target does not benefit from its position as the majority shareholder of TPF, other than the receipt of the annual and capital raising fees, and is unable to direct the activities of TPF without the prior approval of the Group.

On March 21, 2019, the Agreement between Target Capital Inc. and TPF The Phoenix Fund Inc. was terminated and the Group acquired the remaining 60% of the TPF preferred shares from Target Capital Inc. for \$600.

The Group's primary business activity is to help Canadians in a consumer proposal, proactively rebuild their credit by providing an unsecured loan to pay out their consumer proposal. The Group has entered into a non-exclusive loan program agreement with 4 Pillars Consulting Group Inc. ("4 Pillars"), enabling the Group to provide loans to individual clients of 4 Pillars.

The head office of the Group is located at 1202-1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3.

b. Going concern

The Group has shareholders' deficiency of \$1,525,713 and an accumulated deficit of \$4,535,588 as at December 31, 2018 (December 31, 2017 - \$953,304 and \$3,320,331) and therefore will need ongoing funding to continue its operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Group. If the Group is unable to obtain sufficient funding, the ability of the Group to meet its obligations as they come due and, accordingly, the appropriateness of the use of the going concern accounting principle will be in significant doubt. These combined financial statements have been prepared on the basis of a going concern which assumes the Group will be able to realize its assets and discharge its liabilities in the normal course of business. These combined financial statements do not reflect the adjustments or reclassification which would be necessary if the Group were unable to continue its operations in the normal course of business.

2. BASIS OF PRESENTATION

a. Statement of compliance

The Group prepared these combined financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations by the IFRS Interpretations Committee. These combined financial statements were approved by the Board of Directors and authorized for issue on April 25, 2018.

b. Basis of measurement

These combined financial statements are prepared on the historical cost basis, except for the items recorded at fair value as described in the accounting policies disclosed in Note 3. These combined financial statements are presented in Canadian dollars, which is the Group's functional currency.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

c. Basis of preparation prior to the acquisition

These combined financial statements have been prepared to provide financial information of the Group. for inclusion in a prospectus to be issued by the Group. Financial information for the pre-acquisition period, including the comparative periods, are presented based on the historical combined financial information of Marble, TPFM and TPF as if the acquisition on July 1, 2016 had occurred on January 1, 2014, using the significant accounting framework outlined in Note 3(a).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Statement Presentation Framework

i) Business combinations under common control (“BCUCC”)

BCUCC are business combinations involving entities or businesses under common control, in which all of the combining entities or businesses are ultimately controlled by the same party both before and after the business combination.

As Marble is a recently formed entity and the acquisition on July 1, 2016 (Note 1(a)) was a reorganization and recapitalization, it is accounted for using the predecessor value method. Under this method, the Group records the assets acquired and liabilities assumed at their carrying amounts on the closing date of the acquisition. The difference between the consideration given and the aggregate value of the net assets acquired is recorded as an adjustment to shareholders’ deficiency. Financial information for the pre-acquisition period, including the comparative periods, are presented based on historical combined financial information of Marble, TPFM and TPF as if the acquisition on July 1, 2016 had occurred on January 1, 2014.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the combined financial statements from the date on which control commences until the date on which control ceases.

iii) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the combined statement of loss. Any interest in the former subsidiary is measured at fair value when control is lost.

iv) Transactions eliminated on combination

All intra-group transactions, balances, revenues and expenses are eliminated in the combined financial statements.

b. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the original date of acquisition.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments

i) Recognition, classification and measurement

The Group initially recognizes loans and receivables on the date that they are originated while all other financial assets and liabilities are recognized initially on the transaction date on which the Group becomes a party to the contractual provisions of the instrument.

The classification of financial assets and liabilities are determined at initial recognition. The Group's financial assets are classified as one of the following: at fair value through profit or loss ("FVTPL") and at amortized cost. Financial liabilities are classified and subsequently measured at amortized cost.

Financial assets at FVTPL

A financial asset is required to be classified as FVTPL unless it is measured at amortized cost or at fair value through other comprehensive income. Financial assets at FVTPL are initially measured at fair value with directly attributable transaction costs recognized in the combined statement of loss and comprehensive loss. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value and changes therein, including any interest or dividend income, are recognized in the statement of loss and comprehensive loss.

The Group's designated FVTPL assets consists of cash.

Amortized cost

Financial assets are measured at amortized cost if the financial asset is held within a "hold to collect" business model, and if the contractual cash flows associated with the financial asset are solely payments of principal and interest on the principal amount of debt outstanding. Financial assets with a "hold to collect" business model exist when the Group's primary objective is to collect contractual cash flows on the assets rather than selling them. Financial assets classified as amortized cost are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest method, less any allowance for losses.

The Group's financial assets measured at amortized cost consists of interest receivable, loans receivable and other receivables.

Financial liabilities are measured at amortized cost unless otherwise designated by the Group as FVTPL. The Group's financial liabilities measured at amortized cost consists of accounts payable and accrued liabilities, interest payable, due to shareholder, promissory notes and bonds.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

ii) Fair value of financial instruments

Financial instruments recognized in the combined statement of financial position at fair value include cash. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between unrelated participants at the measurement date. Fair values of interest receivable, other receivables, accounts payable and accrued liabilities, interest payable and promissory notes approximate their carrying values due to their short-term nature.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the following valuation techniques:

- Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

Cash is measured at fair value based on a Level 1 designation.

iii) Impairment of financial assets

The Group assesses impairment of financial assets at each reporting date. A financial asset is impaired if there is objective evidence that one or more loss events, occurring after the initial recognition of the asset, impacts the estimated future cash flows of the financial asset. Objective evidence that financial assets are impaired includes significant financial and other difficulty of the borrower or issuer, default or delinquency of a borrower, restructuring of amounts due on terms that the Group would not consider otherwise, other indications that a borrower or issuer will enter bankruptcy and adverse changes in the payment status of the borrower.

For the purpose of an individual evaluation of impairment, the amount of impairment loss on a financial asset is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current effective interest rate determined under the contract.

For the purpose of a collective evaluation of impairment, financial assets are characterized on the basis of similar risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the assets with credit risk characteristics similar to those in the group.

The carrying amount of the financial assets are reduced through the use of an allowance account and the amount of the loss is recognized in the combined statement of loss and comprehensive loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively linked to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the combined statement of loss and comprehensive loss.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
December 31, 2018 and 2017
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial instruments (continued)

iv) Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If the Group has neither transferred nor retained substantially all the risks and rewards of the transferred financial asset, it assesses whether it has retained control over the transferred asset. If control has been retained, the Group recognizes the transferred asset to the extent of its continuing involvement. If control has not been retained, the Group derecognizes the transferred asset. Any difference between the carrying amount of the asset and the consideration which is determined to have been received is recognized in the combined statement of loss and comprehensive loss.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. Any difference between the carrying amount of the liability extinguished and the consideration paid is recognized in the combined statement of loss and comprehensive loss.

d. Interest revenue and interest expense

Interest revenue and interest expense are recognized in the combined statement of loss and comprehensive loss using the effective interest method. The effective interest method is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Loan origination fees and fees that are considered to be adjustments to loan yield are recognized using the effective interest method. The effective interest method capitalizes fees and transaction costs on the combined statement of financial position and amortizes them to interest income over the expected life of the related financial asset or financial liability. Once a financial asset has been written down as a result of an impairment loss, interest revenue is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

e. Office furniture and equipment

Office furniture and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using either the declining balance or the straight-line method and is intended to depreciate the costs of assets over their estimated useful lives:

Office furniture	20% declining balance
Computer hardware	55% declining balance
Leasehold improvements	3 years straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Intangible assets

Expenditure on research activities is recognized in the combined statement of loss and comprehensive loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in the combined statement of loss and comprehensive loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is recorded annually using the straight-line method and is intended to amortize the costs of the intangible assets over their estimated useful lives:

Internally generated software	10 years straight line
Trademark	Indefinite

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g. Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the combined statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

h. Leases

A lease that transfers substantially all of the benefits and risks of ownership to the Group is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's combined statement of financial position. Payments made under operating leases are recognized in the combined statement of loss and comprehensive loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Income taxes

Income tax expense is composed of current and deferred tax. Current and deferred taxes are recognized in the combined statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' deficiency or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

ii) Deferred tax

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

ii) Deferred tax (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j. Forbearance contingency

The Group charges a monthly forbearance fee to certain borrowers. If these borrowers are unable to make their scheduled loan repayments to the Group, due to certain events such as disability and unemployment, the Group will forbear on the timing of the enforcement of its rights and remedies under the loan agreement. The Group accumulates the forbearance fees collected into a general reserve to be applied against credit losses from the loans receivable.

Forbearance fees received from borrowers are initially deferred on the combined statement of financial position. When the Group determines that a loan receivable should be written off, an amount equal to lesser of the carrying value of the written off loan receivable and the total forbearance contingency is recognized in the combined statement of loss and comprehensive loss.

Any remaining deferred amounts will continue to be recognized on the combined statement of financial position until such time that the Group expects no further credit losses from its loans receivable. At such time, the remaining balance of the forbearance contingency will be recognized in the combined statement of loss and comprehensive loss.

k. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

MLI Marble Lending Inc.
Notes to the Combined Financial Statements
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(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Provisions (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the combined statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

l. Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability. The Group's common shares are classified as equity instruments. Incremental costs directly attributed to the issuance of new shares are shown in equity as a reduction, net of tax, of the proceeds received on issue.

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

m. Loss per share

The Group presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

n. New accounting standards and interpretations

The group adopted the following new accounting standards and amendments, which are effective for the interim and annual combined financial statements commencing on January 1, 2018:

i) IFRS 9, Financial Instruments

On January 1, 2018, the Group adopted *IFRS 9, Financial Instruments*, which replaces *IAS 39, Financial Instruments: Recognition and Measurement*. This standard establishes new measurement categories for classifying financial assets, and new guidance in relation to impairment and hedge accounting. The adoption of the new impairment and hedge accounting requirements had no material impact on the Group's combined financial statements and did not result in any changes to the presentation of the comparative amounts in these combined financial statements.

ii) IFRS 15, Revenue from Contracts with Customers

On January 1, 2018, the Group adopted IFRS 15, Revenue from Contracts with Customers. The new standard includes a five step recognition and measurement approach for revenue arising from contracts with customers, and includes new requirements for accounting for contract costs. Revenues arising from financial instruments within the scope of IFRS 9, Financial Instruments, specifically interest revenue and loan fees, are excluded from the scope of IFRS 15. All other revenue streams are included within the scope of IFRS 15. The adoption of this standard did not have any impact on the Group's combined financial statements and do not result in any changes to the presentation of the comparative amounts in these combined financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Standards and interpretations issued but not yet effective

i) IFRS 16, Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 replaces *IAS 17 – Leases*, *IFRIC 4 Determining Whether an Arrangement Contains a Lease*, *SIC-15 Operating Leases – Incentives*, and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if *IFRS 15 Revenue from Contracts with Customers* is also applied.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these combined financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in these combined financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these assumptions form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised and all future periods which are affected by the change in estimate.

The principal areas where critical estimates and judgments have been applied are described below:

a. Assessment of control of TPF

Although the Group owns less than half of TPF's voting preferred shares, management has determined that the Group controls TPF and that all of the equity in TPF is attributable directly to the Group. The Group owns all of the non-voting common shares of TPF and has an agreement with the only other voting preferred shareholder, Target, whereby Target does not benefit from its position as the majority shareholder of TPF, other than the receipt of certain fees (Note 1(a)).

b. Impairment losses on loans receivable

The Group regularly reviews its loans receivable for potential impairment. In determining whether an impairment loss should be recorded in the combined statement of loss and comprehensive loss, the group considers whether there is any observable data indicating that an increase in the credit risk or a decrease in the estimated future cash flows from a loan has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrower. Management uses estimates based on valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required. The estimates include future market interest rates.

c. Impairment of intangible assets

Intangible assets which are available for use and have a definite useful life are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Group will test those intangible assets for impairment. The Group tests intangible assets with an indefinite useful life and intangible assets which are not yet ready for use on an annual basis. Significant judgment is required in determining the useful lives and recoverable amounts of intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of the intangible assets rely on certain inputs, including future cash flows and discount rates. Future cash flows are based on revenue projections and allocated costs which are estimated based on forecast results and business initiatives. Discount rates are based on the market interest rates.

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4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

d. Income taxes

Income tax expenses recorded in these combined financial statements are not final until tax returns are filed and accepted by taxation authorities. Therefore, results of operations in future reporting periods may be affected by the difference between the income tax expense estimates and the final tax assessments.

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income. The assessment is based on enacted tax acts and estimates of future taxable income.

5. ACQUISITION OF TPFM AND TPF

On July 1, 2016, Marble acquired 100% of the outstanding voting common shares of TPFM, 100% of the outstanding non-voting common shares of TPF and 40% of the outstanding voting preferred shares of TPF. As consideration, Marble issued 10,000,000 common shares and paid \$700,000.

Consideration transferred:

	July 1, 2016	
Issue of 10,000,000 common shares of Marble	\$	(368,405)
Cash paid by Marble		700,000
<hr/>		
Total consideration transferred	\$	331,595

Net assets (liabilities) acquired:

	July 1, 2016	
TPFM	\$	(369,505)
TPF		1,100
<hr/>		
Net liabilities acquired	\$	(368,405)

The acquisition was accounted for as a BCUCC using the predecessor value method (Note 3(a)). Under the predecessor value method, the 10,000,000 Marble common shares issued were valued at the carrying amount of the net assets and liabilities assumed on July 1, 2016. The cash payment is recorded as an adjustment to shareholders' deficiency.

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6. LOANS RECEIVABLE

The Group provides loans to consumer debtors who meet the Group's evaluation criteria and who will use the borrowed funds to settle debts under formal or informal debt restructuring plans agreed upon by the creditors of the consumer debtors. Consumer debtors are identified in collaboration with 4 Pillars (Note 14(c)).

The majority of the loans provided are unsecured. The loans receivable generally bear interest between 18.99% and 24.99% and mature between three and seven years.

a. Loans receivable

	December 31, 2018	December 31, 2017
Personal	\$ 2,531,519	\$ 4,081,339
Micro loans	-	1,505
Mortgages	82,740	150,296
Less: allowance for credit losses	(73,009)	(228,320)
Total loans receivable net of allowance for credit losses	\$ 2,541,250	\$ 4,004,820

b. Reconciliation of allowance for credit losses

Loans receivable that are written-off are first recovered through a draw-down of the forbearance contingency, limited to the total funds available in forbearance contingency (Note 9).

	December 31, 2018	December 31, 2017
Balance, beginning of year	\$ 228,320	\$ 263,950
Loans receivable written-off	(238,504)	(460,012)
Recoveries of loans receivable written-off	83,193	424,382
Balance, end of year	\$ 73,009	228,320
Individual loan allowance	\$ 37,705	79,131
Collective loan allowance	35,304	149,189
Total allowance for credit losses	\$ 73,009	\$ 228,320

The net Bad Debt Expenses of \$259,334 in fiscal 2018 are much higher than the \$8,942 reported in fiscal 2017 due to utilization of cumulative forbearance fees collected from clients and offset against related bad debts up to December 31, 2017:

	December 31, 2018	December 31, 2017
Loans receivable written-off	\$ 238,504	\$ 460,012
Forbearance applied	(83,193)	(424,382)
Changes in allowance for credit losses	104,023	(26,688)
	\$ 259,334	\$ 8,942

c. Loans receivable individually impaired

A loan receivable is considered individually impaired when a consumer debtor has not made a payment by the contractual due date and the consumer debtor has declared bankruptcy or applied for a consumer protection, or the Group has sent the loan receivable to an external collection agency for collections.

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6. LOANS RECEIVABLE (continued)

c. Loans receivable individually impaired (continued)

	December 31, 2018	December 31, 2017
Personal	\$ 37,705	\$ 94,322
Less: individual allowance	(37,705)	(79,131)
Loans receivable with individual allowances for impairment	\$ -	\$ 15,191

d. Loans receivable past due but not impaired

A loan receivable is considered past due when a payment had not been received by the contractual due date. The following table presents the carrying values of loans that are past due but not classified as impaired because: (i) the Group is in continuous contact with the consumer debtor and the Group and the consumer debtor have established an appropriate repayment plan, or (ii) the loan receivable is secured and the fair value of the collateral is sufficient to cover the carrying value of the loan receivable.

Loans receivable that are past due but not impaired at December 31, 2018 and December 31, 2017 are as follows:

December 31, 2018	30-60 days	61-90 days	Over 90 days	Total
Personal	\$ -	\$ -	\$ 228,731	\$ 228,731
Total past due but not impaired	\$ -	\$ -	\$ 228,731	\$ 228,731
December 31, 2017	30-60 days	61-90 days	Over 90 days	Total
Personal	\$ 47,933	\$ 50,311	\$ 61,712	\$ 159,956
Micro loans	-	196	-	196
Total past due but not impaired	\$ 47,933	\$ 50,507	\$ 61,712	\$ 160,152

e. Contractual maturities

	Under 1 year	1 – 5 years	Over 5 years	Total
Unsecured personal loans	\$ 62,733	\$ 2,330,801	\$ 137,985	\$ 2,531,519
Mortgages	835	81,905	-	82,740
Total loans receivable	\$ 63,568	\$ 2,412,706	\$ 137,985	2,614,259
Less: allowance for credit losses				(73,009)
Total loans receivable net of allowance for credit losses				\$ 2,541,250

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7. OFFICE FURNITURE AND EQUIPMENT

	Leasehold Improvements		Furniture		Computers		Total
Cost							
Balance, December 31, 2016	\$	5,404	\$	13,719	\$	11,604	\$ 30,727
Additions		-		2,093		1,731	3,824
Balance, December 31, 2017		5,404		15,812		13,335	34,551
Additions		-		-		-	-
Balance, December 31, 2018	\$	5,404	\$	15,812	\$	13,335	\$ 34,551
Accumulated depreciation							
Balance, December 31, 2016	\$	5,404	\$	5,747	\$	8,595	19,746
Depreciation		-		2,125		2,520	4,645
Balance, December 31, 2017		5,404		7,872		11,115	24,391
Depreciation		-		1,946		1,611	3,557
Balance, December 31, 2018	\$	5,404	\$	9,818	\$	12,726	\$ 27,948
Carrying amounts							
Balance, December 31, 2016	\$	-	\$	7,972	\$	3,009	10,981
Balance, December 31, 2017	\$	-	\$	7,940	\$	2,220	10,160
Balance, December 31, 2018	\$	-	\$	5,994	\$	609	\$ 6,603

8. INTANGIBLE ASSETS

		Internally generated software		Trademark		Total
Cost and carrying amount						
Balance, December 31, 2016	\$	194,404	\$	5,567	\$	199,971
Additions		108,225		12,000		120,225
Balance, December 31, 2017		302,629		17,567		320,196
Additions		85,555		-		85,555
Balance, December 31, 2018	\$	388,184	\$	17,567	\$	405,751

9. FORBEARANCE CONTINGENCY

	December 31, 2018	December 31, 2017
Balance, beginning of period	\$ -	\$ 250,077
Additions	124,816	158,983
Applied against credit losses	(124,816)	(409,060)
Balance, end of period	\$ -	\$ -

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10. PROMISSORY NOTES

	December 31, 2018	December 31, 2107
\$180,000 promissory note	\$ -	\$ 180,000
\$50,000 promissory note	50,000	-
\$150,000 promissory note	150,000	-
	\$ 200,000	\$ 180,000

The \$50,000 promissory note issued to a third party carries interest at 8% compounded monthly and will be payable in full upon the Group completing its initial public offering and being called for trading on the Canadian Stock Exchange (Note 21).

On December 24, 2018, the Group entered into a loan agreement with the agent for the initial public offering to borrow \$150,000, repayable at the earlier of December 24, 2019 and the completion of the initial public offering. An administrative fee of \$3,000 and accrued interest on the principal amount at the rate of 10% per annum are both due and payable at the time of repayment of the principal amount, in each case payable at the option of the lender in cash or common shares at a deemed price of \$0.20 per share. In recognition of the unsecured nature of the loan, the Group also agreed to issue a bonus of 150,000 common shares at a deemed price of \$0.20 per share, which were issued to the lender on January 14, 2019.

On March 20, 2019, the Group repaid the \$150,000 promissory note from the agent.

On April 23, 2019, the Group repaid the \$50,000 promissory note from a third party.

11. BONDS

	December 31, 2018	December 31, 2017
10% bonds – original offering (Note 11(a))	\$ 623,918	\$ 3,780,111
10% bonds – amended (Note 11(b))	3,541,763	-
10% bonds – new offering (Note 11(b))	250,000	-
9% bonds – new offering (Note 11(c))	898,280	490,320
8% bonds – new offering (Note 11(c))	137,151	1,061,798
Total bonds, net of associated transaction costs	5,451,112	5,332,228
Bonds payable within the next year	618,434	4,270,431
Bonds payable after the next year	\$ 4,832,678	\$ 1,061,798

a. 10% bonds – original offering

During previous years, the Group had issued offering memoranda (the “Original Offering”) for unsecured bonds of up to a maximum of 15,000 bonds at a price of \$1,000 per bond, for expected total gross proceeds of \$15,000,000. The minimum Original Offering of 150 bonds at a price of \$1,000 per bond, for total gross proceeds of \$150,000 had been reached. The Original Offering was closed on July 15, 2016 when the New Offering commenced (Note 11(c)).

At the time of purchase, subscribers elected one of the following options with respect to the 10% interest payable on the bonds:

- a bond which entitled the holder to 10% simple interest per annum, payable quarterly at the equivalent quarterly rate of 2.5% within fifteen (15) business days of March 15, June 15, September 15 and December 15 of each year during the term of the bond; or
- a bond which entitled the holder thereof to 10% compound interest calculated annually and payable on the date the bonds are redeemed by the Group in accordance with the terms of the Original Offering.

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11. BONDS (CONTINUED)

a. 10% bonds – original offering (continued)

The Group or the bondholder could have provided written notice on or before August 31, 2018 (the "First 10% Redemption Notice"), of their intention to redeem some or all of the bonds, which would then have been redeemed on November 30, 2018 (the "First 10% Maturity Date"). In the absence of written notice from the bondholder on or before August 31, 2018, the bonds shall mature on November 30, 2023 (the "Second 10% Maturity Date").

Subject to (i) an annual maximum redemption limit of 10% of the bonds outstanding as of the last day of the previous calendar year, and (ii) cash flow of the Group, any individual bondholder may request redemption of some or all of their bonds by providing 90 days prior written notice (the "Early Redemption Notice"). Bondholders who redeem some or all of their bonds prior to the First and/or Second 10% Maturity Dates are subject to the following redemption fees:

- Early Redemption Notice received prior to November 30, 2014 - a redemption fee equal to 5% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2014 and November 30, 2015 - a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2015 and November 30, 2016 - a redemption fee equal to 3% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2016 and November 30, 2017 - a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2017 and November 30, 2018 - a redemption fee equal to 1% of the principal amount of the bonds being redeemed by the Group, except where a Bondholder's request is in accordance with the Redemption Notice specified above.
- Early Redemption Notice received between December 1, 2018 and November 30, 2019 - a redemption fee equal to 5% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2019 and November 30, 2020 - a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2020 and November 30, 2021 - a redemption fee equal to 3% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2021 and November 30, 2022 - a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2022 and November 29, 2023 - a redemption fee equal to 1% of the principal amount of the bonds being redeemed by the Group.

Redemption fees are deducted by the Group from the redemption amount to be paid to the bondholder.

Between January 1, 2018 and December 31, 2018, the Group redeemed \$100,000 of the bonds issued under the Original Offering.

b. 10% and 8% bonds – amendment

On November 15, 2018, the Group amended the terms of 10% bonds (Note 11(a)) with a total principal value of \$3.08 million and 8% bonds (Note 11(c)) with a total principal value of \$415,000. The maturity date of the bonds has been extended from November 30, 2018 to November 30, 2023, and principal repayments will be made in 16 equal instalments, payable on the 15th day of March, June, September and December of each year beginning on March 15, 2020. Interest on the outstanding principal shall accrue at 10% simple interest per annum and become due on a quarterly basis, beginning in December 15, 2018. On November 15, 2018, the Group further amended the repayment of interest to commence on March 15, 2019.

The amendments of the bond terms will not be effective if the Group does not complete an initial public offering, another transaction which results in it becoming a reporting issuer or the Group's shareholders otherwise receive shares or other equity interests of a reporting issuer by March 31, 2019.

The Group further issued \$250,000 in bonds with the same terms as the amended bonds on June 26, 2018.

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11. BONDS (continued)

c. 8% and 9% bonds – new offering

On July 15, 2016, the Group issued a new offering memorandum (the "New Offering") for the issue of a maximum of 50,000 unsecured bonds, at a price of \$1,000 per bond, for expected total gross proceeds of \$50,000,000 and comprising of 1 year 8% bonds and 3 year 9% bonds. The 8% bonds will be redeemed on the first anniversary of the date of issue to the bondholder (the "First 8% Maturity Date") and the 9% bonds will be redeemed on the third anniversary of the date of issue to the bondholder (the "First 9% Maturity Date").

At the time of purchase, the subscribers elected one of the following two options with respect to the 8% or 9% interest payable on the bonds:

- the bond will entitle the holder to 8% or 9% simple interest per annum, payable monthly at the equivalent monthly rate of 0.67% or 0.75%, respectively, within fifteen (15) business days of the end of each month, during the term of the bond; or
- the bond will entitle the holder thereof to 8% or 9% compound interest calculated annually and payable on the date the bond is redeemed by the Group in accordance with the terms of the New Offering.

The bondholder may provide written notice at least 90 days prior to the First 8% Maturity Date or the First 9% Maturity Date (the "First 8% or 9% Redemption Notice"), of their intention to redeem some or all of the bonds, which will then be redeemed on the First 8% Maturity Date or the First 9% Maturity date. In the absence of written notice from the bondholder at least 90 days prior to the First 8% Maturity Date or the First 9% Maturity Date, the bonds shall mature on the following dates:

- in the case of the 8% bonds, on the next occurring anniversary of the First 8% Maturity Date if at least 90 days prior to such anniversary a redemption notice has been delivered (the "Subsequent 8% Maturity Date"); and
- in the case of the 9% bonds, on the third anniversary of the First 9% Maturity Date (the "Second 9% Maturity Date").

On each Subsequent 8% Maturity Date and the Second 9% Maturity Date, the Group shall redeem all 8% bonds that have not been reinvested (that is, where the maturity date has not been extended) and all 9% bonds, respectively, outstanding on that date by payment of the principal amount of the bonds and all accrued and unpaid interest thereon. Subject to (i) an annual maximum redemption limit of 10% of the bonds outstanding as of the last day of the previous calendar year, and (ii) cash flow of the Group and of TPFM, any individual bondholder may request redemption of some or all of their bonds by providing 90 days prior written notice (the "Early Redemption Notice").

8% bondholders who redeem some or all of their bonds prior to the First and/or Subsequent 8% Maturity Date are subject to a redemption fee equal to 2.5% of the principal amount of the bonds being redeemed by the Group.

9% bondholders who redeem some or all of their bonds prior to the First and/or Second 9% Maturity Date are subject to the following redemption fees:

- Early Redemption Notice received prior to the first anniversary date the bond was issued – a redemption fee equal to 6% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the first anniversary, but prior to the second anniversary, of the date the bond was issued – a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the second anniversary, but prior to the third anniversary, of the date the bond was issued – a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group. Except where a bondholder's request is in accordance with the First 8% or 9% Redemption Notice specific above (for redemption of the First 9% Maturity Date).
- Early Redemption Notice received on or after the third anniversary, but prior to the fourth anniversary, of the date the bond was issued – a redemption fee equal to 6% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the fourth anniversary, but prior to the fifth anniversary, of the date the bond was issued – a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the fifth anniversary, but prior to the sixth anniversary, of the date the bond was issued – a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group.

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11. BONDS (continued)

c. 8% and 9% bonds – new offering (continued)

Redemption fees are deducted by the Group from the redemption amount to be paid to the bondholder.

Between January 1, 2018 and December 31, 2018, the Group redeemed \$146,000 of the bonds issued under the New Offering.

12. SHARE CAPITAL

a. Authorized share capital

- An unlimited number of common shares without par value.
- An unlimited number of preferred shares without par value. As at December 31, 2018, no preferred shares have been issued.

On January 14, 2019 the Group completed a private placement of 80,000 units at a price of \$0.15 per unit. Each unit consists of one common share and ½ of a common share purchase warrant. Each full warrant and \$0.30 can purchase one common share for a period of one year from issuance.

b. Share purchase options

During the year ended December 31, 2017, the Group granted an option for the purchase of 200,000 common shares to a consultant for services provided. The option vested immediately and is exercisable until the earlier of 10 years from the grant date or when the Group completes an initial public offering or enters into any transaction as a result of which the shares of the Group becomes listed on a recognized stock exchange.

The fair value of the options was estimated at \$0.024 per share at the grant date using the Black-Scholes option pricing model. The assumptions used for the Black-Scholes option pricing model were:

	Year ended December 31, 2017
Share price	\$ 0.05
Exercise price	\$ 0.05
Expected share price volatility ⁽¹⁾	80%
Risk-free interest rate	0.78%
Expected term (years) ⁽²⁾	2.50

(1) Expected share price volatility was determined on the basis of comparable public company price histories

(2) Expected term incorporates the impact of early exercise

There were no share purchase options granted or exercised during the year ended December 31, 2018. At December 31, 2018 and 2017, there were 200,000 share purchase options outstanding.

On April 5, 2019, 200,000 common share purchase options were exercised at \$0.05 per share for gross proceeds of \$10,000.

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12. SHARE CAPITAL (CONTINUED)

c. Share purchase warrants

The Group issued 2,589,818 units to various investors between February 1, 2018 and March 15, 2018. Each unit consisted of one common share and one half share purchase warrant. One share purchase warrant entitles the holder to purchase one common share of the Group at \$0.30 per share for a 12 month period.

The weighted average fair value of the warrants was estimated at \$0.018 per share at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used for the Black-Scholes option pricing model were:

	Year ended December 31, 2018
Share price	\$ 0.015
Exercise price	\$ 0.300
Expected share price volatility ⁽¹⁾	80%
Risk-free interest rate	1.60%
Expected term (years) ⁽²⁾	1.00

(1) Expected share price volatility was determined on the basis of comparable public company price histories

(2) Expected term incorporates the impact of early exercise

At December 31, 2018, there were 1,294,911 share purchase warrants outstanding.

13. RELATED PARTY TRANSACTIONS

Related parties of the Group include subsidiaries, key management personnel, companies controlled by key management personnel and close family members of key management personnel. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. Key management personnel are composed of the Board of Directors and Executive Leadership Team.

a. Compensation

Salaries and other short-term employee benefits paid to the Group's key management personnel were \$80,795 for the year ended December 31, 2018 (December 31, 2017 - \$94,806).

b. Consulting fees

Consulting fees paid to the Group's key management personnel and companies controlled by key management personnel were \$305,694 for the year ended December 31, 2018 (December 30, 2017 - \$288,984). As at December 31, 2018, accounts payable and accrued liabilities included \$273,738 (December 31, 2017 - \$189,670) owing to key management personnel and companies controlled by key management personnel.

c. Issue of common shares

During the year ended December 31, 2018, key management personnel and companies controlled by key management personnel subscribed for 1,486 common shares of the Group for \$223 (December 31, 2017 – 285,000 shares for \$114,000).

During the year ended December 31, 2018, 2,525,000 common shares were issued by the Group for the settlement of \$126,250 owing to companies controlled by key management personnel (December 30, 2017 - nil).

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14. COMMITMENTS

a. Operating lease commitments

The Group is obligated under a non-cancellable operating lease for rental of premises. The minimum future lease payments under the operating lease is as follows:

Years ended December 31		
2019	\$	84,000

b. Target Capital Inc.

On October 5, 2012, the Group signed an agreement with Target (Note 1(a)). This agreement was amended effective October 5, 2014. Under the terms of the amended agreement the Group agreed to pay Target an annual fee equal to \$2,500 plus ½ of 1% of the amount of capital in excess of \$500,000 raised from the Original Offering (Note 11(a)) and the New Offering (Note 11(c)) through deferred plans and a capital raising fee of ½ of 1% of the amount of capital in excess of \$500,000 raised by the Group from the Original Offering (Note 11(a)) and the New Offering (Note 11(c)) through deferred plans. Deferred plans include any one of, or collectively, a Registered Retirement Savings Plan, Registered Retirement Income Fund, Registered Education Savings Plan and Tax-Free Savings Account, all as defined under the Income Tax Act. The agreement is expected to continue until either the bonds issued as a result of the Original Offering (Note 11(a)) and the New Offering (Note 11(c)) either mature or are redeemed by the Group or Target ceases to be the majority shareholder of TPF.

c. Loan program agreement

On November 1, 2012, and amended February 4, 2013, the Group entered into an exclusive loan program agreement with 4 Pillars (the "Program") whereby the Group will provide loans to clients of 4 Pillars (the "Borrowers") from the proceeds of the Original Offering (Note 11(a)) and the New Offering (Note 11(c)). The Group will provide all funds required to operate the Program and will have full discretion as to whom to lend funds to, including the discretion on fees, expenses, interest and term of the loans to Borrowers. The Program will expire on November 30, 2018, with an automatic renewal until November 30, 2023, unless the Group and 4 Pillars mutually agree to terminate the Program. Either party may terminate the Program with 15 days' notice if either party is in material breach of the terms of the Program. On August 23, 2013, the Corporation assigned the right, title, interest and estate in and to the Program to TPFM.

On July 30, 2018, TPFM The Phoenix Fund Management Ltd. entered into a non-exclusive five year Referral Agreement with 4 Pillars Consulting Group Inc. The Agreement supersedes and replaces the Loan Program Agreement between TPF The Phoenix Fund Inc. and 4 Pillars.

d. Commissions

On August 26, 2016, the Group entered into an agreement with Raintree Financial Solutions ("Raintree") whereby Raintree will act as a non-exclusive exempt market dealer of the Group to offer the bonds for sale on a private placement basis. In consideration, the Group will pay Raintree:

- a selling commission of 2.5% and a corporate finance advisory fee of 0.5% of the aggregate gross proceeds of accepted subscriptions received from Raintree for one year bonds entered into with investors and 2% of the principal amount of any such bonds that are renewed or extended for a subsequent one year period;
- a selling commission of 6% and a corporate finance advisory fee of 1% of the aggregate gross proceeds of accepted subscriptions received from Raintree for three year bonds entered into with investors and 6% of the principal amount of any such bonds that are renewed or extended for a subsequent three year period; and a corporate advisory fee of 0.25% on the aggregate gross proceeds of accepted subscriptions received for either one year or three year bonds that have been facilitated by any other dealer, in respect of which no commissions or fees are payable to Raintree per (i) and (ii) above, other than certain other parties.

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15. INCOME TAXES

a. Deferred tax assets and liabilities

	2018	2017
Deferred tax assets		
Allowance for credit losses	\$ 18,982	\$ 59,363
Office furniture and equipment	8,446	7,521
Deferred financing expenses	41,704	34,710
Other	25,960	9,277
Tax loss carry forwards	876,245	562,159
	971,337	673,030
Deferred tax liabilities		
Intangible assets	(100,817)	(78,573)
Net deferred tax assets	870,520	594,457
Valuation allowance	(870,520)	(594,457)
Total	\$ -	\$ -

b. Reconciliation to statutory tax rate

	2018	2017
Net loss before income taxes	\$ (1,215,257)	\$ (545,920)
Combined federal and provincial statutory income tax rates	26%	26%
Recovery of income taxes based on combined statutory income tax rates	315,967	141,939
Adjustments		
Non-deductible items	(17,646)	(33,876)
Net effect of deductible (taxable) items	15,766	16,450
Effect of current period losses not recognized	(314,087)	(124,513)
	\$ -	\$ -

c. Unused tax losses

At December 31, 2018, the Group had unused non-capital tax losses of \$3,369,000 (2017 - \$2,161,000) and unused capital losses of \$80,000 (2017 - \$80,000) that are available to be offset against potential tax adjustments or future taxable income and were not recognized as deferred tax assets. The unused non-capital tax losses will expire between 2034 and 2038 and the unused capital tax losses do not expire.

16. LOSS PER SHARE

The potentially dilutive shares from outstanding options and warrants have been excluded from the calculation of diluted loss per share as their effect on exercise would be anti-dilutive.

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17. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to pursue the lending of loans to consumer debtors and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Group considers its capital for this purpose to be its shareholders' deficiency.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Group does not pay out dividends.

18. RISK MANAGEMENT FRAMEWORK

The Group's risk management policies are established by the Board of Directors to set appropriate risk tolerance limits. Management's responsibility is to identify and analyze the risks faced by the Group and to monitor risks and adherence to limits and implement controls. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and changes in the performance of the loans receivable.

The Group issues various fixed rate bonds to bondholders and seeks to earn an interest rate margin by investing these funds in loans receivable from consumer debtors. The Group's principal business activity results in a combined statement of financial position that consists primarily of financial instruments. The primary types of financial risk which arise from the Group's activities are credit risk, liquidity risk and market risk.

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to this risk through its cash held at a financial institution, interest receivable, loans receivable and other receivables. For these financial assets recognized on the combined statement of financial position, the maximum exposure to credit risk is their carrying amount.

The Group's cash is held at a reputable Canadian financial institution. The Group has not experienced any loss on these accounts, although the balances in the accounts may exceed the insurable limits. The Group considers credit risk from cash to be minimal.

The Group's interest receivable, loans receivable and other receivables are receivable from its consumer debtors. The Group's primary business activity is to provide loans to high risk individual borrowers under consumer proposals. The Group attempts to mitigate the credit risk from its consumer debtors by performing a due diligence process on the consumer debtors prior to funding the loans receivable. Consumer debtors are referred to the Group by 4 Pillars (Note 14(c)), a credit counseling company, which screens potential consumer debtors for their ability and willingness to repay their obligations and avoid bankruptcy. In addition, the Group will perform additional due diligence work which includes, but is not limited to, verifying income, monthly expenditures, assets and liabilities of the consumer debtors. In addition, after the initial loan receivable is provided to the consumer debtor the Group will continuously monitor the loan receivable. Certain of the Group's loans receivable are secured by vehicles and general security agreements over all of the current and after-acquired assets of the consumer debtor.

Concentration of credit risk exists as the majority of the consumer debtors have comparable geographical and economic characteristics. Consumer debtors are primarily considered high risk individual borrowers and reside in Canada.

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18. RISK MANAGEMENT FRAMEWORK (continued)

b. Liquidity risk

Liquidity risk describes the risk that the Group will not be able to meet its current and future cash flow needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition. The Group manages liquidity risk through the management of its capital structure as outlined in Note 17.

Cash flows payable under financial liabilities by remaining contractual maturities at December 31, 2018 are:

	Less than 3 months	Between 3 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	\$ 391,984	\$ -	\$ -	\$ -	\$ -	\$ 391,984
Interest payable	22,689	-	-	-	-	22,689
Other payable	3,418	-	-	-	-	3,418
Promissory note	200,000	-	-	-	-	200,000
Bonds		618,434	1,375,967	3,456,711	-	5,451,112
December 31, 2018	\$ 618,091	\$ 618,434	\$ 1,375,967	\$ 3,456,711	\$ -	\$ 6,069,203

c. Market risk

In the normal course of its operations, the Group engages in transactions that give rise to market risk. Market risk is the risk of uncertainty arising from possible market price movements and their impact on the future performance of the Group. Market price movements could adversely affect the value of the Group's financial assets and expected future cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return for a given level of risk.

The Group's financial instruments are all fixed-rate financial assets or financial liabilities. Therefore, the Group considers its exposure to interest rate risk to be minimal.

19. RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Liabilities arising from financing activities include bonds issued, interest included in bond payable, bond transaction costs capitalized, promissory notes and advances from shareholder. A reconciliation of the changes in these liabilities are:

For periods ended	December 31, 2018	December 31 2017
Balance, beginning of the period	\$ 5,533,098	\$ 5,537,613
Changes from financing cash flows		
Promissory notes (net)	20,000	-
Proceeds from bonds issuance	277,000	776,000
Redemption of bonds	(246,000)	(867,938)
Transaction costs related to bonds	-	(66,817)
Other changes		
Compound interest accrued to bond payable	26,967	36,475
Amortization of bond transaction costs	62,736	117,765
Balance, end of the period	\$ 5,673,801	\$ 5,533,098

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20. CASH FLOW INFORMATION

During the year ended December 31, 2018, the Group issued 4,849,685 common shares in settlement of \$242,484 of accounts payable (2017 - \$4,780).

The fair value of the warrants issued during the year ended December 31, 2018, of \$23,000, was transferred from share capital to the other reserve.

21. EVENTS AFTER THE REPORTING PERIOD

The Group filed a prospectus with the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario for, subject to regulatory approval, the sale of a minimum of 15,000,000 Units (for gross proceeds of \$3,000,000) and of up to a maximum of 30,000,000 (for gross proceeds of \$6,000,000) at a price of \$0.20 per Unit, each Unit consisting of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of \$0.35 per share for a period of 12 months following the date of the closing of the offering. The Group has also granted the agent for the offering an option, exercisable in whole or in part at any time prior to the closing date, to sell up to an additional 4,500,000 Units on the same terms.

On March 20, 2019, The Group completed the initial public offering by selling 17.5 million units for 20 cents per unit raising \$3.5 million gross proceeds. Each unit consists of one common share and ½ common share purchase warrant. Each full warrant and \$0.35 can purchase one common share for a period of one year from issuance.

Following the completion of the initial public offering, MLI subscribed for 2,000,000 Class E Preferred shares of TPFM at \$1 per share.

On April 2, 2019, the Group entered into a Market Stabilization and Liquidity Provision Services Agreement with the Independent Trading Group Inc. The agreement provides for services to assist in establishing a fair and orderly market for the Groups' securities for a fee of \$4,000 per month. Trading Group Inc. will trade shares of the Group on the Canadian Stock Exchange for the purposes of maintaining a reasonable market and improving the liquidity of the Group's common shares. The Agreement terminates on June 30, 2019 and is automatically renewed for a subsequent three months. The Agreement can be terminated by either party providing written notice to the other 30 days in advance.

On April 8, 2019, the Group announced, subject to regulatory approval, the issuance of 3.5 million share purchase options to directors, employees and consultants under the Group's share purchase option plan. The strike price for the share purchase options will be set at the initial public offering price of \$0.20 and the options will vest over three years and have a term of five years