MLI MARBLE LENDING INC.

Management Discussion and Analysis ("MD&A") of the Financial Position and Results of Operations for the year ended March 31, 2019 as of May 28, 2019

The following discussion is a review of the consolidated activities, results of operations and financial condition of MLI Marble Lending Inc. and its subsidiary companies (the "Group" or "Marble") for the three months ended March 31, 2019. The discussion below should be read in conjunction with the Group's condensed consolidated interim financial statements for the three months ended March 31, 2019 and 2018 and notes thereto. Those financial statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and the MD&A have been reviewed by the Audit Committee and approved by the Group's Board of Directors on May 28, 2019. The Canadian dollar is the functional and reporting currency of Marble. All dollar amounts within this report are expressed in Canadian dollars unless otherwise indicated.

Additional information related to the Group is available on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements for the purpose of applicable Canadian securities legislation. These statements reflect the Group's current expectations and estimates. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. The forward-looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding the Group's strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Circumstances affecting the Group may change rapidly. Except as may be required by applicable law, the Group does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. Unless otherwise indicated, these statements speak only as of the date of this MD&A.

Actual results could differ materially from those anticipated in forward-looking statements stated within the MD&A.

GROUP OVERVIEW

Marble, a consumer credit rebuilding and financial wellness company, was formed to leverage financial technology ("fintech") and socially responsible credit rebuilding practices to Canadians, specifically at this time, those whom have restructured their debt through a Consumer Proposal. These are individuals whose poor credit makes it difficult to access traditional sources of financing such as banks, credit unions and trust companies. The Group has developed a one-stop consumer credit rebuilding business with its flagship product being an unsecured loan of up to $15,000 to discharge Consumer Proposals to qualified Canadians. Marble has also developed a proprietary and scalable, financial services dashboard (the "Marble Platform"). The Marble Platform offers:

a. Free credit score - Marble customers have access to their credit score on a monthly basis. This helps customers monitor their credit rebuilding activities on route to achieving their credit worthiness goal.
b. Push email notification – Enables all customers to set as many friendly reminders as they need to make sure that they never miss a future payment, which in turn will affect their credit.
c. Real-Time Budget App. – By connecting their bank accounts and credit cards to our App inside our Dashboard, customers can monitor and receive updates in real time on their spending relative to their established budgets.
d. Online Loan Application – A simple and easy process for Canadians who wish to apply for an unsecured Consumer Proposal discharge loan.
e. Agent Referral Program – Third Party Debt Restructuring Providers can refer their customers to Marble for a Consumer Proposal discharge loan as well as access to the other credit rebuilding tools inside the Dashboard.

The Group differentiates itself from other online/mobile compliant credit rebuilding and financial wellness companies operating in Canada by focusing on customers who have settled their debt with creditors, by filing a consumer proposal and are seeking a proactive strategy to rebuild their credit.

Marble was incorporated under the Business Corporations Act (British Columbia) on July 7, 2015 as Phoenix N2N Capital Inc. Marble changed its name to MLI Marble Lending Inc. on December 16, 2015 and the Group continued under the Canada Business Corporation on September 15, 2016. The Group's head office is located at 1202-1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3.

On July 1, 2016, Marble acquired 100% of the outstanding shares of The Phoenix Fund Management Ltd. ("TPFM"), 100% of the outstanding non-voting common shares of 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 are controlled by the same shareholders since incorporation, are referred to in this MD&A and the condensed consolidated interim financial statements as the "Group".

HIGHLIGHTS AND SIGNIFICANT EVENTS

- **May 22, 2019 – The Group** announced that BTV's **CEO Clips**, a series of short video profiles on innovative publicly traded companies across North America, will feature Marble Financial on

the BNN Bloomberg Channel beginning May 25 & 26, Saturday & Sunday, throughout the day and evenings. View link: https://www.b-tv.com/marble-financial-credit-rebuilding-ceo-clip-90sec/

- **April 30, 2019 – the Group** announced that it continues to implement on its 'Fresh Start" program by partnering with Smarter Loans to offer clients access to Marble's proprietary credit wellness platform and Marble's flagship unsecured consumer proposal discharge loan product.
- **April 25, 2019 – the Group** announced that it has commenced implementing its 'Fresh Start" program by partnering with Loans Canada, the largest loan search platform in Canada. The partnership will allow Loans Canada to offer clients access to Marble's proprietary credit rebuilding dashboard and Marble's flagship unsecured consumer proposal discharge loan product.
- **April 23, 2019, the Group** repaid the $50,000 promissory note from a third party.
- **April 5, 2019**, - Common share options for 200,000 shares at a price of $0.05 per share were exercised for gross proceeds of $10,000.
- **April 2, 2019 – the Group** announced the formation of its Advisory board and the addition of Mr. Blake Elyea and Mr. Rahul Petkar to its newly formed Advisory Board.
- **On April 2, 2019 - the Group** entered into a Market Stabilization and Liquidity Provision Services Agreement with the Independent Trading Group Inc. ("ITG"). The agreement provides for services to assist in establishing a fair and orderly market for the Group's securities for a fee of $4,000 per month. ITG 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 party 30 days in advance.
- **March 20, 2019 - the Group** completed an initial public offering selling 17.5 million Units for $0.20 per Unit for gross proceeds of $3.5 million.
- Following the completion of the initial public offering, MLI subscribed for 2,000,000 Class E Preferred shares of TPFM at $1 per share, the agreement with Target Capital was terminated and the Group acquired the remaining 60% of the TPF preferred shares from Target for $600.
- **March 20, 2019 - the Group** granted 3.5 million common share purchase options to directors, employees and consultants under the Group's share purchase option plan. The strike price for the common share purchase options is set at the initial public offering price of $0.20. The common share purchase options will vest over three years and have a term of five years.
- **March 20, 2019 - the Group** repaid the $150,000 promissory note from the listing agent.
- **February 25, 2019 – the Group** entered into a marketing and awareness agreement with Hybrid Financial. The agreement provides for branding distribution and marketing campaigns, which include telephone marketing and email distribution about the Company. The term of the agreement is six (6) months for a total fee of $145,000. The Group may terminate this Agreement during the Initial Period only if Hybrid has committed certain events of bankruptcy or insolvency, has lost any registration, license or other authorization required to perform its services thereunder or is in material breach or default of provisions hereof. Upon expiration of the initial term set out in the preceding paragraph, this Agreement shall be automatically renewed on a monthly basis. Following the Initial Period, the Company shall give written

notice to terminate the Agreement or hold the services in abeyance of no less than fifteen (15) days prior to the end of a calendar month.

- **February 15, 2019 – the Group** filed a prospectus with the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario for 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 Units (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.
- **January 14, 2019 - the Group** completed a private placement of 80,000 Units at a price of $0.15 per Unit, each Unit consisted of one common share and one-half of a common share purchase warrant. The full warrant expires in one year and entitles the subscriber to the purchase of 40,000 common shares at a price of $0.30 per share.
- **November 15, 2018 - the Group** executed amending agreements with 10% bondholders with a total principal value of $3.08 million. The amending agreement waved the bondholders one-time non-penalty redemption option at November 30, 2018 if notice is provided to the Group prior to August 30, 2018. The maturity date of the amended 10% bonds is November 30, 2023. The amending agreement provides for interest only payments paid quarterly until March 15, 2020. Starting on March 15, 2020 quarterly payments will include principal (6.25% of original principal) and interest (simple rate of 10% per annum). Under this arrangement, the bondholders will be fully repaid by November 30, 2023. This amending agreement was subject to and effective upon the Group completing an initial public offering or another transaction which resulted in the Group becoming a reporting issuer, following which the Group invested a minimum of $2,000,000 of new capital. The Group successfully completed this condition before the deadline of March 31, 2019.
- **July 27, 2018 - the Group** gave written notice to Target Capital Inc. terminating the agreement between Target and TPF The Phoenix Fund Inc. The termination became effective on March 21, 2019 upon the Group being called for trading on the Canadian Stock Exchange.
- There were no changes during the quarter with respect to the 10% bonds. As at March 31, 2019 there were $4,415,796 in outstanding 10% bonds, including accrued interest.
- There were no changes during the year with respect to the 9% bonds. As at March 31, 2019 there were $918,574 in outstanding 9% bonds including accrued interest.
- There were no changes during the quarter with respect to the 8% bonds. As at March 31, 2019, there were $138,081 in outstanding 8% bonds including accrued interest.
- The Group received $147,212 from 35 consumer loan customers paying off their loans with the Group during the quarter ended March 31, 2019.
- The Group initiated 4 new loans during the quarter ended March 31, 2019 for a total of $30,500. Loan initiation was down significantly as management focused on the preparation and filing of its Prospectus which was receipted on February 15, 2019.

KEY PERFORMANCE INDICATORS

The key performance indicators that we use to manage our business and evaluate our financial results and operating performance consist of: Interest income, fee-based revenue, gross profit, funding interest expenses, operating expenses, and net income (loss).

The tables below provide the summary of key performance indicators for the reported periods:

	($000s Canadian)				
		Quarter ended March 31, 2019	Quarter ended March 31, 2018	Year ended December 31, 2018	
IFRS Measures					
	Revenue interest	$ 127	$ 217	$ 783	
	Fee based revenue	9	6	24	
	Gross profit	1	75	214	
	Funding interest expense	135	148	592	
	Operating expenses	553	241	1,170	
	Net Income (Loss)	$ (552)	$ (420)	$ (1,215)	

Revenue

- The Group generated interest revenue of $127,278 for the quarter ended March 31, 2019. This is down 41% from the quarter ended March 31, 2018 ($217,081) due to the reduction in initiating new consumer loans (4 new loans for the quarter ended March 31, 2019) and the payouts of 35 loans during the quarter ended March 31, 2019. The major focus of the quarter was the preparation of a Prospectus in order to raise funds through an initial public offering.
- The Group generated fee-based revenue (loan administration fees) of $8,864 for the quarter ended March 31, 2019. The increase in fee-based revenue of $2,743, from the quarter ended March 31, 2018.

Gross Profit

- The Group generated a gross profit of $782 for the year quarter ended March 31, 2019. The gross profit dropped $74,386 from the $75,168 achieved in the quarter ended March 31, 2018. Interest revenue is currently being generated on $2.2 million in consumer loans. For the comparable quarter last year, the consumer loan portfolio was generating interest revenue on $4.0 million. The result was an $89,803 reduction in interest revenue.

Funding interest expense

- The Group incurred interest expense of $135,360 for the quarter ended March 31, 2019. Interest expense was down due to a decreased bond debt. The $150,000 promissory note

was paid off on March 20, 2019 and the $50,000 promissory note was paid off on April 23, 2019.

Operating Loss

The Group incurred an operating loss of $552,388 for the quarter ended March 31, 2019. Operating expenses have increased in all areas as the Group finalized its initial public offering and began increasing staffing levels and marketing initiatives including a Chief Operating Officer and Marketing Manager. In addition, the Group implemented a share purchase option plan for directors, employees, and consultants incurring an $88,271 share-based compensation expense for the quarter.

Key Balance Sheet Components

The following table provides the key balance sheet components:

($000s Canadian)			
	March 31, 2019	December 31, 2018	
Cash	$ 4,456	$ 1,457	
Net loans receivable	2,184	2,541	
Total assets	$ 7,339	$ 4,543	
Accounts payable	791	392	
Bonds	5,472	5,451	
Total liabilities	$ 6,336	$ 6,069	

Net Loans Receivable

- Net loans receivable is a measure the Group uses to assess its asset growth and capital efficiency. The Group considers the growth in loans receivable to be a significant element of the Group's performance as it increases the revenue generating assets and represents a growing customer base to which the Group can market additional products to. One of the Group's strategies is to grow the long-term loan portfolio as it not only drives interest revenue in the current period, but more importantly builds a longer-term revenue stream as these loans remain outstanding for a longer period of time. Growth in loans receivable is driven by several factors including an increase in the number of customers and an increase in the average loan amount.
- Net loans receivable was $2,183,949 as at March 31, 2019, a decrease of $357,301 compared to $2,541,250 as at December 31, 2018. This decrease was a result of fewer new loans being processed and more existing loans having been paid out. In addition, loans receivable write-offs of $238,504 were incurred for the year ended December 31, 2018. The total allowance

for credit losses of $98,849 was considered adequate at March 31, 2019 resulting in no bad debt expense for the quarter.

- The Group funded 4 ($31,385) new consumer loans for the quarter ended March 31, 2019 and received 35 ($147,212) loans receivable payouts for a net reduction of 31 consumer loans for the quarter ending March 31 2019.

Bonds

- During the previous years, the Group had issued 10%, 9% and 8% bonds:

($000s Canadian)		
	March 31, 2019	December 31, 2018
10% bonds	$ 4,415	$ 4,416
9% bonds	919	898
8% bonds	138	137
Total	$ 5,472	$ 5,451

- On November 15, 2018 the Group executed amending agreements with 10% bondholders with a total principal value of $3.08 million. The amending agreement waived the bondholders' one-time non-penalty redemption option at November 30, 2018 if notice is provided to the Group prior to August 30, 2018. The maturity date of the 10% bonds is November 30, 2023. The amending agreement provides for interest only payments paid quarterly until March 15, 2020. Starting on March 15, 2020 quarterly payments will include principal (6.25% of original principal) and interest (simple rate of 10% per annum). Under this arrangement the bondholders will be fully paid out by November 30, 2023. This amending agreement was subject to and effective upon the Group completing an initial public offering or another transaction which results in the Group becoming a reporting issuer, following which the Group invests a minimum of $2,000,000 of new capital. The Group successfully completed this condition before the deadline of March 31, 2019.
- There were no changes during the quarter with respect to the 10% bonds. As at March 31, 2019 there were $4,415,796 in outstanding 10% bonds including accrued interest.
- There were no changes during the quarter with respect to the 9% bonds. As at March 31, 2019 there were $918,574 in outstanding 9% bonds including accrued interest.
- There were no changes during the quarter with respect to the 8% bonds. As at March 31, 2019, there were $138,081 in outstanding 8% bonds including accrued interest.
- The 8% bonds have a one-year term and the 9% bonds have a three-year term. The bondholder may provide written notice at least 90 days prior to the First Maturity Date of their intention to redeem in whole or in part their bonds. In the absence of written notice from the bondholder, the bonds shall mature on the following dates:
  - In the case of 8% bonds, on the next occurring anniversary from the First 8% Maturity Date if at least 90 days prior to such anniversary a redemption notice has been delivered; and

- In the case of the 9% bonds, on the third anniversary from the First 9% Maturity Date.

Going Concern

The accompanying unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Group will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The Group has incurred a net loss of $552,388 for the quarter ended March 31, 2019. As at March 31, 2019 the Group had an accumulated deficit of $5,087,976. These conditions raise doubt about the ability of the Group to continue as a going concern without additional equity or debt financing.

The accompanying unaudited condensed consolidated interim financial statements do not give effect to any adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate.

Long-term continuance of the Group's operations is dependent upon achieving profitable operations and, until that occurs, it will rely on additional equity or debt financing. The outcome of these initiatives cannot by predicted at this time.

Off Balance Sheet Arrangements

At March 31, 2019, the Group had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Group.

Related Party Transactions

The remuneration of the key management personnel, comprised of the directors and officers, was for the three months ended March 31, 2019:

a) Accrued management and consulting fees of $31,500 to the CEO and director of the Group.
b) Management and consulting fees of $10,500 paid to the CFO of the Group.
c) Salaries and wages of $22,503 paid to the Chief Technology Officer of the Group.
d) Paid and/or accrued legal fees of $150,000 to the Group's legal counsel. The Group's legal counsel also acts as Corporate Secretary of the Group.
e) As at March 31, 2019, accounts payable and accrued liabilities included $15,750 owing to key management personnel and companies controlled by key management personnel.
f) On March 20, 2019, the Company granted 3.5 million common share purchase options to directors, employees and consultant under the Group's share purchase option plan. The strike price for the common share purchase options is set at the initial public offering price of $0.20. The common share purchase option will vest over three years and have a term of five years. As at March 31, 2019, 875,000 share purchase options have vested and are outstanding from this share purchase option plan. Included in comprehensive loss for the

period ended March 31, 2019 is $29,634 related to the fair value of options vested for key management personnel.

Outstanding Security Data

The following table sets out, as at the date of this MD&A, (i) each class and series of voting or equity securities of Marble for which there are securities outstanding; (ii) each class and series of securities of Marble for which there are securities outstanding if the securities are convertible into, or exercisable for, voting or equity securities of Marble.

Class of Voting or Equity Security Outstanding	Number Outstanding	Underlying Voting or Equity Securities
Common Shares	**53,678,888**	**53,678,888 c/s**
Share Purchase Warrants	**8,790,000**	

Liquidity and Capital Resources

As at March 31, 2019, the Group had working capital of $3,429,736 (December 31, 2018 – $856,082). The Group has relied upon debt and equity financings to finance its operations and meet its capital requirements. On January 14, 2019, the Group completed a private placement of 80,000 Units (for gross proceeds of $12,000) at a price of $0.15 per unit, each unit consisted of one common share and one-half of a common share purchase warrant. The full warrant expires on January 13, 2020 and entitles the subscriber to the purchase of 40,000 common shares at a price of $0.30 per share. On March 20, 2019, the Group completed an initial public offering selling 17,500,000 Units (for gross proceeds of $3,500,000) 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 until March 19, 2020. In addition, during this quarter, the Group paid back the $150,000 loan that was incurred in December 2018. On April 23, 2019 the Group also repaid the $50,000 promissory note it had received from a third party. On April 8, 2019, common share options for 200,000 shares at a price of $0.05 per share were exercised for gross proceeds of $10,000.

The Group's objectives when managing its liquidity and capital resources is to maintain a sufficient capital base to sustain future loan operations, bond redemptions and future development of the business.

Proposed Transactions

There are no proposed transactions at the date of this report that have not been disclosed.

Critical Accounting Estimates

The preparation of the Group's condensed consolidated interim financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in the condensed consolidated interim 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:

- **Assessment of control of TPF.** Although the Group owned 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 had an agreement with the only other voting preferred shareholder, Target, whereby Target did not benefit from its position as the majority shareholder of TPF, other than from the receipt of certain fees.

- **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 an impairment of a measurable 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.

- **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.

- **Income taxes**. Income tax expenses recorded in these condensed consolidated interim 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.

Changes in Accounting Policies

The Group adopted the following new accounting standards and amendments, which are effective for the condensed consolidated interim financial statements commencing on January 1, 2018:

- **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 condensed consolidated interim financial statements and did not result in any changes to the presentation of the comparable amounts in these condensed consolidated interim financial statements.

- **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. Revenue 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 condensed consolidated interim financial statements and do not result in any changes to the presentation of the comparative amounts in these condensed consolidated interim financial statements.

- **IFRS 16, Leases**

New standard adopted

The Company adopted IFRS 16 - Leases ("IFRS 16") on January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized

for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets. The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption.

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16:

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We asses weather the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset.

As a lessee, we recognize a right-of-use asset, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, we have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Impact of transition to IFRS 16:

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. As of the initial date of application of IFRS 16, the Company has one office leases outstanding with a remaining term of under 12 months. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases, and therefore the adoption of IFRS 16 has not had an impact on the Company's reporting.

Financial Instruments and Risk Management

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 follows: fair value through profit or loss ("FVTPL") and loans and receivables. Financial liabilities are categorized as other financial liabilities.

Financial assets at FVTPL

A financial asset is required to be classified as FVTPL if it is acquired principally for the purpose of selling it in the near term. Financial assets at FVTPL are initially measured at fair value with directly attributable transaction costs recognized in the condensed consolidated interim 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.

As at March 31, 2019 and at December 31, 2018 the Group's designated FVTPL assets consisted of cash, loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group designates as FVTPL upon initial recognition, or those for which the Group may not recover substantially all of its initial investments, for reasons other than credit deterioration. Loans and receivables are recorded at fair value on initial recognition and subsequently measured at amortized cost using the effective interest method.

As at March 31, 2019 and at December 31, 2018 the Group's loans and receivables consisted of interest receivable, loans receivable and other receivables.

Other financial liabilities

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

As at March 31, 2019 and at December 31, 2018 the Group's other financial liabilities consisted of accounts payable and accrued liabilities, interest payable, other payables, promissory notes and bonds.

Fair value of financial instruments

Financial instruments recognized in the condensed consolidated interim 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 other payables 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.

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.

Loans and receivables

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 condensed consolidated interim statement of loss and comprehensive loss.

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 condensed consolidated interim statement of loss and comprehensive loss.

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

Financial Instrument and Related Risks

The Group is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks is as follows:

- **Credit risk**. Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans receivable. The maximum amount of credit risk exposure is limited to the gross carrying amount of the loans receivable disclosed in our financial statements. The Group acts as a lender and has little concentration of credit risk with any particular individual, company or other entity relating to these services, however the Group is subject to a higher level of credit risk due to the credit constrained nature of many of the Group's customers and in circumstances in which they do not comply with the Group's policies and procedures. The credit risk relates to the possibility of default of payment on the Group's loans receivable. The Group performs ongoing credit evaluations, aging of loans receivable, payment history and allows for uncollectible amounts when determinable. The credit risk decisions on the Group's loans receivable are made in accordance with the Group's established lending criteria to assess all new loan proposals, which are overseen by the Group's senior management. The majority of the Group's loans receivable are unsecured. The Group evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions. The Group cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly.

- **Interest rate risk**. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair

value of other financial assets or liabilities, known as price risk. The Group has limited exposure to interest rate risk as its Bonds payable and consumer loans receivable have fixed rates of interest. The Group holds excess cash in a bank account. The Group's exposure to interest rate risk on its cash balances relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Group's cash is not significantly affected by changes in short-term interest rates. The income earned from the bank account is subject to movements in interest rates, although the effect would be insignificant.

- **Liquidity risk**. Liquidity risk is the risk that the Group will incur difficulties meeting its financial obligations as they are due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Group's reputation. The Group must manage its loans receivable balances against Bonds payable balances to ensure that it can meet its Bond repayment obligations when they mature. The Group must also monitor its capital to ensure that its capital is not under-deployed. The Group cannot guarantee that it will deploy all of its funds, in a timely manner, into funding consumer loans that will earn interest income to offset its Bond interest expense.