MLI Marble Lending Inc.

Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019
(Expressed in Canadian Dollars)
Unaudited

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMETNS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements, they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Group have been prepared by and are the responsibility of the Group's management.

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

MLI Marble Lending Inc.
Condensed Consolidated Interim Statements of Financial Position
(Presented in Canadian Dollars) - unaudited

AS AT	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ 3,558,828	$ 1,457,298
Interest receivable (Note 6)	59,035	62,480
Loans receivable – current (Note 6)	607,378	502,721
Prepaid expenses	280,870	70,108
	4,506,111	2,092,607
Loans receivable (Note 6)	1,532,196	2,038,529
Office furniture and equipment (Note 7)	5,598	6,603
Intangible assets (Note 8)	416,424	405,751
Total assets	$ 6,460,329	$ 4,543,490
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	$ 530,117	$ 391,984
Interest payable	21,261	22,689
Other payables	-	3,418
Promissory notes (Note 9)	-	200,000
Bonds – current (Note 10)	1,170,346	618,434
	1,721,724	1,236,525
Bonds (Note 10)	4,284,305	4,832,678
Total liabilities	6,006,029	6,069,203
Shareholders' Equity (Deficiency)		
Share capital (Note 11)	5,890,369	2,968,976
Subscriptions received in advance (Note 11)	-	12,000
Reserves (Note 11)	249,312	28,899
Deficit	(5,685,381)	(4,535,588)
Total shareholders' equity (deficiency)	454,300	(1,525,713)
Total liabilities and shareholders' equity (deficiency)	$ 6,460,329	$ 4,543,490

Nature of operations (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors on August 27, 2019

"Michele Marrandino" Director *"Jason Scharfe"* Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MLI Marble Lending Inc.
Condensed Consolidated Interim Statements of Financial Position
(Presented in Canadian Dollars) - unaudited

	Three Months Ended June 30		Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Interest revenue	$ 122,809	$ 190,303	$ 250,087	$ 407,384
Interest expense	(135,583)	(139,753)	(270,943)	(287,787)
Net interest income	(12,774)	50,550	(20,856)	119,597
Other income	14,968	8,790	23,832	14,911
	2,194	59,340	2,976	134,508
Bad Debt Expense (Recovery)	(9,226)	(38,364)	(9,226)	215,831
Operating Expenses				
Administration costs	27,658	78,443	188,598	144,195
Amortization (Notes 7 & 8)	10,729	889	11,232	1,778
Consulting fees	181,118	200,023	378,356	325,508
Investor relations	161,290	-	161,290	-
Marketing	87,534	6,938	141,338	27,295
Salary and benefits	71,872	35,377	124,286	63,644
Share based payments	38,159	-	126,430	-
Transfer agent and filing fees	30,465	-	30,465	-
Total expenses	608,825	321,670	1,161,995	562,420
Net Loss and Comprehensive Loss	$ (597,405)	$ (223,966)	$ (1,149,793)	$ (643,743)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	53,667,899	35,745,888	45,918,004	33,789,850

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

MLI Marble Lending Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Presented in Canadian Dollars) - unaudited

	Share Capital					
	Number of shares	**Amount**	**Subscriptions received in advance**	**Reserves**	**Deficit**	**Total**
Balance, December 31, 2017	28,309,385	$ 2,361,128	$ -	$ 5,899	$ (3,320,331)	$ (953,304)
Issuance of shares	2,589,818	365,364	-	-	-	365,364
Shares issued to settle debt	4,849,685	242,484	-	-	-	242,484
Warrants issued	-	-	-	23,000	-	23,000
Net loss for the period	-	-	-	-	(643,743)	(643,743)
Balance, June 30, 2018	35,748,888	2,968,976	-	28,899	(3,964,074)	(966,199)
Share subscriptions received in advance	-	-	12,000	-	-	12,000
Net loss for the period	-	-	-	-	(571,514)	(571,514)
Balance, December 31, 2018	35,748,888	2,968,976	12,000	28,899	(4,535,588)	(1,525,713)
Initial public offering shares issued	17,500,000	3,500,000	-	-	-	3,500,000
Shares issued for lending fees	150,000	30,000	-	-	-	30,000
Shares issued for private placement	80,000	12,000	(12,000)	-	-	-
Stock options exercised	200,000	14,780	-	(4,780)	-	10,000
Initial public offering costs - cash	-	(536,624)	-	-	-	(536,624)
Initial public offering costs - agents' options	-	(98,763)	-	98,763	-	-
Share-based compensation	-	-	-	126,430	-	126,430
Net loss for the period	-	-	-	-	(1,149,793)	(1,149,793)
Balance, June 30, 2019	53,678,888	$ 5,890,369	$ -	$ 249,312	$ (5,685,381)	$ 454,300

The accompany notes are an integral part of these condensed consolidated interim financial statements.

MLI Marble Lending Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Presented in Canadian Dollars) - unaudited

For the six months ended June 30,		2019		2018
CASH FROM OPERATING ACTIVITIES				
Loss for the period	$	(1,149,793)	$	(643,743)
Items not affecting cash:				
Amortization		11,232		1,779
Bond transaction cost amortization		6,566		31,368
Accrued interest on bonds payable		36,180		-
Shares issued as lending fee (Note 9)		30,000		-
Share based payments		126,430		-
Changes in non-cash working capital items:				
Interest receivable		3,445		1,547
Other receivables		-		24,617
Loans receivable		401,676		984,181
Prepaid expenses		(210,762)		-
Accounts payable and accrued liabilities		(11,867)		70,807
Interest payable		(1,428)		46,655
Other payable		(3,418)		-
Net cash generated by (used in) operating activities		(761,739)		517,211
CASH FROM INVESTING ACTIVITIES				
Development of intangible assets		(20,900)		(47,205)
Net cash used in investing activities		(20,900)		(47,205)
CASH FROM FINANCING ACTIVITIES				
Common shares issued, net of share issuance costs		3,113,376		365,482
Stock options exercised		10,000		-
Warrants issued		-		23,000
Repayment of promissory notes		(200,000)		(180,000)
Issuance of bonds		-		250,000
Redemption of bonds		(39,207)		(146,000)
Net cash generated by financing activities		2,884,169		312,482
Change in cash during the period		2,101,530		782,488
Cash, beginning of the period		1,457,298		374,804
Cash, end of the period	$	3,558,828	$	1,157,292
Interest received	$	226,655	$	400,279
Interest paid	$	230,022	$	209,763

Reconciliation of changes in liabilities arising from financing activities (Note 16)
Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

MLI Marble Lending Inc. ("Marble", collectively with its subsidiaries, the "Group") 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. The head office of the Group is located at 1202-1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3. The Group's shares are traded on the CSE under the symbol MRBL and the OTCQB under the symbol MRBLF. The Group's condensed consolidated interim financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
TPFM The Phoenix Fund Management Ltd. (**"TPFM"**)	British Columbia	100%
TPF The Phoenix Fund Inc. (**"TPF"**)	British Columbia	100%

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 numerous non-exclusive loan program agreement with industry partners, enabling the Group to provide loans to individual clients referred to The Group.

The Group has shareholders' equity of $454,300 (December 31, 2018 – deficiency of $1,525,713) and an accumulated deficit of $5,685,381 as at June 30, 2019 (December 31, 2018 – $4,535,588) 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 condensed consolidated interim 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 consolidated 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

Statement of compliance

The Group prepared these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting. These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on May 28, 2019. The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16 as detailed in Note 3.

Basis of measurement

These consolidated financial statements are prepared on the historical cost basis, except for certain items recorded at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Group's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standard adopted

IFRS 16, Leases

The Group 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 Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

New standard adopted *(cont'd…)*

IFRS 16, Leases (cont'd…)

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.

<u>Impact of transition to IFRS 16:</u>

Effective January 1, 2019, the Group 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 Group has one office leases outstanding with a remaining term of under 12 months. The Group 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 Group's reporting.

4. USE OF ESTIMATES AND JUDGMENTS

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

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 consolidated 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.

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.

(Presented in Canadian Dollars) - unaudited

4. USE OF ESTIMATES AND JUDGMENTS *(cont'd…)*

Income taxes

Income tax expenses recorded in these consolidated 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 and recognized the transactions as business combinations. As consideration, Marble issued 10,000,000 common shares and paid $700,000. On March 21, 2019, the Group acquired the remaining 60% of the outstanding voting preferred shares of TPF for a nominal amount which was included in comprehensive loss.

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. Previously, most of our consumer debtors were identified in collaboration with 4 Pillars; to date in FY 2019, the majority of consumer debtors are identified in collaboration with industry partners that have been disclosed during the period. 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.

Loans receivable

	June 30, 2019	**December 31, 2018**
Personal	$ 2,266,440	$ 2,593,999
Mortgages	62,409	82,740
Less: allowance for credit losses	(130,240)	(73,009)
Total loans receivable, net of allowance for credit losses	2,198,609	2,603,730
Interest receivable	(59,035)	(62,480)
Loans receivable, current portion	(607,378)	(502,721)
Loans receivable – non-current portion	$ 1,532,196	$ 2,038,529

(Presented in Canadian Dollars) - unaudited

6. LOANS RECEIVABLE *(cont'd…)*

Reconciliation of allowance for credit losses *(cont'd…)*

		June 30, 2019		December 31, 2018
Balance, beginning of the period	$	73,009	$	228,320
Loans receivable written-off		-		(238,504)
Change in provision for credit loss		8,077		-
Recoveries of loans receivable previously written-off		49,154		83,193
Balance, end of the period	$	130,240	$	73,009
Individual loan allowance	$	59,823	$	37,705
Collective loan allowance		70,417		35,304
	$	130,240	$	73,009

The Group makes estimates of expected credit losses based on past experience regarding losses, and an ongoing assessment of the market and of individual loans. The allowance is maintained at a level that the Group considers adequate to absorb credit-related losses. The allowance for credit losses of $130,240 represents 5.6% of the Group's outstanding loan balance at June 30, 2019.

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.

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. During the period ended June 30, 2019, the Group recognized payments on loans receivable of $49,154 related to its forbearance contingency. The full amount has been applied against the bad debt expense for the period.

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 June 30, 2019 and December 31, 2018 are as follows:

June 30, 2019		**30-60 days**		**61-90 days**		**Over 90 days**		**Total**
Personal	$	-	$	-	$	273,031	$	273,031
Total past due, but not impaired	$	-	$	-	$	273,031	$	273,031

December 31, 2019		**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

(Presented in Canadian Dollars) - unaudited

6. LOANS RECEIVABLE *(cont'd…)*

Contractual maturities

	Under 1 year	1-5 years	Over 5 years	Total
Unsecured personal loans	$ 638,804	$ 1,455,044	$ 172,592	$ 2,266,440
Mortgages	27,609	34,173	627	62,409
Total loans receivable	666,413	1,489,217	173,219	2,328,849
Less: allowance for credit losses				(130,240)
Net loans receivable				$ 2,198,609

7. OFFICE FURNITURE AND EQUIPMENT

	Leasehold Improvement	Furniture	Computers	Total
Cost				
Balance, December 31, 2017 and 2018 and June 30, 2018	$ 5,404	$ 15,812	$ 13,335	$ 34,551
Accumulated Depreciation				
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
Depreciation	-	838	167	1,005
Balance, June 30, 2019	$ 5,404	$ 10,656	$ 12,893	$ 28,953
Carrying values				
Balance, December 31, 2018	$ -	$ 5,994	$ 609	$ 6,603
Balance, June 30, 2019	$ -	$ 5,156	$ 442	$ 5,598

(Presented in Canadian Dollars) - unaudited

8. INTANGIBLE ASSETS

		Internally Generated Software		Trademark		Total
Cost						
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
Additions		20,900		-		20,900
Balance, June 30, 2019	$	409,084	$	17,567	$	426,651
Accumulated Amortization						
Balance, December 31, 2017 and 2018	$	-	$	-	$	-
Amortization		10,227		-		10,227
Balance, June 30, 2019	$	10,227	$	-	$	10,227
Carrying values						
Balance, December 31, 2018	$	388,184	$	17,567	$	405,751
Balance, June 30, 2019	$	398,857	$	17,567	$	416,424

9. PROMISSORY NOTES

		June 30, 2019		December 31, 2018
$50,000 promissory note	$	-	$	50,000
$150,000 promissory note		-		150,000
	$	-	$	200,000

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.

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 (Note 11).

On March 20, 2019, the Group repaid the $150,000 promissory note from the agent and on April 23, 2019, the Group repaid the $50,000 promissory note from the third party.

(Presented in Canadian Dollars) - unaudited

10. BONDS

		June 30, 2019		December 31, 2018
10% bonds – original offering (Note 10(a))	$	637,101	$	623,918
10% bonds – amended (Note 10(b))		3,542,051		3,541,763
10% bonds – new offering (Note 10(b))		250,000		250,000
9% bonds – new offering (Note 10(c))		925,816		898,280
8% bonds – new offering (Note 10(c))		99,683		137,151
Total bonds, net of associated transaction costs		5,454,651		5,451,112
Bonds payable – current		(1,170,346)		(618,434)
Bonds payable – non-current	$	4,284,305	$	4,832,678

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 10(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.

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.

10. BONDS *(cont'd…)*

a) **10% bonds – original offering** *(cont'd…)*

- 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.

During the period ended June 30, 2019, the Corporation did not redeem any bonds under the Original Offering.

b) 10% and 8% bonds – amendment

On November 15, 2018, the Group amended the terms of 10% bonds (Note 10(a)) with a total principal value of \$3.08 million and 8% bonds (Note 10(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 became effective on March 21, 2019 when the initial public offering was completed, and the Corporation became a reporting issuer.

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

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:

10. BONDS *(cont'd…)*

c) 8% and 9% bonds – new offering *(cont'd…)*

- 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.

10. BONDS *(cont'd…)*

c) 8% and 9% bonds – new offering *(cont'd…)*

- 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.

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

During the period ended June 30, 2019, the Group redeemed 8% bonds with aggregate principals of $37,000 for $39,207 inclusive of interest.

11. SHARE CAPITAL

Authorized share capital

- An unlimited number of common shares without par value.
- An unlimited number of preferred shares without par value. June 30, 2019, no preferred shares have been issued.

Issued share capital

During the period ended June 30, 2019, the Group had the following share issuances:

a) On January 14, 2019 the Group completed a private placement of 80,000 units (each, a "Unit") at a price of $0.15 per Unit. Each Unit consists of one common share and one-half of one of a common share purchase warrant. Each full warrant entitles the holder to purchase one common share for a period of one year from issuance at price of $0.30 per common share;

b) On January 14, 2019, the Group issued 150,000 common shares with a fair value of $0.20 per common share in satisfaction of bonus shares issuable on the $150,000 promissory note (Note 9); and

c) 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 17,500,000 units for $0.20 per unit raising $3,500,000 gross proceeds. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant and $0.35 can purchase one common share for a period of one year from issuance. In connection with the issuance, the Group paid $536,624 in share issuance costs and granted a total of 1,575,000 agents', each exercisable for a period of one year at a price of $0.20. The agents' options were fair valued at $98,763 using the Black-Scholes pricing model using a share price of $0.20, expected life of one year, and a volatility of $0.80.

(Presented in Canadian Dollars) - unaudited

11. SHARE CAPITAL *(cont'd…)*

Stock options

The Company has a stock option plan under which it is authorized to grant options for the acquisition of its common shares to directors, employees and consultants up to a maximum of 10% of the issued and outstanding common shares of the Company at the time the plan was adopted. The exercise price shall not be less than the market price of the Company's shares as at the grant date. The options may be granted for a maximum term of five years. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period of four months from the grant date unless otherwise determined by the board of directors. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of twelve months.

During the period ended June 30, 2019, the Group granted 3,500,000 stock options (year ended December 31, 2018 – nil). The weighted average fair value of the options granted during the period ended June 30, 2019 was approximately $0.10 per option. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions:

		June 30, 2019	**December 31, 2018**
Weighted average risk-free interest rate		0.78%	N/A
Expected volatility		80%	N/A
Expected dividends		0%	N/A
Expected life		2.5 years	N/A
Grant date share price	$	0.20	N/A

For the period ended June 30, 2019, the Group recognized $126,430 (2018 - $nil) as share-based compensation expense on the consolidated statements of comprehensive loss for options granted and vested and will recognize the remaining expenses of $208,200 over the vesting period.

Stock option activity for the period ended June 30, 2019 is as follows:

	Number of stock options		**Weighted Average Exercise Price**
Balance, December 31, 2017 and 2018	200,000	$	0.05
Granted	5,075,000	$	0.20
Exercised	(200,000)	$	0.05
Balance, June 30, 2019	5,075,000	$	0.20
Exercisable, June 30, 2019	2,450,000	$	0.20

The weighted average remaining contractual life of the options was 3.48 years. Details of stock options outstanding is as follows:

Expiry Date		**Exercise Price**	**Number Outstanding**	**Number Exercisable**
March 20, 2020	$	0.20	1,575,000	1,575,000
March 20, 2024	$	0.20	3,500,000	875,000
			5,075,000	2,450,000

(Presented in Canadian Dollars) - unaudited

11. SHARE CAPITAL *(cont'd…)*

Warrants

Warrant activity for the period ended June 30, 2019 is as follows:

	Number of stock options	Weighted Average Exercise Price
Balance, December 31, 2018	1,294,911	$ 0.30
Granted	8,790,000	$ 0.35
Exercised	1,334,911	$ 0.30
Balance, June 30, 2019	8,750,000	$ 0.35
Exercisable, June 30, 2019	8,750,000	$ 0.35

The weighted average remaining contractual life of the warrants was 0.72 years. Details of warrants outstanding is as follows:

Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
March 20, 2020	$ 0.35	8,750,000	8,750,000
		8,750,000	8,750,000

12. 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.

Compensation

Salaries and other short-term employee benefits paid to the Group's key management personnel were $40,954 for the six months ended June 30, 2019 (June 30, 2018 - $37,547).

Consulting fees

Consulting fees paid to the Group's key management personnel and companies controlled by current and former key management personnel were $167,276 for the six months ended June 30, 2019 (June 30, 2018 - $202,658). As at June 30, 2019, accounts payable and accrued liabilities included $4,725 (December 31, 2018 - $273,738) owing to key management personnel and companies controlled by key management personnel.

Share purchase option plan

Related parties are participating in the Group's share purchase option plan. See note 11 for information on the plan. Included in comprehensive loss for the period ended June 30, 2019 is $78,567 (June 30, 2018 - $nil) related to the fair value of options vested for key management personnel.

13. 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.

14. 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.

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 various industry partners, which screen 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.

(Presented in Canadian Dollars) - unaudited

14. RISK MANAGEMENT FRAMEWORK *(cont'd…)*

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 13.

Cash flows payable under financial liabilities by remaining contractual maturities at June 30, 2019 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	$ 530,117	$ -	$ -	$ -	$ -	$ 530,117
Interest payable	21,261	-	-	-	-	21,261
Bonds	-	1,170,347	1,158,461	3,125,843	-	5,454,651
	$ 551,378	$1,170,347	$1,158,461	$3,125,843	$ -	$6,006,029

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.

15. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended June 30, 2019, the Group had the following non-cash transactions:

a) $150,000 in share issuance costs was included in accounts payable and accrued liabilities; and
b) $98,763 related to the fair value of agents' options issued was recognized as share issuance costs;

There were no non-cash transactions for the period ended June 30, 2018.

(Presented in Canadian Dollars) - unaudited

16. 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:

	June 30, 2019	December 31, 2018
Balance, beginning of the period	$ 5,673,801	$ 5,533,098
Changes from financing cash flows		
Promissory notes (net)	(200,000)	20,000
Proceeds from bond issuance	-	277,000
Redemption of bonds	(39,207)	(246,000)
Other changes		
Compound interest accrued to bond payable	34,752	26,967
Amortization of bond transaction costs	6,566	62,736
Balance, end of the period	$ 5,475,912	$ 5,673,801

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to June 30, 2019, the Group:

a) issued an aggregate of 731,416 common shares with a fair value of $124,651 to settle debt with various consultants valued at $172,325; and

b) acquired 100% of the issued and outstanding shares of each of Score-Up Inc. (“Score-Up”) and Credit Meds Corp. (“Credit Meds”), two privately held Canadian corporations. In consideration for the outstanding shares, the Group paid cash consideration of $60,000 for the shares of Credit Meds and issued 590,459 common shares, with a fair value of $118,092, for the shares of Score-Up. Both transactions were accounted for as asset acquisitions.

   Score-Up is a proprietary software platform that employs scientific analytical mathematical software based on rigorous credit weight algorithms, analyzing an individual's credit data, financial information, and behavioral patterns to identify where the greatest positive impact can be achieved on a specific credit file. The software assesses an electronic version of the consumer's credit report and furnishes specific recommendations to improve credit scores to achieve the desired score needed for credit approval and wellness. The acquisition of the Score-Up platform will provide the Group, referring partners, and their clients the ability to implement specific action plans designed and tailored to achieve a consumer's unique credit and financial goals and lifestyle.

   Credit Meds is a front-end diagnostic tool that will allow the Group to assess the financial health of a consumer and provide the appropriate prescription and recommendations towards financial wellness and recovery.