

MARBLE FINANCIAL INC.

(formerly MLI Marble Lending Inc.)

Management Discussion and Analysis (“MD&A”) of the Financial Position and Results of Operations for the period ended March 31, 2020 as of May 29, 2020

The following discussion is a review of the consolidated activities, results of operations and financial condition of Marble Financial Inc. (formerly MLI Marble Lending Inc.) and its subsidiary companies (the “Group” or “Marble”) for the period ended March 31, 2020. The discussion below should be read in conjunction with the Group’s condensed consolidated interim financial statements for the period ended March 31, 2020 and notes thereto. Those condensed consolidated interim 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 29, 2020. 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 AND GOING CONCERN

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 its Fast Track 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. Budget App. – By connecting their bank accounts and credit cards to our App inside our Dashboard, customers can monitor and receive updates 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 as Phoenix N2N Capital Inc. under the Business Corporation Act (British Columbia) on July 7, 2015. On September 15, 2016, Marble was continued under the Canada Business Corporation Act and on December 16, 2015 changed its name from Phoenix N2N Capital Inc. to MLI Marble Lending Inc. On November 8, 2019, the Group changed its name from MLI Marble Lending Inc. to Marble Financial Inc. The head office of the Group is located at 1200-1166 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 consolidated financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
TPFM The Phoenix Fund Management Ltd. ("TPFM")	Canada	100%
TPF The Phoenix Fund Inc. ("TPF")	Canada	100%
Score-Up Inc. ("Score-Up")	Canada	100%
Credit Meds Corp. ("Credit Meds")	Canada	100%

The Group has shareholders' equity deficiency of \$1,895,278 (December 31, 2019 – deficiency of \$1,159,954) and an accumulated deficit of \$8,513,565 as at March 31, 2020 (December 31, 2019 – \$7,687,234) 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. The consolidated 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. The 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.

HIGHLIGHTS AND OVERALL PERFORMANCE

Highlights during and subsequent to the period ended March 31, 2020 include:

- **May 27, 2020** – The Group announced that it has entered into a strategic partnership with Pretio Interactive Inc. ("Pretio") offering consumers Marble's proprietary credit building products, Score-Up and Fast-Track. Pretio, a technology-driven performance marketing company, will be offering Marble's crediting rebuilding solutions, Score-Up and Fast-Track through Pretio's marketing channels. Pretio utilizes automated and optimized proprietary algorithms to generate qualified customers which will provide Marble with a new national growth channel of opportunity to empower Canadians in making better borrowing decisions with improved credit scores and financial literacy
- **May 14, 2020** – The Group announced that it has expanded its strategic partnership with Loans Canada to offer its customers Marble's proprietary credit rebuilding SaaS product, Score-Up. The inclusion of Score-Up, alongside the Group's Fast-Track product to the Loans Canada platform will enable Canadians to positively impact their credit standing and present additional opportunities to qualify for other Loans Canada partner products in the future

- **May 8, 2020** – The Group announced that it has entered into a non-binding Letter Agreement (the “Agreement”) and Term Sheet (the “Term Sheet”) with Clear Haven Capital Management, LLC, on behalf of one or more funds or entities managed by it (the “Fund”), whereby the Fund will purchase the Group’s existing portfolio of loans and thereafter purchase up to \$100M of future loans originated through the Group’s Fast-Track loan program. Subject to closing of this transaction, the Group will continue to originate and adjudicate the Fast-Track program through its proprietary platform and will manage the portfolio for the Fund for an annual servicing fee. Marble has agreed to originate and adjudicate 100% of its Fast-Track credit rebuilding loan products to the Fund until the loan portfolio reaches CDN\$20M, thereafter Marble is obligated to sell 35% of its Fast-Track products to the Fund until CDN\$100M has been purchased by the Fund.

The Term Sheet also provides for the Fund to purchase up to 5% equity stake in the Group, calculated based on the shares issued to and assuming the exercise of all warrants by, the Fund, via a private placement. This potential purchase will take place upon closing of the transaction and consist of units in Marble, each unit consisting of one common share and one common share purchase warrant. The common share will be priced at a 25% discount to Group’s market price (as determined on the CSE) and the warrant will be exercisable into a common share at the market price without discount for a five-year term. The Fund will also be granted an anti-dilution ROFR, whereby they will have the ability to participate on any future equity offerings in order to maintain their 5% holdings in Marble.

This partnership with the Fund enables Marble to continue its growth strategy in providing personal finance and credit wellness technology solutions to the millions of underbanked Canadians that are financially marginalized, even prior to the COVID-19 pandemic. This up to CDN\$100M agreement enables Marble to originate, adjudicate its Fast-Track program and service the loan portfolio on behalf of the Fund (to the extent loans are acquired by the Fund) through the Group’s proprietary platform.

- **March 26, 2020** – The Group shared its response plan to the coronavirus outbreak and provided an update to shareholders. The Group implemented a work-from-home policy and a Deferred Payment Relief Program for any customer that have been put into further financial difficulty through job loss, self-quarantine and/ or health issues as a result of COVID-19. Existing customers that have Creditor Insurance as part of their Fast Track obligations to Marble will be able to apply for the benefits associated with this program. A new adjudication protocol for our Fast Track credit rebuilding product has been put in place due to current market dynamics and economic uncertainties. The new adjudication protocol is being spearheaded by Jason Wang, Credit Governance and Data Analytics Advisor to the Group.
- **March 19, 2020** – The Group announced that it had closed an offering of convertible debentures (the “Debentures”) in the amount of \$400,000. The Debentures have a one-year term and accrue interest at a simple rate of 12% per annum, payable quarterly. The principal amount of the Debentures and all accrued, but unpaid, interest are convertible at the option of the holder into common shares of the Group at a price of 0.30 per common share. If the Group’s common shares trade or close on the Exchange at \$0.45 or higher for a period of 10 consecutive trading days, the Group has the option to force the conversion of the Debentures and all accrued but unpaid interest into common shares of the Group at a price of \$0.30 per share. The Debentures and any conversion shares are subject to a statutory hold period expiring July 17, 2020. The Group has also received an additional \$160,000 in proceeds towards convertible debentures that have not closed as at the date of this report.
- **March 12, 2020** – The Group announced the addition of Jason Wang to its management advisory team, providing oversight and guidance on the Credit Risk Governance and Data Analytics function for the Group. The Group has granted Mr. Wang 100,000 restricted share units (each, an “RSU”) as a consultant. RSUs vest 25% on May 28, 2020, and 25% each three months thereafter; and
- **March 5, 2020** – The Group announced, in collaboration with Theory+Practice, (TAP) Phase One of its data science enrichment initiative that harnesses the power of Artificial Intelligence (“AI”) and Machine Learning (“ML”) to improve Marble's underwriting process.

- **February 26, 2020** – The Group announced that the province of Prince Edward Island (“PEI”) has granted the Group’s subsidiary, TPFM The Phoenix Fund Management Ltd. (“TPFM”) extra-provincial registration. Marble continues to grow its exposure across Canada and fulfill its mission in helping Canadians improve their financial wellness by offering PEI consumers its proprietary credit rebuilding products.
- **February 13, 2020**- The Group announced the licensing of its proprietary Score-Up credit building software application to JAAG Properties (“JAAG”), a leader in helping individuals work towards real estate ownership. The licensing agreement and partnership enables JAAG the ability to offer their customers the opportunity to maximize their credit score for mortgage financing, and for those clients who require more extensive credit rebuilding, they will be referred over to Marble’s Fast Track product.
- **February 6, 2020** – The Group announced a strategic partnership with Finder.com, an independent financial comparison platform and information service, offering their customers, Marble’s proprietary credit rebuilding product, Fast-Track.
- **January 29, 2020** - The Group announced that Adah Teotico, CPA, has joined the Group as Vice President of Finance.
- **January 28, 2020** – The Group announced its partnership with Magical Credit, a leader in providing hassle-free short-term loans to customers online. The Group’s partnership with Magical Credit extends our continued growth strategy commitment to enable Canadians access to Marble’s leading proprietary credit rebuilding and financial wellness products for achieving and maintaining long term credit health. Marble has granted 450,000 stock options at an exercise price of \$0.20 per common share, which vest over three years and have a term of five years to officers and employees of the Group.
- **January 14, 2020** – The Group announced that the provinces of New Brunswick and Newfoundland & Labrador has granted the Group’s subsidiary, TPFM The Phoenix Fund Management Ltd. (“TPFM”) a license to operate as an Extra-Provincially Registered entity in these province's in order to carry on our business of offering consumer rebuilding products to customers in New Brunswick and Newfoundland & Labrador that are exploring ways to exit their existing consumer proposal and improve their credit score.

DISCUSSION OF OPERATIONS

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) and growth in loans issued.

Loans issued and COVID-19

Management’s objective in supporting the development of the Group in the short term includes sustained growth in loans issued on a monthly basis. Management’s ultimate objective is to reach a target of 300 new loans issued per month. During the first quarter of the fiscal December 31, 2020 year, the Group faced difficult capital markets resulting from the global response to COVID-19. Accordingly, the Group is refocusing its efforts on Score-Up, marble’s proprietary SaaS product to ensure Canadians can better manage their personal finance and credit wellness in the current uncertain times. The Group is also accelerating its efforts to launch Credit Meds to assets the growing number of Canadians that are no forced into insolvency because of the global economic climate.

As a result of the above, management has curtailed its projections on Fast Track given the uncertainty in the market and industry regarding the loans. We are taking a careful wait and see approach to the economy and the number of Canadians facing unemployment. That said, the future opportunity for Fast Track has increased because of the situation and Marble will be poised to get back to the projections once there is more certainty in the market. In response to the recent situation, the Group has entered into a non-binding agreement with Clear Haven Capital Management LLC, as discussed above, to secure adequate financing for future loan growth. The Group is in the process of completing due diligence and finalizing terms with the Fund.

As at March 31, 2020 the Group held a total balance of \$3,374,122 in loans receivable, net of allowance for credit losses of \$245,396 (December 31, 2019, \$3,148,314 net of allowance for credit losses of \$235,983). The allowance for credit losses of \$245,396 represents 7% of the Group's outstanding loan balance at March 31, 2020 (2019 – 7%). The Group has taken a conservative approach with its allowance for credit losses, because of the COVID-19 crisis, resulting in its growth as compared to the prior years.

Revenue

The Group generated interest revenue of \$198,454 for the period ended March 31, 2020 (2019 - \$127,278). The increase of 56% is primarily due to significant growth in new consumers loans during the latter half of the fiscal year ended December 31, 2019. If the Group closes the Agreement as discussed above, it is anticipated that its revenue stream will be primarily generated from fee income for loan administration as opposed to its current interest model.

The Group generated other income of \$86,333 for the period ended March 31, 2020 (2019 – \$8,864). The significant increase in other income is primarily related to set-up fees on new loans generated during the year and revenue generated from the subscriptions of the Group SaaS product, Score-Up.

Funding interest expense

The Group incurred interest expense of \$131,582 for the period ended March 31, 2020 (2019 - \$135,360). Interest expense was down due to a decreased bond debt.

Gross Profit

The Group generated a gross profit of \$153,205 for the period ended March 31, 2020 (2019 – \$782). The increase of \$152,423 is correlated to the higher balance in loans outstanding and increased other income.

Operating Expenses

Operating expenses for the period ended March 31, 2020 increased to \$968,312 as compared to \$553,170 for the period ended March 31, 2019. For the period ended March 31, 2020, the Group had the following operating expenses:

- administration costs of \$101,505 (2019 - \$160,940) which decreased as the comparative period included significant professional fees relating to the Group's focus completion of its prospectus and public listing. As the Group develops and grows the business, it is expected that administration costs will grow;
- amortization of \$64,404 (2019 - \$503) which increased as a result of the Group started amortizing its internally generated software along with its Score-Up software platform as along with depreciation of the two office leases acquired in the latter half of the year ended December 31, 2019.
- consulting fees of \$294,484 (2019 - \$197,238) which increased as the Group grew its advisory and management team to develop the business;
- investor relations fees of \$31,475 (2019 - \$nil) which increased following the Group's public listing. The Group has entered into investor relations contracts to help promote and maintain the Group's stock and market presence;
- lease accretion expense of \$10,717 (2019 - \$nil) related to two new office leases entered in the latter half of the year ended December 31, 2019.
- marketing expense of \$45,894 (2019 - \$53,804) which is considered comparable as compared to the previous period.

- salary and benefits of \$348,166 (2019 - \$52,414) which increased along with other operating expenses as a result of additional staff hired to facilitate the growth of the Group's business;
- share based payments of \$67,226 (2019 - \$88,271) related to the fair value of stock options granted and vested during the period and the vesting of RSU's granted during the period. During the period ended March 31, 2020, the Group granted 450,000 stock options and 100,000 RSU's to various officers, directors, and consultants, which were valued and recognized using the Black-Scholes pricing model.
- transfer agent and filing fees of \$4,441 (2019 - \$nil) which the Group started to incur following its public listing in late March 2019.

Operating Loss

The Group incurred an operating loss of \$826,331 for the period ended March 31, 2020 (2019 – \$552,388). The growth in the loss is in line with management's expectations given the restructuring of the organization and changes to the scope of operations. As the Group reaches its target level of loans outstanding and further develops its supplementary product lines, it expects to see a reduction in operating loss.

Cash Flows

	2020	2019
Cash (outflow) inflow from operating activities	\$ (837,051)	\$ 175,761
Cash outflow from investing activities	(4,135)	(20,900)
Cash inflow from financing activities	424,098	2,843,639
Net change in cash	(417,088)	2,998,500
Opening balance, cash	755,262	1,457,298
Closing balance, cash	\$ 338,174	\$ 4,455,798

Operating Activities

Cash outflow from operating activities for the period ended March 31, 2020 was \$837,051 compared to inflow of \$175,761 for the period ended March 31, 2019. The cash outflow is primarily related to the loss for the period, which grew as compared to the comparative period, offset by non-cash items and net changes in non-cash working capital items.

Investing Activities

Cash outflow from investing activities for the period ended March 31, 2020 was \$4,135 compared to \$20,900 for the period ended March 31, 2019 and was comprised of additions to property, equipment, and right-of-use assets. The prior period investing activities included solely the costs of development of internally generated intangible assets. The Group ceased capitalizing additional costs to the software during the period ended June 30, 2019 as it was available for use and instead commenced amortization on the balance.

Financing Activities

Cash inflow from financing activity for the period ended March 31, 2020 was \$424,098 compared to \$2,843,639 for the period ended March 31, 2019. During the current period the Group generated proceeds of \$400,000 on convertible debenture issuances and \$160,000 in subscriptions towards convertible debentures that had not closed while making payments of \$76,466 for the redemption of bonds, \$51,440 for lease liabilities, and \$7,996 towards its loans payable. Financing activities in the comparative period included net proceeds of \$2,993,639 from the Group's initial public offering less \$150,000 in repayment of promissory notes.

SUMMARY OF QUARTERLY RESULTS

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Interest revenue	\$ 198,454	\$ 175,829	\$ 146,259	\$ 122,809
Other income	86,333	105,097	78,835	14,968
Gross profit	153,205	146,430	87,726	2,194
Net and comprehensive loss	(826,331)	(1,275,064)	(726,789)	(597,405)
Assets	4,849,827	5,141,305	6,574,462	6,460,329
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Interest revenue	\$ 127,278	\$ 216,532	\$ 158,726	\$ 190,303
Other income	8,864	2,168	6,844	8,790
Gross profit	782	55,530	24,149	59,340
Net and comprehensive loss	(552,388)	(83,827)	(487,686)	(223,966)
Assets	7,339,468	4,543,490	4,412,983	4,830,051
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)	(0.01)

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2020, 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

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 \$nil for the period ended March 31, 2020 (2019 - \$22,503).

Consulting fees

Consulting fees paid to the Group's key management personnel and companies controlled by current and former key management personnel were \$89,906 for the period ended March 31, 2020 (2019 - \$51,450). As at March 31, 2020, accounts payable and accrued liabilities included \$32,387 (December 31, 2019 - \$nil) 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 12 for information on the plan. Included in the net comprehensive loss for the period ended March 31, 2020 is \$24,100 (2019 - \$29,634) related to the fair value of options vested for key management personnel.

OUTSTANDING SECURITY DATA

Common Shares

At the date of this report, the Group had unlimited authorized common shares without par value and an aggregate of 55,750,763 common shares were issued and outstanding.

Share Purchase Warrants

As at the date of this report, the Group did not have any share purchase warrants outstanding.

Stock Options

A summary of the Group's issued and outstanding options at the date of this report was as follows:

Expiry Date	Exercise Price	Number Outstanding
March 20, 2024	\$ 0.20	3,050,000
September 24, 2024	\$ 0.25	500,000
November 1, 2024	\$ 0.21	225,000
December 3, 2024	\$ 0.21	250,000
December 30, 2024	\$ 0.20	100,000
January 28, 2025	\$ 0.20	450,000
		4,575,000

Restricted Share Units

As at the date of this report, the Group has 100,000 restricted share units (each, a "RSU") outstanding. The RSU's vest 25% on May 28, 2020, and 25% each three months thereafter.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2020, the Group had a working capital deficiency of \$971,328 (December 31, 2019 – \$27,255). The Group has relied upon debt and equity financings to finance its operations and meet its capital requirements. During the period ended March 31, 2020, the Group generated total proceeds of \$560,000 from the issuance of convertible debentures and subscriptions received in advance of debentures not yet closed. 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.

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.

SUBSEQUENT EVENTS

Subsequent to March 31, 2020, the Group entered into a non-binding Letter Agreement (the "Agreement") and Term Sheet (the "Term Sheet") with Clear Haven Capital Management, LLC, on behalf of one or more funds or entities managed by it (the "Fund"), whereby the Fund will purchase the Group's existing portfolio of loans and thereafter purchase up to \$100M of future loans originated through the Group's Fast-Track loan program. Subject to closing of this transaction, the Group will continue to originate and adjudicate the Fast-Track program through its proprietary platform and will manage the portfolio for the Fund for an annual servicing fee. Marble has agreed to originate and adjudicate 100% of its Fast-Track credit rebuilding loan products to the Fund until the loan portfolio reaches CDN\$20M, thereafter Marble is obligated to sell 35% of its Fast-Track products to the Fund until CDN\$100M has been purchased by the Fund.

The Term Sheet also provides for the Fund to purchase up to 5% equity stake in the Group, calculated based on the shares issued to and assuming the exercise of all warrants by, the Fund, via a private placement. This potential purchase will take place upon closing of the transaction and consist of units in Marble, each unit consisting of one common share and one common share purchase warrant. The common share will be priced at a 25% discount to Group's market price (as determined on the CSE) and the warrant will be exercisable into a common share at the market price without discount for a five-year term. The Fund will also be granted an anti-dilution ROFR, whereby they will have the ability to participate on any future equity offerings in order to maintain their 5% holdings in Marble.

As at the time of this report, the Group and the Fund are completing due diligence.

PROPOSED TRANSACTIONS

As discussed above, the Group has entered into a non-binding Letter Agreement for which due diligence remains to be completed. No formal agreement has been accepted and the transaction remains subject to Board and regulatory approval.

CRITICAL ACCOUNTING ESTIMATES

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

Business combinations

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended December 31, 2019, the Group completed the acquisitions of the physical and intangible assets of Score-Up and Credit Meds and concluded that each of the transactions did not qualify as business combinations under IFRS 3, "Business Combinations."

CHANGES IN ACCOUNTING POLICIES

There were no new accounting policies adopted during the period ended March 31, 2020.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

Financial instruments recognized in the consolidated 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.

Financial Instrument and Related Risks

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 and loans receivable 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 loans. 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.

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. Cash flows payable under financial liabilities by remaining contractual maturities at March 31, 2020 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	\$ 278,197	\$ -	\$ -	\$ -	\$ -	\$ 278,197
Interest payable	124,547	-	-	-	-	124,547
Lease liabilities	41,750	124,158	172,849	77,938	-	416,695
Loans payable	3,146	9,436	25,164	39,248	-	76,994
Bonds	549,636	746,813	935,750	3,009,280	-	5,241,479
	\$ 997,276	\$ 880,407	\$1,133,763	\$3,126,466	\$ -	\$6,137,912

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.