

**MARBLE FINANCIAL INC.**

(formerly MLI Marble Lending Inc.)

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020 and 2019

*(Expressed in Canadian Dollars)*

Unaudited

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

<b>AS AT</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 330,275	\$ 755,262
Interest receivable (Note 6)	76,927	58,083
Loans receivable – current (Note 6)	974,292	718,128
Prepaid expenses	166,370	72,039
	<u>1,547,864</u>	<u>1,603,512</u>
<b>Loans receivable</b> (Note 6)	1,859,871	2,372,103
<b>Office furniture, equipment, and right-of-use assets</b> (Note 7)	334,134	473,114
<b>Intangible assets</b> (Note 8)	643,378	692,576
	<u>4,385,247</u>	<u>5,141,305</u>
<b>Total assets</b>	<u>\$ 4,385,247</u>	<u>\$ 5,141,305</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 809,399	\$ 420,525
Interest payable	195,079	21,457
Lease liabilities (Note 12)	179,137	166,568
Convertible debentures (Note 9)	398,774	-
Convertible debenture proceeds received in advance (Note 9)	164,249	-
Loans payable (Notes 5 and 10)	47,549	25,164
Unearned revenue	265,335	18,619
Bonds – current (Note 11)	1,298,626	978,434
	<u>3,358,148</u>	<u>1,630,767</u>
<b>Lease liabilities</b> (Note 12)	152,708	290,850
<b>Loans payable</b> (Notes 5 and 10)	69,445	58,121
<b>Bonds payable</b> (Note 11)	3,979,009	4,321,521
	<u>7,559,310</u>	<u>6,301,259</u>
<b>Total liabilities</b>	<u>7,559,310</u>	<u>6,301,259</u>
<b>Shareholders' deficiency</b>		
Share capital (Note 13)	6,157,651	6,153,526
Equity component of convertible debentures (Note 9)	23,781	-
Reserves (Note 13)	475,565	373,754
Accumulated deficit	(9,831,060)	(7,687,234)
	<u>(3,174,063)</u>	<u>(1,159,954)</u>
<b>Total shareholders' deficiency</b>	<u>(3,174,063)</u>	<u>(1,159,954)</u>
	<u>\$ 4,385,247</u>	<u>\$ 5,141,305</u>
<b>Total liabilities and shareholders' deficiency</b>	<u>\$ 4,385,247</u>	<u>\$ 5,141,305</u>

**Nature of operations** (Note 1)

**Events after the reporting period** (Note 19)

Approved on behalf of the Board of Directors on November 27, 2020

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“Michele Marrandino” Director                      “Jason Scharfe” Director

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

**MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)**  
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(Presented in Canadian Dollars) - unaudited

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest revenue	\$ 194,584	\$ 146,259	\$ 578,986	\$ 396,346
Interest expense	(118,085)	(137,368)	(374,678)	(408,311)
<b>Net interest income</b>	76,499	8,891	204,308	(11,965)
Other income	124,128	78,835	280,516	102,667
<b>Total income</b>	200,627	87,726	484,824	90,702
<b>Bad debts and loss allowance (recovery)</b>	(26,474)	(7,703)	5,628	(16,929)
<b>Operating expenses</b>				
Administration costs	216,103	159,359	464,482	347,957
Amortization (Notes 7 and 8)	64,310	34,193	192,313	45,425
Consulting fees (Note 14)	212,459	303,919	715,855	682,275
Investor relations	8,681	104,107	52,156	265,397
Lease accretion (Note 12)	8,622	4,255	29,044	4,255
Marketing	21,095	35,856	84,009	177,194
Salary and benefits (Note 14)	286,638	109,214	957,665	233,500
Share based payments (Notes 13 and 14)	(7,207)	54,180	105,936	180,610
Transfer agent and filing fees	9,542	17,135	21,562	47,600
<b>Total operating expenses</b>	820,243	822,218	2,623,022	1,984,213
<b>Net loss and comprehensive loss</b>	\$ (593,142)	\$ (726,789)	\$ (2,143,826)	\$ (1,876,582)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.04)
Weighted average number of shares outstanding – basic and diluted	55,775,763	54,553,461	55,761,621	48,895,521

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

**MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)**  
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency  
(Presented in Canadian Dollars) - unaudited

	<u>Share Capital</u>		Subscriptions received in advance	Stock option and warrant reserves	Equity component of convertible debentures	Deficit	Total
	Number of shares	Amount					
<b>Balance, December 31, 2018</b>	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
Shares issued for services	731,416	124,341	-	-	-	-	124,341
Shares issued on acquisition of Score-Up (Note 5)	590,459	118,092	-	-	-	-	118,092
Initial public offering costs - cash	-	(515,900)	-	-	-	-	(515,900)
Initial public offering costs - agents' options	-	(98,763)	-	98,763	-	-	-
Share-based payments	-	-	-	180,610	-	-	180,610
Net loss for the period	-	-	-	-	-	(1,876,582)	(1,876,582)
<b>Balance, September 30, 2019</b>	55,000,763	6,153,526	-	303,492	-	(6,412,170)	44,848
Share issuance for 2016 subscriptions (Note 13)	750,000	-	-	-	-	-	-
Share-based payments	-	-	-	70,262	-	-	70,262
Net loss for the period	-	-	-	-	-	(1,275,064)	(1,275,064)
<b>Balance, December 31, 2019</b>	55,750,763	6,153,526	-	373,754	-	(7,687,234)	(1,159,954)
Shares issued under RSU plan	25,000	4,125	-	(4,125)	-	-	-
Equity component of convertible debentures	-	-	-	-	23,781	-	23,781
Share-based payments	-	-	-	105,936	-	-	105,936
Net loss for the period	-	-	-	-	-	(2,143,826)	(2,143,826)
<b>Balance, September 30, 2020</b>	55,775,763	\$ 6,157,651	\$ -	\$ 475,565	\$ 23,781	\$ (9,831,060)	\$ (3,174,063)

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

**MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)**

## Condensed Consolidated Interim Statements of Cash Flows

(Presented in Canadian Dollars) – unaudited

<b>For the nine months ended September 30,</b>	<b>2020</b>	<b>2019</b>
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,143,826)	\$ (1,876,582)
Items not affecting cash:		
Amortization	192,313	45,425
Bond transaction cost amortization	-	9,849
Accrued interest on bonds payable	54,146	54,368
Shares issued as lending fee (Note 13)	-	30,000
Shares issued for consulting fees (Note 13)	-	124,341
Lease accretion	29,044	4,255
Share based payments	105,936	180,610
Accretion on convertible debentures (Note 9)	38,328	-
Interest accrued on loans payable and convertible debenture proceeds received in advance	7,545	-
Changes in non-cash working capital items:		
Interest receivable	(18,844)	3,669
Other receivables	-	-
Loans receivable	256,068	68,816
Prepaid expenses	(94,331)	(14,356)
Unearned revenue	246,716	-
Accounts payable and accrued liabilities	388,874	(36,454)
Interest payable	173,622	(1,268)
Other payable	-	(3,418)
Net cash used in operating activities	(764,409)	(1,410,745)
<b>CASH FROM INVESTING ACTIVITIES</b>		
Development of intangible assets	-	(61,273)
Acquisition of property, equipment, and right-of-use-assets	(4,135)	(16,742)
Acquisition of Credit Meds	-	(60,000)
Net cash used in investing activities	(4,135)	(138,015)
<b>CASH FROM FINANCING ACTIVITIES</b>		
Common shares issued, net of share issuance costs	-	3,088,376
Stock options exercised	-	10,000
Proceeds from convertible debentures issued	400,000	-
Proceeds on convertible debentures received in advance	160,000	-
Proceeds from loans received	40,000	-
Repayment of promissory notes	-	(200,000)
Payment of loans payable	(9,587)	(3,334)
Payment of lease liabilities	(154,617)	(19,197)
Payment of convertible debentures	(15,773)	-
Redemption of bonds	(76,466)	(39,207)
Net cash generated by financing activities	343,557	2,836,638
Change in cash during the period	(424,987)	1,287,878
Cash, beginning of the period	755,262	1,457,298
Cash, end of the period	\$ 330,275	\$ 2,745,176
Interest received	\$ 440,358	\$ 357,440
Interest paid	\$ 368,843	\$ 344,206

**Reconciliation of changes in liabilities arising from financing activities** (Note 18)**Supplemental cash flow information** (Note 17)

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

## MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month period ended September 30, 2020

(Presented in Canadian Dollars) – unaudited

### 1. NATURE OF OPERATIONS

Marble Financial Inc. (formerly 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. 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. As of March 19, 2019, Marble completed its initial public offering and its common shares were listed for trading on the Canadian Securities Exchange (the “CSE”) under the symbol MRBL.

The Group’s consolidated financial statements include Marble and its wholly owned subsidiaries as follows:

<b>Company</b>	<b>Place of Incorporation</b>	<b>Effective Interest</b>
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’s primary business activity is to help Canadians proactively rebuild their credit back to mainstream levels through data-driven financial technology solutions and financial literacy and education. The Group has entered into numerous non-exclusive referral agreements with industry partners, together with organic marketing efforts, enabling the Group to provide its innovative products to individual clients referred to the Group. The Group’s MyMarble platform helps underserved Canadians with software and data-driven artificial intelligence (“AI”) tools to improve their personal finance and creditworthiness. This proprietary technology platform and diagnostic software allows consumers to leverage artificial intelligence, data and statistics to visualize and control their finances and credit score on the road back to mainstream financial services.

As at September 30, 2020, the Group had a working capital deficit of \$1,810,284 (December 31, 2019 - \$27,255), a shareholders’ deficiency of \$3,174,063 (December 31, 2019 – \$1,159,954) and an accumulated deficit of \$9,831,060 (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. 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 condensed consolidated interim 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Currently, it is not possible for the Group to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Group’s business or ability to raise funds. However, weak economic conditions may affect the financial condition and credit worthiness of some of the Group’s consumer debtors. Accordingly, for the period ended September 30, 2020 the Group has increased its expected allowance for credit losses as compared to the prior year.

## **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 November 27, 2020. 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, 2019.

### **Basis of measurement**

These condensed consolidated interim 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.

### **Basis of consolidation**

These condensed consolidated interim financial statements include the financial statements of Marble and its controlled and wholly owned subsidiaries TPFM, TPF, Score-Up, and Credit Meds. Score-Up and Credit Meds have historically maintained a fiscal year-end of December 31 and have both retained that year-end post acquisition. Control is achieved where the Group has power over an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the investor’s returns. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

## **3. USE OF ESTIMATES AND JUDGMENTS**

The preparation of these 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 these 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:

### **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.



### **3. USE OF ESTIMATES AND JUDGMENTS** *(cont'd...)*

#### **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, Marble completed the acquisitions of the physical and intangible assets of Score-Up and Credit Meds (Note 5) and concluded that each of the transactions did not qualify as business combinations under IFRS 3, “Business Combinations.”

### **4. 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, Marble acquired the remaining 60% of the outstanding voting preferred shares of TPF for a nominal amount which was included in comprehensive loss.

### **5. ACQUISITION OF SCORE-UP AND CREDIT MEDS**

On August 1, 2019, the Group acquired 100% of the issued and outstanding common 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 common shares, Marble paid cash consideration of \$60,000 for the acquisition of Credit Meds and issued 590,459 common shares (Note 13) for the acquisition of Score-Up. Both transactions were accounted for as asset acquisitions.

**5. ACQUISITION OF SCORE-UP AND CREDIT MEDS (cont'd...)**

**Score-Up**

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. The purchase price of \$118,092 has been allocated as follows:

<b>Purchase price consideration</b>	
Value of 590,459 common shares issued at \$0.20	\$ 118,092
<b>Assets acquired and liabilities assumed</b>	
Accounts receivable	4,252
Intangible assets	206,520
Right-of-use assets	26,668
Loans payable	(92,680)
Lease liabilities	(26,668)
	<b>\$ 118,092</b>

Accounts receivable includes HST receivable. Score-Up's intangible assets comprise its proprietary software platform and will be amortized over a 10-year term. The Group incurred additional fees of \$40,373 upon acquisition of Score-Up to develop the intangible asset, which have been included in prior period additions (Note 8). Right-of-use assets and lease liabilities comprise an office lease with a term of 15 months that has been discounted using an incremental borrowing rate of 10% per annum (Notes 7 and 12).

Loans payable assumed consists of two business development loans (the "BDC Loans") in the amounts of \$26,000 and \$66,680 respectively. The BDC Loans bear interest at 8.05% per annum. There are 60 monthly payments that are inclusive of principal and interest on the \$26,000 loan that commenced on August 10, 2019, with the final payment due on October 10, 2024. The loan with remaining value of \$66,680 had an original principal of \$100,000 and has 40 remaining payments at the date of acquisition, with the final payment due on November 10, 2022. During the period ended September 30, 2020, the Group made aggregate payments on the BDC Loans in the amount of \$9,587 inclusive of interest of \$3,296. A continuity of the BDC Loans is as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Opening balance	\$ 83,285	\$ -
Loans assumed on acquisition of Score-Up	-	92,680
Payments	(9,587)	(12,406)
Interest and administration fees	3,296	3,011
<b>BDC loans payable (Note 10)</b>	<b>\$ 76,994</b>	<b>\$ 83,285</b>

**5. ACQUISITION OF SCORE-UP AND CREDIT MEDS (cont'd...)**

**Credit-Meds**

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. The purchase price of \$60,000 has been allocated as follows:

<b>Purchase price consideration</b>	
Cash	\$ 60,000
<b>Assets acquired and liabilities assumed</b>	
Intangible assets	60,000
	\$ 60,000

The intangible assets acquired include the intellectual property related to the financial health diagnostic tool which will be amortized over a 10-year term (Note 8). As at September 30, 2020, the asset is not yet in use and amortization has not commenced.

**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 the Group's consumer debtors were identified in collaboration with 4 Pillars Consulting Group Inc., however since mid-2019, the Group has expanded its referral partners who have also become a source of loan origination for the Group. During the period, the company hit its max limit on loan funding so cannot issued additional loans without additional capital to fund the loan program. The majority of the loans issued to consumer debtors are unsecured. The loans receivable generally bear interest between 18.99% and 24.99% and mature between three and seven years from the date of issuance.

**Loans receivable and interest receivable**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Unsecured personal loans	\$ 3,121,851	\$ 3,369,313
Mortgages	10,453	14,984
Less: allowance for credit losses	(221,214)	(235,983)
Total loans and interest receivable, net of allowance for credit losses	2,911,090	3,148,314
Interest receivable	(76,927)	(58,083)
Loans receivable, current portion	(974,292)	(718,128)
Loans receivable – non-current portion	\$ 1,859,871	\$ 2,372,103

**6. LOANS RECEIVABLE (cont'd...)**

**Reconciliation of allowance for credit losses**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Balance, beginning of the period	\$ 235,983	\$ 73,009
Loans receivable written-off	-	(92,839)
Change in provision for impairment losses	(80,351)	156,584
Recoveries of loans receivable previously written-off	65,582	99,229
<b>Balance, end of the period</b>	<b>\$ 221,214</b>	<b>\$ 235,983</b>
Individual allowance for credit losses	\$ -	\$ -
Collective allowance for credit losses	221,214	235,983
	<b>\$ 221,214</b>	<b>\$ 235,983</b>

The Group makes estimates of expected loan receivable impairment losses based on past experience regarding losses, and an ongoing assessment of the market and of individual loans receivable. The allowance for credit losses is maintained at a level that the Group considers adequate to absorb credit-related losses. The allowance for credit losses of \$221,214 represents 7.06% of the Group's outstanding loans receivable balance, inclusive of interest receivable as at September 30, 2020 (as at December 31, 2019 – 6.97%).

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, which amount is limited to the total funds available in the forbearance contingency. During the period ended September 30, 2020, the Group recognized payments on loans receivable of \$65,582 (2019 - \$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 September 30, 2020 and December 31, 2019 are as follows:

<b>September 30, 2020</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Personal loans	\$ 72,981	\$ -	\$ 409,488	\$ 482,470
<b>Total past due, but not impaired</b>	<b>\$ 72,981</b>	<b>\$ -</b>	<b>\$ 409,488</b>	<b>\$ 482,470</b>
<b>December 31, 2019</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>Over 90 days</b>	<b>Total</b>
Personal	\$ -	\$ -	\$ 281,601	\$ 281,601
<b>Total past due, but not impaired</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 281,601</b>	<b>\$ 281,601</b>

**MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)**  
Notes to the Condensed Consolidated Interim Financial Statements  
For the nine-month period ended September 30, 2020  
(Presented in Canadian Dollars) – unaudited

**6. LOANS RECEIVABLE (cont'd...)**

**Contractual maturities**

	<b>Under 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Unsecured personal loans	\$ 862,783	\$ 1,572,298	\$ 692,618	\$ 3,127,699
Mortgages	2,509	1,048	1,048	4,605
Total loans receivable	865,292	1,573,346	693,666	3,132,304
Less: allowance for credit losses				(221,214)
Loans and Interest receivable, net				\$ 2,911,090

**7. OFFICE FURNITURE, EQUIPMENT, AND RIGHT-OF-USE ASSETS**

	Leasehold Improvement	Right-of-use assets	Furniture	Computers	Total
<b>Cost</b>					
December 31, 2019	\$ 5,404	\$ -	\$ 15,812	\$ 13,335	\$ 34,551
Additions	-	510,637	15,414	8,715	534,766
December 31, 2019	5,404	510,637	31,226	22,050	569,317
Additions	-	-	4,135	-	4,135
September 30, 2020	\$ 5,404	\$ 510,637	\$ 35,361	\$ 22,050	\$ 573,452
<b>Accumulated Amortization</b>					
December 31, 2018	\$ 5,404	\$ -	\$ 9,818	\$ 12,726	\$ 27,948
Amortization	-	62,664	2,859	2,732	68,255
December 31, 2019	5,404	62,664	12,677	15,458	96,203
Amortization	-	136,993	3,403	2,719	143,115
September 30, 2020	\$ 5,404	\$ 199,657	\$ 16,080	\$ 18,177	\$ 239,318
<b>Carrying values</b>					
December 31, 2019	\$ -	\$ 447,973	\$ 18,549	\$ 6,592	\$ 473,114
September 30, 2020	\$ -	\$ 310,980	\$ 19,281	\$ 3,873	\$ 334,134

**MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)**

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**8. INTANGIBLE ASSETS**

	Internally generated software	Score-Up platform	Credit Meds software	Trademark	Total
<b>Cost</b>					
December 31, 2018	\$ 388,184	\$ -	\$ -	\$ 17,567	\$ 405,751
Internal development	20,900	-	-	-	20,900
Acquisition	-	246,893	60,000	-	306,893
December 31, 2019 and September 30, 2020	\$ 409,084	\$ 246,893	\$ 60,000	\$ 17,567	\$ 733,544
<b>Accumulated Amortization</b>					
December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	30,681	10,287	-	-	40,968
December 31, 2019	30,681	10,287	-	-	40,968
Amortization	30,681	18,517	-	-	49,198
September 30, 2020	\$ 61,362	\$ 28,804	\$ -	\$ -	\$ 90,166
<b>Carrying values</b>					
December 31, 2019	\$ 378,403	\$ 236,606	\$ 60,000	\$ 17,567	\$ 692,576
September 30, 2020	\$ 347,722	\$ 218,089	\$ 60,000	\$ 17,567	\$ 643,378

Trademarks are assessed as having an indefinite useful life because they do not expire and the Group expects to continue to benefit from their use.

**9. CONVERTIBLE DEBENTURES**

On March 16, 2020, Marble closed a private placement offering of unsecured convertible debentures (the “Debentures”) and issued Debentures in the aggregate principal 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 Marble at a price of \$0.30 per common share. If Marble’s common shares trade or close on the CSE at \$0.45 or higher for a period of 10 consecutive trading days, Marble has the option to force the conversion of the Debentures and all accrued but unpaid interest into common shares at a price of \$0.30 per share. The Group allocated \$38,328 to the equity component of the Debentures. A continuity of the Debentures is as follows:

	<b>September 30, 2020</b>
Opening balance	\$ -
Additions	400,000
Equity component of additions	(23,781)
Payments	(15,773)
Accretion of convertible debentures	38,328
Closing balance	\$ 398,774

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**9. CONVERTIBLE DEBENTURES** (cont'd...)

During the period ended September 30, 2020, the Group received an additional \$160,000 pursuant to subscriptions for Debentures, which had not closed as at September 31, 2020 but had closed subsequent to September 30, 2020. These amounts are included as convertible debenture proceeds received in advance and have accrued interest payable since the date of receipt of funds.

**10. LOANS PAYABLE**

In addition to the BDC Loans assumed on the acquisition of Score-Up, the Group received an additional loan during the period ended September 30, 2020. As part of the Government of Canada's response to the COVID-19 global pandemic, certain businesses were eligible to apply for loans under the Canada Emergency Business Account ("CEBA"). The CEBA loan program provides companies with a \$40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the period ended September 30, 2020, the Group applied for a CEBA loan and received a \$40,000 loan (the "CEBA Loan"). The CEBA Loan remains interest free until December 31, 2022 and has no fixed repayment schedule. If \$30,000 is repaid on or before December 31, 2022, the remaining \$10,000 will be forgiven. If at December 31, 2022, any amount remains unpaid, the Marble will enter into an extension agreement whereby it will accrue interest at a rate of 5% per annum, with a repayment schedule to be determined at that time.

The Group has made no repayments on the CEBA Loan during the period ended September 30, 2020. The following is a summary of the Group's loan payable balances:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
BDC Loans payable (Note 5)	\$ 76,994	\$ 83,285
CEBA Loan	40,000	-
Total loans payable	116,994	83,285
Loans payable – current	(47,549)	(25,164)
Loans payable – non-current	\$ 69,445	\$ 58,121

**11. BONDS**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
10% bonds – original offering (Note 11(a))	\$ 673,158	\$ 650,503
10% bonds – amended (Note 11(b))	3,566,808	3,555,585
10% bonds – new offering (Note 11(b))	250,000	250,000
9% bonds – new offering (Note 11(c))	742,669	776,288
8% bonds – new offering (Note 11(c))	45,000	67,579
Total bonds, net of associated transaction costs	5,277,634	5,299,955
Bonds payable – current	(1,298,626)	(978,434)
Bonds payable – non-current	\$ 3,979,099	\$ 4,321,521

**a) 10% bonds – original offering**

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

## **11. BONDS** *(cont'd...)*

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

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.
- 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 September 30, 2020, the Corporation did not redeem any bonds under the Original Offering.



**11. BONDS** (*cont'd...*)

**b) 10% and 8% bonds – amendment**

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

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:

- 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”).

**11. BONDS** (*cont'd...*)

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

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

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

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

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

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

During the period ended September 30, 2020, the Corporation did not redeem any bonds under the Original Offering.

## 12. LEASE LIABILITIES

During the year ended December 31, 2019, the Group entered into a new head office lease and acquired a lease through the acquisition of Score-Up. The following summarizes the remaining undiscounted minimum lease payments under the lease liabilities as at September 30, 2020:

Fiscal year	Payment
2020	\$ 48,548
2021	187,693
2022	126,778
Amount representing future lease accretion	(31,174)
Lease liabilities, current portion	331,845 (179,137)
Lease liabilities, non-current portion	\$ 152,708

The following is a reconciliation of the changes in the lease liabilities:

	September 30, 2020	December 31, 2019
Opening balance	\$ 457,418	\$ -
Additions on adoption of IFRS 16	-	510,637
Lease accretion	29,044	16,048
Payments	(154,617)	(69,267)
Lease liabilities	\$ 331,845	\$ 457,418

## 13. SHARE CAPITAL

### Authorized share capital

- An unlimited number of common shares without par value.
- An unlimited number of preferred shares without par value

### Escrow shares

As of September 30, 2020, 3,124,569 common shares are held in escrow (December 31, 2019 – 3,471,743). Common shares held in escrow pursuant to an Escrow Agreement entered into in conjunction with Marble's IPO and listing on the CSE. Common shares are released from escrow as to 10% on the listing date and the balance in equal 15% tranches to be released every six months from the listing date.

### Issued share capital

The Group did not have any share offerings during the period ended September 30, 2020.

### **13. SHARE CAPITAL** *(cont'd...)*

#### **Issued share capital** *(cont'd...)*

During the year ended December 31, 2019, the Group had the following share issuances:

- a) On January 14, 2019 the Group completed a private placement of 80,000 units at a price of \$0.15 per unit. Each unit consists of one common share and 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;
- c) 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 \$515,900 in share issuance costs and granted a total of 1,575,000 agents' options, each exercisable for a period of one year at a price of \$0.20. The agents' options have an estimated fair value of \$98,763 using the Black-Scholes pricing model using a share price of \$0.20, expected life of one year, a volatility of 80%; a risk-free interest rate of 0.78% and the Group doesn't expect to pay dividends.
- d) In July 2019, the Group issued an aggregate of 731,416 common shares with a fair value of \$0.17 per common share for a total of \$124,341 in satisfaction of payment to various consultants for the provision of services. Included in the issuance was 195,000 common shares to the Group's current Chief Executive Officer for services valued at \$33,150 and 100,000 common shares to a former Director for services valued at \$17,000;
- e) On August 2, 2019, the Group issued 590,459 common shares with a fair value of \$0.20 per common share for a total of \$118,092 on the acquisition of 100% of the issued and outstanding shares of Score-Up (Note 5); and
- f) On November 6, 2019, the Group issued 750,000 common shares to two subscribers from a May 2016 private placement who, through a previous error, did not receive their shares. The issuance of the 750,000 common shares did not have an impact on the Group's share capital.

#### **Stock options**

Marble has a stock option plan (the "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 Marble at the time the plan was adopted. The exercise price shall not be less than the market price of Marble's common 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 generally be subject to standard vesting provisions as to 25% on the date of grant and 25% on each anniversary date, such that all stock options fully vest over 3 years from the date of grant, unless otherwise determined by Marble's Board of Directors. Stock options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of twelve months, pursuant to the Stock Option Plan and as determined by Marble Board of Directors.

During the period ended September 30, 2020, Marble granted 650,000 stock options (year ended December 31, 2019 – 6,400,000, which included 1,575,000 agents' options – see Note 13(c)). The weighted average fair value of the options granted during the period ended September 30, 2020 was approximately \$0.09 per option. The fair value was estimated using the Black-Scholes option pricing model using the following weighted average inputs:

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**13. SHARE CAPITAL** (cont'd...)

**Stock options** (cont'd...)

	September 30, 2020	December 31, 2019
Risk-free interest rate	1.45%	0.97%
Expected volatility	80%	80%
Expected dividends	0%	0%
Expected life	2.5 years	2.5 years
Grant date share price	\$ 0.19	\$ 0.21

For the period ended September 30, 2020, Marble recognized \$92,133 (2019 - \$126,430) as share-based payments on the consolidated statements of loss and comprehensive loss for options granted and vested and will recognize the remaining expenses of \$63,012 over the remaining vesting period.

A summary of stock option and agents' option activity is as follows:

	Number of stock options	Weighted Average Exercise Price
Balance, December 31, 2018	200,000	\$ 0.20
Granted	6,400,000	0.20
Exercised	(200,000)	0.05
Balance, December 31, 2019	6,400,000	0.21
Expired / Cancelled	(3,100,000)	0.20
Granted	650,000	0.20
Balance, September 30, 2020	3,950,000	\$ 0.21
Exercisable, September 30, 2020	1,706,250	\$ 0.21

The weighted average remaining contractual life of the options is 3.75 years. Details of stock options outstanding are as follows:

Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
March 20, 2024	\$ 0.20	2,375,000	1,187,500
September 23, 2024	\$ 0.25	500,000	250,000
November 1, 2024	\$ 0.21	175,000	43,750
December 3, 2024	\$ 0.21	250,000	62,500
December 30, 2024	\$ 0.20	100,000	25,000
January 8, 2025	\$ 0.20	100,000	25,000
January 23, 2025	\$ 0.20	250,000	62,500
February 6, 2025	\$ 0.19	100,000	25,000
March 2, 2025	\$ 0.19	200,000	25,000
		3,950,000	1,706,250

**13. SHARE CAPITAL (cont'd...)**

**Warrants**

A summary of the warrant activity is as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2018	1,294,911	\$ 0.30
Granted	8,790,000	0.35
Expired / Cancelled	(1,294,911)	0.30
Balance, December 31, 2019	8,790,000	\$ 0.35
Expired / Cancelled	(8,790,000)	0.35
Balance, September 30, 2020	-	\$ -

**Restricted Share Units**

During the period ended September 30, 2020, Marble adopted a long-term restricted share unit plan (the “RSU Plan”). The restricted share units (“RSUs”) entitle directors, officers or employees to acquire common shares of the Group, based on vesting provisions determined by Marble’s Board of Directors at the time of grant.

During the period ended September 30, 2020, Marble granted 100,000 RSUs to a consultant. These RSUs vest 25% on May 28, 2020, and 25% each three months thereafter. Marble valued the RSUs at \$0.165 per RSU to be recognized over the life of the RSUs. During the period ended September 30, 2020, the Group recognized \$13,803 as share-based payments related to RSUs vested and issued the first tranche of 25,000 common shares pursuant to the RSU issuance.

**14. RELATED PARTY TRANSACTIONS**

Related parties of the Group include 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 September 30, 2020 (2019 - \$40,954).

**Consulting fees**

Consulting fees paid to the Group’s key management personnel and companies controlled by current and former key management personnel were \$307,837 for the nine months ended September 30, 2020 (2019 - \$167,276). As at September 30, 2020, accounts payable and accrued liabilities included \$131,996 (December 31, 2019 - \$nil) owing to key management personnel and companies controlled by key management personnel.

#### **14. RELATED PARTY TRANSACTIONS** *(cont'd...)*

##### **Stock option plan**

Related parties are participating in Marble's Stock Option Plan. See Note 13 for information on the Stock Option Plan. Included in the net comprehensive loss for the period ended September 30, 2020 is \$37,063 (2019 - \$78,567) related to the fair value of stock options vested for key management personnel.

#### **15. 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 and bonds.

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.

#### **16. 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 consolidated 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 consolidated 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

**16. RISK MANAGEMENT FRAMEWORK (cont'd...)**

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. As at September 30, 2020, the Group had a current assets of \$xx to settle current liabilities of \$xx. The Group manages liquidity risk through the management of its capital structure as outlined in Note 16.

As at September 30, 2020, total liabilities split out by contractual maturity date s are as follows:

	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	\$ 809,399	\$ -	\$ -	\$ -	\$ -	\$ 809,399
Interest payable	195,079	-	-	-	-	195,079
Lease liabilities	40,996	123,556	167,293	-	-	331,845
Loans payable	11,887	35,662	69,445	-	-	116,994
Convertible debentures	-	398,774	-	-	-	398,774
Bonds	731,813	1,034,598	935,750	2,575,474	-	5,277,635
	<u>\$1,789,174</u>	<u>\$1,592,590</u>	<u>\$1,172,488</u>	<u>\$2,575,474</u>	<u>\$ -</u>	<u>\$7,129,726</u>

**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.

**Interest rate risk**

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2020, the Company is not exposed to significant interest rate risk as the Group's financial instruments are all fixed-rate financial assets or fixed rate financial liabilities. Therefore, the Group considers its exposure to interest rate risk to be minimal.



## 17. SUPPLEMENTAL CASH FLOW INFORMATION

For the period ended September 30, 2020, the Group recognized a \$4,125 addition to share capital from reserves on the issuance of common shares pursuant to RSUs granted.

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

- a) \$104,276 in share issuance costs was included in accounts payable and accrued liabilities;
- b) \$98,763 related to the fair value of agents' options issued was recognized as share issuance costs;
- c) \$118,092 related to the issuance of 590,459 common shares on the acquisition of Score-Up; and
- d) \$468,316 recognized in lease liabilities and right-of-use assets on the commencement of a new office lease.

## 18. 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, lease liabilities, and loans payable. A reconciliation of the changes in these liabilities are:

	September 30, 2020	December 31, 2019
<b>Balance, beginning of the period</b>	\$ 5,880,734	\$ 5,673,801
<b>Changes from financing cash flows</b>		
Promissory notes (net)	-	(200,000)
Proceeds from convertible debentures	400,000	-
Proceeds from convertible debentures received in advance	160,000	-
Lease payments	(154,617)	(69,267)
Loan payments made	(9,587)	(12,406)
Loan received	40,000	-
Payment of convertible debentures	(15,773)	-
Redemption of bonds	(76,466)	(236,406)
<b>Other changes</b>		
Compound interest accrued to bond payable	54,146	72,118
Loan assumed on acquisition of Score-Up	-	92,680
Interest on loans payable	3,296	3,011
Additions to lease liabilities	-	510,637
Lease accretion	29,044	16,048
Equity component of convertible debentures issued	(23,781)	-
Accretion of convertible debenture	38,328	-
Unearned revenue	246,716	18,619
Interest payable	177,871	(1,232)
Amortization of bond transaction costs	-	13,131
<b>Balance, end of the period</b>	<b>\$ 6,749,911</b>	<b>\$ 5,880,734</b>

## **19. EVENTS AFTER THE REPORTING PERIOD**

### *Private placement*

Subsequent to the period ended September 30, 2020, the Group closed the first tranche of a non-brokered private placement by issuing 3,764,067 units (each, a “Unit”) at a price of \$0.15 per Unit for gross proceeds of \$564,610. Each Unit is comprised of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at a price of \$0.25 for a period of two years from closing. In connection with the offering, the Group paid finders’ fees of \$630 and issued 4,200 finders’ warrants with the same terms as the Unit warrants.

### *Debenture Offering*

On October 23, 2020, Marble issued unsecured convertible debentures (the “Debentures”) in the principal amount of \$160,000. The Debentures have a 12-month term and accrue interest at a simple rate of 12% per annum, payable quarterly not in advance. The principal amount of the Debentures and all accrued but unpaid interest thereon is convertible into common shares of the Company at a price of \$0.30 per share (i) at the option of the holder at any time; and (ii) at the option of the Company if the common shares of the Company trade or close at a price of \$0.45 or more for 10 consecutive trading days on the CSE.

### *Stock Option Grant*

On October 15, 2020, Marble granted 100,000 stock options exercisable at \$0.16 per share with an expiry date of October 15, 2025. The stock options are subject to standard vesting provisions of 25% on the date of grant and 25% on each anniversary date, such that all stock options fully vest over 3 years from the date of grant.