
TIMIA CAPITAL CORP.
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
FEBRUARY 29, 2020 AND FEBRUARY 28, 2019
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

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

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

Howard Atkinson
Director and Chair of the Audit Committee

TIMIA CAPITAL CORP.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION****AS AT FEBRUARY 29, 2020 AND NOVEMBER 30, 2019**

(Expressed in Canadian Dollars)

	February 29, 2020	November 30, 2019
ASSETS		
Cash and cash equivalents	\$ 6,801,412	\$ 4,662,156
Accounts receivable	328,368	284,326
Current portion of loans receivable (Note 3)	1,305,070	3,831,488
Deposits and prepaid expenses	178,264	48,290
Total current assets	8,613,114	8,826,260
Non-current assets		
Loans receivable (Note 3)	20,339,390	17,316,024
Equity investments (Note 4)	965,100	965,100
Right-of-use asset (Note 5)	77,707	-
TOTAL ASSETS	\$ 29,995,311	\$ 27,107,384
LIABILITIES		
Accounts payable and accrued liabilities (Note 11)	\$ 548,310	\$ 453,631
Share capital subscriptions received in advance	-	250,000
Current portion of convertible debentures (Note 6)	1,768,733	1,764,196
Current portion of debentures (Note 7)	101,446	101,284
Current portion of co-investment obligations (Note 8)	321,566	280,538
Revolving credit facility (Note 9)	1,940,056	1,405,270
Total current liabilities	4,680,111	4,254,919
Non-current liabilities		
Convertible debentures (Note 6)	283,500	283,500
Debentures (Note 7)	5,911,509	5,975,646
Co-investment obligations (Note 8)	2,042,766	2,295,170
Lease liability (Note 5)	78,465	-
TOTAL LIABILITIES	12,996,351	12,809,235
EQUITY		
Share capital (Note 10)	5,040,476	4,977,427
Share-based payment reserve	1,403,506	1,383,282
Equity component of convertible debentures (Note 6)	82,070	82,070
Deficit	(3,892,271)	(3,754,586)
Total TIMIA Capital Corp. shareholders' equity	2,633,781	2,688,193
Non-controlling interest (Note 12)	14,265,179	11,609,956
Total equity	16,898,960	14,298,149
TOTAL LIABILITIES AND EQUITY	\$ 29,895,311	\$ 27,107,384

Nature of operations (Note 1)

Subsequent events (Note 15)

Approved on behalf of the Board of Directors:

/s/ "Howard Atkinson"

Howard Atkinson, Director

/s/ "David Demers"

David Demers, Director

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

TIMIA CAPITAL CORP.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF NET INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)****FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

	Three months ended February 29, 2020	Three months ended February 28, 2019
REVENUE		
Interest income	\$ 939,701	\$ 510,330
Income from transaction and other fees	84,487	60,233
TOTAL REVENUE	1,024,188	570,563
EXPENSES		
Administrative, management, and directors' fees (Note 11)	313,305	163,132
Accounting and legal	86,989	38,794
Amortization (Note 5)	11,102	-
IR and communications	80,301	74,146
Marketing services and promotion	90,751	72,811
Office, travel, systems, and miscellaneous (Note 11)	125,835	67,077
Interest expense (Note 11)	325,573	236,295
Share-based payments (Note 11)	49,773	40,257
Transfer agent and regulatory fees	4,766	1,307
Expected credit loss (Note 3)	101,089	18,587
	1,189,484	712,406
OPERATING LOSS	(165,296)	(141,843)
Gain on investments (Note 3)	(516,009)	-
Interest payments to co-investors	93,170	92,044
Fund structuring and financing costs	(20,000)	-
Foreign exchange loss (gain)	(166,601)	21,593
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ 444,144	\$ (255,480)
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Company	(137,684)	(255,480)
Non-Controlling Interests (Note 12)	581,828	-
	\$ 444,144	\$ (255,450)
NET EARNINGS (LOSS) PER COMMON SHARE BASIC AND DILUTED	\$ 0.00	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	39,972,018	36,232,453

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

TIMIA CAPITAL CORP.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

	Three months ended February 29, 2020	Three months ended February 28, 2019
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 444,144	\$ (255,480)
Items not involving cash:		
Share-based payments	49,773	40,257
Interest income	(10,780)	(20,819)
Interest accrued and interest accretion	73,287	39,572
Expected credit loss	101,089	18,587
Amortization	11,102	-
Gain on investments	(516,009)	-
Interest payments to co-investors	93,170	92,044
Unrealized foreign exchange loss	(162,647)	-
	83,129	(85,839)
Changes in non-cash working capital items:		
Accounts receivable	(44,042)	(79,218)
Deposits and prepaid expenses	(129,974)	(35,802)
Share capital subscriptions received in advance	(250,000)	-
Accounts payable and accrued liabilities	51,372	(46,538)
	(289,515)	(247,397)
CASH USED IN OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Repayment of loans receivable	2,953,099	-
Advances of loans receivable	(2,861,700)	(3,325,653)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
	91,399	(3,325,653)
FINANCING ACTIVITIES		
Proceeds on issuance (redemption) of debentures, net	(100,000)	545,000
Proceeds on issuance of Limited Partnership units	3,070,000	-
Distributions paid through the Limited Partners	(896,606)	-
Proceeds on exercise of warrants	-	35,047
Proceeds on exercise of options	33,500	5,000
Payments to co-investors	(256,540)	(91,841)
Payments on lease, net	(10,344)	-
Proceeds from revolving credit facility, net	497,362	-
CASH PROVIDED BY FINANCING ACTIVITIES		
	2,337,372	493,206
CHANGE IN CASH DURING THE PERIOD	2,139,256	(3,079,844)
CASH, BEGINNING OF PERIOD	4,662,156	3,749,949
CASH, END OF PERIOD	\$ 6,801,412	\$ 670,105

The Company has not paid any income taxes and all interest paid has been disclosed above.

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

TIMIA CAPITAL CORP.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

(Expressed in Canadian Dollars)

	Common shares		Share-based payment reserve	Equity component of convertible debentures	Deficit	Non- controlling interest	Total
	Issued	Amount					
As at December 1, 2018	36,065,462 \$	4,439,179 \$	1,214,258 \$	82,070 \$	(2,210,706) \$	- \$	3,524,801
Options exercised	50,000	7,409	(2,409)	-	-	-	5,000
Warrants exercised	250,332	35,047	-	-	-	-	35,047
Share-based payments	-	-	40,257	-	-	-	40,257
Warrants issued on debentures	-	-	21,708	-	-	-	21,708
Net loss and comprehensive loss	-	-	-	-	(255,480)	-	(255,480)
As at February 28, 2019	36,365,794 \$	4,481,635 \$	1,273,814 \$	82,070 \$	(2,466,186) \$	- \$	3,371,333
As at December 1, 2019	39,774,796 \$	4,977,427 \$	1,383,282 \$	82,070 \$	(3,754,586) \$	11,609,956 \$	14,298,149
TIMIA 1 LP subscriptions (Note 12)	-	-	-	-	-	2,173,394	2,173,394
Options exercised	250,000	63,049	(29,549)	-	-	-	33,500
Share-based payments	-	-	49,773	-	-	-	49,773
Net income (loss) and comprehensive income (loss)	-	-	-	-	(137,684)	581,828	444,144
As at February 29, 2020	40,024,796 \$	5,040,476 \$	1,403,506 \$	82,070 \$	(3,892,270) \$	14,365,178 \$	16,998,960

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

TIMIA Capital Corp. (“TIMIA” or the “Company”) was incorporated under the Business Corporations Act of British Columbia on October 26, 2007 under the name Angelwest Capital Corp. The Company changed its name to GreenAngel Energy Corp. on October 27, 2009 and then to TIMIA Capital Corp. on September 23, 2015 and is listed on the TSX Venture Exchange (the “TSX-V”) trading under the symbol “TCA”. The Company commenced trading on the OTCQB Venture Market (“OTCQB”) under the symbol of TIMCF effective September 9, 2019. The Company primarily focuses on providing financing to North American technology companies in exchange for either: i) variable monthly payments structured as a percentage of applicable revenue, subject to minimum monthly payments or ii) a fixed schedule of predetermined monthly payments. In addition to the capital injection, companies receiving financing from the Company receive a suite of value-added services such as benchmarking performance against industry best practices, and quarterly educational seminars. The Company’s head office and principal place of business is 789 West Pender St. Suite 1530, Vancouver, British Columbia, Canada.

These consolidated condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on April 22, 2020.

2. BASIS OF PRESENTATION AND ACCOUNTING STANDARDS CHANGES

TIMIA prepares its unaudited interim condensed consolidated financial statements (“financial statements”) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying TIMIA’s accounting policies. These unaudited interim condensed consolidated financial statements are presented in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of IFRS for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2019. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended November 30, 2019, with the exception of the accounting standards adopted in the current year.

Basis of presentation

The consolidated condensed interim financial statements have been prepared using the historical cost basis except for certain financial instruments, which are measured at fair value. All amounts are expressed in Canadian dollars unless otherwise stated. Certain comparative figures in these interim condensed consolidated financial statements have been reclassified in order to conform with current year presentation.

Basis of consolidation

The Company uses the criteria outlined in IFRS 10 in order to determine whether it has control of its Limited Partnerships. In applying the criteria outlined in IFRS 10, judgment is required in determining whether TIMIA controls TIMIA Capital I Limited Partnership (“TCILP”). Making this judgment involves taking into consideration the concepts of power over TCILP, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of TCILP so as to generate economic returns. Using these criteria, management has determined that TIMIA does control TCILP and as a result consolidates the account of TCILP.

TIMIA CAPITAL CORP.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)**

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

These consolidated condensed interim financial statements include the accounts of the Company and the following subsidiaries:

Entity	Country	Percentage Ownership of Parent
TIMIA Capital Corp.	Canada	-
TIMIA Capital General Partner Inc.	Canada	100%
TIMIA Capital Residual Partner Inc.	Canada	100% ⁽¹⁾
TIMIA Capital Holdings Limited Partnership	Canada	100%

Note: (1) TIMIA Capital Corp. holds its 13.03% interest in TIMIA Capital 1 Limited Partnership through the wholly owned subsidiary TIMIA Capital Residual Partners Inc.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements and estimates

The preparation of the consolidated condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated condensed interim financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Loans receivable are reviewed on a quarterly basis as to their collectability and an appropriate impairment charge is provided where considered necessary. The Company estimates a loan loss allowance on a quarterly basis by reviewing the underlying loan portfolio. The allowance represents the Company's estimate of the expected credit losses inherent in the loan portfolio, net of the future income stream belonging to the holders of the co-investment agreements. In addition, the Company also completes a loan specific analysis to assess whether there are indications of impairment. The Company reviews a variety of factors such as maintenance of loan repayments in accordance with the contractual obligations, general economic conditions, the underlying stability of the Company to which the loan was granted and has periodic discussions with the management of each company. The Company then makes an assessment using this information on whether or not the loan is impaired.

Changes in these estimates and assessments may have a material impact on these consolidated condensed interim financial statements. The information about other significant areas of estimation uncertainty considered by management in preparing the consolidated condensed interim financial statements is:

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

- Fair value of equity investments not quoted in an active market;
- Variables used in estimating values of loans receivable;
- Variables used in determining expected credit losses;
- Measurement of equity and liability components of convertible debentures;
- Recognition of deferred tax assets; and
- Calculation of share-based payments expense.

The information about significant areas of judgement considered by management in preparing the consolidated condensed interim financial statements are:

- Determination of control of entities, giving rise to the consolidation thereof;
- The classification of financial instruments;
- Indicators of impairment of financial instruments; and
- The valuation of financial assets and liabilities recorded on the statement of financial position which is derived from a variety of valuation techniques.

Accounting standards and amendments issued and adopted in the current year

The following accounting standard has been adopted by the Company effective December 1, 2019:

IFRS 16, Leases ("IFRS 16") supersedes *IAS 17, Leases* ("IAS 17") and requires lessees to recognize a right-of-use asset and a lease liability for substantially all lease contracts. On December 1, 2019, the Company adopted IFRS 16 on a modified retrospective basis and has chosen to not restate comparative information in accordance with the transitional provisions in IFRS 16. As a result, the comparative information continues to be presented in accordance with the Company's previous accounting policies.

The adoption of IFRS 16 had no transitional impact on the Company's financial statements.

There was no impact to retained earnings, right-of-use assets or lease liabilities on December 1, 2019 as a result of adopting IFRS 16. In applying IFRS 16, the Company used the following practical expedients, as permitted by the standard:

- Previous assessments were relied on to determine whether leases were onerous;
- Operating leases with a remaining lease term of less than 12 months at December 1, 2019 were treated as short-term leases under IFRS 16. This allows for lease payments to continue to be expensed over the term of the lease without recognition of right-of-use asset and a corresponding liability on the statement of financial position;
- Payments associated with leases of low-value assets were recognized on a straight-line basis as an expense in the consolidated statement of net loss.

The Company also elected to not reassess whether a contract is or contains a lease as at December 1, 2019, as permitted by IFRS 16. From December 1, 2019, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use, with the exception of leases of low-value assets or leases with a term of 12 months or less, which are recognized

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(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards and amendments issued and adopted (continued)

on a straight-line basis as an expense. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to the consolidated statement of net income (loss) and comprehensive income (loss) over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. See Note 5. During the three months ended February 29, 2020, the Company recognized \$4,200 in rent expense for contracts exempted under the IFRS 16 provisions due to lease terms of less than 12 months.

3. LOANS RECEIVABLE

The Company makes loans to software companies who have a recurring revenue business model in Canada and the United States of America. All loans receivable are between two and eight years in terms and all of the loans receivable in the Company's portfolio are secured by General Security Agreements.

	February 29, 2020	November 30, 2019
Opening balance	\$ 21,596,037	\$ 9,680,390
Advances on loans receivable	2,861,700	13,355,921
Interest revenue	926,741	2,984,496
Interest and principal payments	(915,962)	(2,582,075)
Settlement of investments	(2,437,090)	(1,765,021)
Foreign exchange	162,647	(77,674)
Closing balance	22,194,073	21,596,037
Less: current portion	(1,305,070)	(3,831,488)
Non-current portion	20,889,003	17,764,549
ECL (loan loss) provision, opening balance	(448,525)	(372,826)
Add: ECL provision for outstanding loans ⁽¹⁾	(101,089)	(75,699)
ECL (loan loss) provision, closing balance	\$ (549,614)	\$ (448,525)
Loans receivable, non-current portion	\$ 20,889,003	\$ 17,764,549
ECL (loan loss) provision, closing balance	(549,614)	(448,525)
Loans receivable, net of ECL (loan loss), non-current portion	\$ 20,339,390	\$ 17,316,024

⁽¹⁾ The expected credit loss for the period ending February 29, 2020 represents the net amount required to adjust to the ECL as calculated under IFRS 9.

As of December 1, 2018, the Company assessed the stage of each individual investment in accordance with IFRS 9. Adjustments to the ECL are recognized through the consolidated statement of comprehensive income or loss.

Details of the expected credit loss model can be found in Note 13 under the heading *Expected Credit Loss Measurement*.

TIMIA CAPITAL CORP.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

3. LOANS RECEIVABLE (continued)

The expected credit loss provision for the period from December 1, 2019 to February 29, 2020 is calculated as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening amortized loan balance	\$ 18,635,118	\$ 2,960,919	\$ -	\$ 21,596,037
Advances on loans receivable	2,861,700	-	-	2,861,700
Interest revenue, net of interest and principal payments	4,657	6,123	-	10,780
Loans receivable moved to stage 1	782,956	(782,956)	-	-
Loans receivable moved to stage 2	(1,431,748)	1,431,748	-	-
Settlement of investments	(2,437,090)	-	-	(2,437,090)
Foreign exchange	139,008	23,639	-	162,647
Less: current portion	(493,084)	(811,986)	-	(1,305,070)
Closing balance, non-current portion	\$ 18,061,517	\$ 2,827,487	\$ -	\$ 20,889,004
Expected Credit Loss, opening balance	\$ (102,479)	\$ (346,046)	\$ -	\$ (448,525)
Add: ECL for outstanding loans	(49,420)	(51,669)	-	(101,089)
Expected Credit Loss, closing balance	\$ (151,899)	\$ (397,715)	\$ -	\$ (549,614)
Loans receivable, non-current portion	\$ 18,061,517	\$ 2,827,487	\$ -	\$ 20,889,004
ECL provision, closing balance	(151,899)	(397,715)	-	(549,614)
Loans receivable, net of ECL, non-current portion	\$ 17,909,618	\$ 2,429,772	\$ -	\$ 20,339,390

Prior to December 1, 2018, a general loan loss provision of 3% per annum of the weighted average loans receivable balance net of the future income stream to the co-investment obligation agreement holders was accrued in the amount of \$372,826.

Loans receivable by type

The Company provides two main types of loan facilities.

- A **Short-Term Loan** is designed for borrowers that anticipate achieving a financing milestone in the relatively near future. Typically, two to three years in length, these facilities require the borrower to pay approximately two thirds of the interest monthly. The remainder of the interest is accrued over the term of the loan and is due and payable at the end of the term.
- A **Revenue Finance Loan** (fixed or floating) is a type of growth capital provided by TIMIA to a company in which loan payments are tied to the forecast revenue of the company. Any unamortized amounts are due and payable at the end of the term.

The following table presents a breakdown of the loan portfolio by type of loan.

	At February 29, 2020		At November 30, 2019	
	Number of Loans	Carrying Value	Number of Loans	Carrying Value
Short Term Loans	4	\$ 6,470,137	4	\$ 4,217,990
Revenue Finance Loans	13	15,174,323	14	16,929,522
Total	17	\$ 21,644,460	18	\$ 21,147,512

TIMIA CAPITAL CORP.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

3. LOANS RECEIVABLE (continued)*Loans receivable by geography*

The Company advances loans in Canada and the United States of America. The following table presents a breakdown of the loan portfolio by geography, denominated in Canadian dollars.

	At February 29, 2020		At November 30, 2019	
	Number of Loans	Carrying Value	Number of Loans	Carrying Value
Canada	9	\$ 9,354,049	11	\$ 10,954,780
United States of America	8	12,290,410	7	10,192,732
Total	17	\$ 21,644,460	18	\$ 21,147,512

During the three months ended February 29, 2020, the Company recognized \$516,009 (February 28, 2019: \$Nil) gain on investments from successful exits of its loan portfolios.

4. EQUITY INVESTMENTS

As at February 29, 2020 and as at November 30, 2019, the Company held the following equity investments:

Investees	Common Shares		Cost	Fair Value
	Number	Value		
Moj.io Inc.	427,998	\$ 43	\$ 462,300	
Lambda Solutions Inc.	185,000	46,538	77,700	
CamDo Solutions Inc.	1,062,500	25,100	425,100	
		\$ 71,681	\$ 965,100	

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY

In December 2019, the Company entered into a sublease agreement for office space in Vancouver for a monthly lease payment of \$7,767 with a term from January 1, 2020 to April 28, 2021. There is no extension contemplated in the sublease agreements. Under IFRS 16, the Company recognizes lease liabilities measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates. The Company's weighted-average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 12%. The right-of-use assets of \$88,809 recognized during the quarter was measured at an amount equal to the recognized lease liabilities and comprises of a real estate premises. The details of the right-of-use assets and lease liabilities recognized as at February 29, 2020 are as follows:

Right-of-use asset

	February 29, 2020
Beginning balance	\$ -
Present value of lease payments	88,809
Amortization	(11,102)
Ending balance	\$ 77,707

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(Expressed in Canadian Dollars)

5. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)**Lease liability**

	February 29, 2020
Beginning balance	\$ -
Present value of lease payments	88,809
Accrued interest	1,724
Cash payment	(12,068)
Ending balance	\$ 78,465

6. CONVERTIBLE DEBENTURES

During the year ended November 30, 2015, the Company closed an offering of convertible debentures (the "Convertible Debentures") for gross proceeds of \$1,767,500 (the "Principal"). The issue costs were \$6,656 resulting in net proceeds of \$1,760,844. The Convertible Debentures bear interest from the date of issuance at 8% per annum, payable monthly in arrears. The Convertible Debentures have a maturity date of five years from the date of issuance (the "Maturity Date"). The debenture holders may elect at any time to convert all, but not less than all, of their outstanding Principal amount prior to the Maturity Date into common shares of the Company at a conversion price of \$0.14 per common share.

During the year ended November 30, 2016, the Company closed an additional offering of Convertible Debentures for gross proceeds of \$283,500 bringing the total amount of Convertible Debentures raised to \$2,051,000.

For accounting purposes, the Convertible Debentures are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 9% for Convertible Debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the Convertible Debentures and the fair value of the liability component.

The Convertible Debentures are not redeemable before the third anniversary from the issuance date. On or after the third anniversary of the issuance date, but prior to the Maturity Date, the Company may, at its option, redeem the Convertible Debentures, in whole or in part, at a price equal to the principal amount of the Convertible Debentures plus all accrued and unpaid interest up to but excluding the date of redemption.

The Company is not permitted to grant any liens on the Company or its assets as long as the Convertible Debentures are outstanding except with the permission of more than 67% of the Convertible Debentures holders.

TIMIA CAPITAL CORP.**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

6. CONVERTIBLE DEBENTURES (continued)

The following table summarizes the outstanding balance and changes in the components of the convertible debentures during the periods ended February 29, 2020 and November 30, 2019:

	February 29, 2020	November 30, 2019
Principal		
Beginning balance	\$ 2,051,000	\$ 2,051,000
Advanced during the period	-	-
Gross proceeds received	2,051,000	2,051,000
Issue costs	(6,656)	(6,656)
Equity component less issue costs allocated	(82,070)	(82,070)
Liability component initially recognized	1,962,274	1,962,274
Accumulated accretion expense	75,087	70,101
Unpaid interest	14,872	15,321
Ending balance	2,052,233	2,047,696
Less: current portion	(1,768,733)	(1,764,196)
Non-current portion	283,500	283,500
Equity		
Beginning balance	82,070	82,070
Equity component recognized	-	-
Ending balance	\$ 82,070	\$ 82,070

7. DEBENTURES

During the year ended November 30, 2016, the Company closed an offering of debentures (the "Debentures") for proceeds of \$1,490,000. The Debentures are unsecured, pay interest at the rate of 8% per annum, paid monthly, and mature on March 31, 2021, with an option for early redemption by the Company after three years. The Company issued a total of 3,725,000 share purchase warrants in conjunction with the closing of the Debentures. Each warrant is exercisable at \$0.20 for a five-year term. The Debentures, the warrants and any common shares issuable upon exercise thereof will be subject to a four-month hold period in accordance with applicable securities laws. The warrants were valued at \$314,811 and have been recorded against the value of the Debentures and will be accreted over the expected life of the Debentures.

During the year ended November 30, 2017, the Company initiated a new series of Debenture offerings. The Debentures will pay 12% annual interest with quarterly payments and will be secured against the assets of the Company with a maturity date of June 15, 2022, with an option for early redemption by the Company after three years from the date of issuance. Investors who subscribe for more than \$50,000 of the Debentures will be entitled to common share purchase warrants at a rate of 4,000 warrants per \$10,000 of Debentures. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.25 and will have an expiry date of June 15, 2022.

On December 13, 2018, the Company closed a private placement of \$1,320,000 of Series E debentures with warrants, of which \$775,000 in debentures with 258,333 warrants were issued during the year ended November 30, 2018. This private placement which was priced at \$100 per unit resulted in a total issuance of 13,200 debentures and 440,000 warrants. The debentures bear an interest rate of 12% per annum, payable quarterly in arrears, have a term of five years from November 30, 2018 and will be secured against the assets of the Company. The warrants are exercisable for five years from November 30, 2018, at a price of \$0.30 per share. A total commission of \$28,700 and 95,666 broker warrants, exercisable at \$0.30 with a two-year term, were paid as part of this transaction.

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7. DEBENTURES (continued)

During the year ended November 30, 2019, the Company closed \$545,000 of Debentures bringing the total amount of Debentures issued to \$6,460,200. During the three months ended February 29, 2020, \$30,302 (February 28, 2019: \$30,544) has been recognized as accretion expense in the line item Interest expense.

The Company has agreed not to allow any liens or charges to be registered against its assets as long as the Debentures are outstanding, except with the permission of more than 67% of the Debenture holders, except in certain limited circumstances and conditions.

As at February 29, 2020, \$101,446 (November 30, 2019: \$101,284) of interest payable was outstanding and classified as current portion of debentures.

The following table summarizes the outstanding balance and changes in the amounts recognized in the components of the Debentures during the periods ended February 29, 2020 and November 30, 2019:

	February 29, 2020	November 30, 2019
Principal		
Beginning balance	\$ 5,975,646	\$ 5,399,712
Advanced during the period	-	545,000
Repayments during the period	(97,244)	(87,910)
Reinvestment of interest	2,805	16,164
Gross proceeds received	5,881,207	5,872,966
Allocated to warrants	-	(21,708)
Liability component initially recognized	5,881,207	5,851,258
Accretion expense	30,302	124,388
Ending balance	\$ 5,911,509	\$ 5,975,646

8. CO-INVESTMENT OBLIGATIONS

The Company enters into co-investment agreements that provide non-dilutive capital in exchange for the ability for qualified investors to participate directly in the Company's portfolio of investments ("Co-investors"). Under this model, Co-investors enter into an agreement that entitles them to receive a fixed percentage of all cash flow derived from a specified portfolio of investments. The co-investment agreements will terminate upon the discharge of all of the obligations of the respective parties that make up the underlying loans receivable portfolio. The actual amounts paid and timing of payments under the co-investment agreements depend on the performance of the underlying loans receivable.

On November 23, 2017, the Company entered into a co-investment agreement that provided \$250,000 of non-dilutive capital. The Company closed similar financings on January 18, 2018 for \$350,000, on January 29, 2018 for \$1,500,000, on June 13, 2018 for \$1,000,000 on June 27, 2018 for \$750,000 and on October 29, 2018 for \$1,000,000. As of February 29, 2020, the Company has raised \$4,850,000 using such arrangements.

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8. CO-INVESTMENT OBLIGATIONS (continued)

	February 29, 2020	November 30, 2019
Co-Investment Obligation		
Beginning balance	\$ 2,575,708	\$ 2,886,456
Payments, net accrued interest	(211,376)	(310,748)
Ending balance	2,364,332	2,575,708
Less: current portion	(321,566)	(280,538)
Non-current portion	2,042,766	\$ 2,295,170

9. REVOLVING CREDIT FACILITY

On November 22, 2019, Company secured a revolving credit facility (the "Credit Facility") from a lender. The amount available to be drawn under the Credit Facility is \$7,500,000 and will mature on November 22, 2020 ("Maturity Date"), with an option to extend the Maturity Date by 3 months. The principal drawn on the Credit Facility will bear an interest rate equal to the greater of a) prime plus 5.7%, or b) 10.5%. The standby fee on the undrawn balance is equal to 1% of the undrawn principal amount of the facility is payable monthly. A minimum usage fee is due if at any time the principal amount outstanding under the facility falls below \$2,000,000.

The Credit Facility contains both general and financial covenants which the Company is required to report on a regular basis and restrict the level of indebtedness as a ratio to current assets and require a minimum cash balance.

The Company immediately drew \$1,465,363 and incurred cash transaction costs of \$65,375 which are being amortized as interest accretion expense over the term of the facility. An additional \$502,644 was advanced during the period bringing the total principal balance to \$1,968,007 as at February 29, 2020. The balance outstanding under the Credit Facility is classified as amortized cost and accounted for using the effective interest rate method. The carrying value as at February 29, 2020 was \$1,940,056 (November 30, 2019: \$1,405,270).

10. SHARE CAPITAL**(a) Authorized:**

An unlimited number of common voting shares without par value.

(b) Issued:Three months ended February 29, 2020:

On December 20, 2019, the Company issued 250,000 common shares related to the exercise of 250,000 stock options for proceeds of \$33,500. The fair value of the stock options of \$29,549 has been reallocated to share capital from the share-based payment reserve.

Year ended November 30, 2019:

During the year ended November 30, 2019, the Company issued 495,000 common shares related to the exercise of 495,000 stock options for proceeds of \$48,000. The fair value of the stock options of \$25,241 has been reallocated to share capital from the share-based payment reserve.

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10. SHARE CAPITAL (continued)

(b) Issued: (continued)

Year ended November 30, 2019: (continued)

During the year ended November 30, 2019, the Company issued 3,214,334 common shares related to the exercise of 3,214,334 share purchase warrants with an exercise price of \$0.14 and \$0.20 per share.

(c) Stock options:

The Company has adopted an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 5,500,000 Common Shares, being a number equal to 15.95% of the outstanding issue as of the date of shareholder approval of the plan. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of TSX-V. Options granted may not exceed a term of five years from the grant date. Options granted to consultants conducting investor relation activities vest 25% upon grant, and 25% every three months thereafter. The vesting period for all other options will be determined by the Board of Directors at the time of each grant.

On February 15, 2019, the Company granted 75,000 stock options to a new member of the management team exercisable at a price of \$0.175 per share and expiring five years from date of grant.

On May 14, 2019, the Company granted 1,090,000 stock options to the members of the management team, employees and board members exercisable at a price of \$0.215 per share and expiring five years from the date of grant.

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2018	4,705,000	\$ 0.12
Issued	1,165,000	0.21
Exercised	(495,000)	0.10
Expired	(200,000)	0.15
Balance, November 30, 2019	5,175,000	0.14
Exercised	(250,000)	0.13
Balance, February 29, 2020	4,925,000	\$ 0.14

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10. SHARE CAPITAL (continued)

(c) Stock options: (continued)

Additional information regarding stock options outstanding as at February 29, 2020 is as follows:

Exercise Price	Outstanding			Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 0.05	730,000	0.43	\$ 0.05	730,000	\$ 0.05	
0.06	680,000	0.55	0.06	680,000	0.06	
0.14	1,230,000	2.19	0.14	1,151,370	0.14	
0.17	1,120,000	3.19	0.17	833,973	0.17	
0.18	75,000	3.96	0.18	75,000	0.18	
\$ 0.22	1,090,000	4.21	0.22	608,575	0.22	
	4,925,000	2.41	\$ 0.14	4,078,918	\$ 0.13	

Option-pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the options re-priced and granted to officers, directors, consultants, and employees was calculated using the Black-Scholes option pricing model with following weighted average assumptions and resulting grant date fair value:

	2020	2019
Weighted average assumptions:		
Risk-free interest rate	1.57% - 1.80%	1.57% - 1.80%
Expected dividend yield	-	-
Expected option life (years)	5.00	5.00
Expected stock price volatility	110% - 116%	110% - 116%
Weighted average fair value at grant date	\$0.24	\$0.24
Expected forfeiture rate	-	-

(d) Warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2018	9,364,147 \$	0.19
Issued	181,667	0.30
Exercised	(3,214,334)	0.14
Balance, November 30, 2019 and February 29, 2020	6,331,480 \$	0.22

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10. SHARE CAPITAL (continued)

(d) Warrants: (continued)

Additional information regarding warrants outstanding and exercisable as at February 29, 2020 is as follows:

Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$ 0.20	2,175,000	1.25	\$ 0.20
0.20	625,000	1.39	0.20
0.20	925,000	1.75	0.20
0.20	875,000	2.00	0.20
0.25	140,080	2.00	0.25
0.20	22,500	2.07	0.20
0.25	44,800	2.25	0.25
0.25	288,600	2.50	0.25
0.20	62,500	2.75	0.20
0.25	260,000	2.75	0.25
0.25	307,800	3.00	0.25
0.25	165,200	3.25	0.25
0.30	258,333	3.75	0.30
\$ 0.30	181,667	4.00	0.30
	6,331,480	1.92	\$ 0.22

11. RELATED PARTY TRANSACTIONS AND EXECUTIVE COMPENSATION

The Company had the following related party transactions:

- Certain directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel invested in the Company's convertible debentures. As at February 29, 2020, there was \$597,965 (November 30, 2019: \$598,095) due to directors, officers, family members of directors and officers and a company controlled by a family member of a director.
- Debentures of \$1,482,500 (November 30, 2019: \$1,582,500) were issued to directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel. As at February 29, 2020, there was \$1,505,373 (November 30, 2019: \$1,606,836) due to directors, officers, family members of directors and officers and a company controlled by a director.
- During the three months ended February 29, 2020, \$55,173 (February 28, 2019: \$33,741) of interest from both debentures and convertible debentures were accrued or paid to certain directors, officers, family members of directors and officers and a company controlled by a director.
- Accounts payable of \$28,838 (November 30, 2019: \$27,979) was due to directors and/or officers identified as key management personnel as at February 29, 2020.
- Rent expense of \$4,200 (February 28, 2019: \$4,746) was accrued or paid during the three months ended February 29, 2020.

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11. RELATED PARTY TRANSACTIONS AND EXECUTIVE COMPENSATION (continued)

- (f) Investments by directors and their family accounts for \$2,850,000 (November 30, 2019: \$2,500,000) of Limited Partner contributions as at February 29, 2020.

The Company considers the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Credit Officer, and Directors as key management personnel. Key management compensation for the three months ended February 29, 2020 and February 28, 2019 were as follows:

- (a) Directors fees of \$18,262 (February 28, 2019: \$10,942) were accrued or paid during the three months ended February 29, 2020.
- (b) Management fees of \$159,465 (February 28, 2019: \$94,982) were accrued or paid during the three months ended February 29, 2020.
- (c) Share-based payments of \$32,496 (February 28, 2019: \$40,257) were recorded for directors and certain officers identified as key management personnel for the three months ended February 29, 2020.

12. NON-CONTROLLING INTEREST (“NCI”)

On March 6, 2019, the Company completed a \$10,500,000 (“Committed Capital”) financing in launching its first Limited Partnership (“LP”). On inception, eight financing facility agreements from TIMIA’s existing portfolio of loans receivable portfolio companies, representing \$8,230,132 in assets were transferred at fair value into the LP. The monthly payments from the transferred loan portfolio will be distributed on a pro rata basis to LP unit holders, including TIMIA, going forward. Consideration for this transaction was \$5,830,132 in cash and \$2,400,000 in Class B partnership units. Class B partnership units are pari passu with the Class A units and are entitled to an enhanced distribution of an additional 20% of the income after the holders of the Class A units have earned an 8% return.

On September 18, 2019, the Company has received limited partner approval to expand its LP from a limit of \$12,000,000 to a limit of \$20,000,000. In July 2019, an additional \$700,000, \$4,150,000 in September 2019, \$1,320,000 in December 2019 and \$1,750,000 in January 2020 Class A units were completed, bringing the LP’s capital position to \$18,420,000 out of a possible \$20,000,000.

TIMIA is entitled to receive a management fee of 1.5% of Committed Capital for the first six years and 0.75% thereafter. In addition, the LP reimburses TIMIA for operating expenses incurred on its behalf.

	TIMIA Capital	TIMIA Capital I LP	Total
NCI percentage	13.03%	86.97%	
Balance, February 28, 2019	\$ -	\$ -	\$ -
Contributions	2,400,000	12,950,000	15,350,000
Net income and comprehensive income	84,568	456,313	540,881
Distributions paid	(475,227)	(1,796,357)	(2,271,584)
Balance, November 30, 2019	2,009,341	11,609,956	13,619,297
Contributions	-	3,070,000	3,070,000
Capital repayments	(128,531)	(896,606)	(1,025,137)
Net income and comprehensive income	95,856	581,828	677,684
Balance, February 29, 2020	\$ 1,976,666	\$ 14,365,178	\$ 16,341,844

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13. FINANCIAL INSTRUMENTS AND RISK**Financial instruments**

The following table summarizes information regarding the carrying values and classification of the Company's financial instruments as of the periods ended February 29, 2020 and November 30, 2019:

	February 29, 2020	November 30, 2019
Cash – FVTPL	\$ 6,801,412	\$ 4,662,156
Accounts receivable – Amortized cost	328,368	284,326
Loans receivable – Amortized cost	21,644,460	21,147,512
Equity investments – FVTPL	965,100	965,100
Accounts payable – Amortized cost	338,950	305,665
Revolving credit facility – Amortized cost	1,940,056	1,405,270
Convertible debentures – Amortized cost	2,052,233	2,047,696
Debentures – Amortized cost	6,012,955	6,076,930
Co-investment obligations – Amortized cost	\$ 2,364,332	\$ 2,575,708

The estimated fair values of cash and accounts payable approximate their respective carrying values due to their nature and short terms to maturity. Equity investments are carried at their fair value. Loans receivable, accounts receivable, convertible debentures, co-investment obligations, revolving credit facility and debentures are carried at amortized cost.

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of net assets and categorized into levels of the fair value hierarchy:

	Balance at February 29, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 6,801,412	\$ 6,801,412	\$ -	\$ -
Equity investments	\$ 965,100	\$ -	\$ 965,100	\$ -

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13. FINANCIAL INSTRUMENTS AND RISK (continued)**Financial instruments (continued)**

The investment operations of the Company's business involve the purchase and sale of securities, and accordingly, a portion of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, a discussion of which is provided below.

There were no transfers from Level 1 to 2 or Level 2 to 1 during the periods ended February 29, 2020 and November 30, 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is dependent on obtaining regular financings in order to continue as a going concern. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 5 years
	\$	\$	\$	\$	\$
Accounts payable	338,950	338,950	338,950	-	-
Revolving credit facility	1,940,056	1,940,056	1,940,056	-	-
Convertible debentures	2,052,233	2,052,233	1,768,733	283,500	-
Debentures	6,012,955	6,012,955	101,446	1,790,430	4,121,079
Co-investment obligations	2,364,332	2,364,332	321,566	-	2,042,766
Total	12,708,526	12,708,526	4,470,751	2,073,930	6,163,845

Foreign exchange risk

The Company's foreign exchange risk is due to the Company's seven loan investments totaling US\$9,150,000 which are currently valued together at \$12,600,395 denominated in Canadian dollars.

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. A 10% change in the interest rate would not result in a material impact on the Company's operations.

Market risk

Market risk is the risk that the fair value of, or future cash flows from the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's

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13. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

Market risk (continued)

investments over one or more reporting periods, particularly during periods of overall market instability, which could have a significant unfavourable effect on the Company's financial position.

The Company manages market risk by having a portfolio of investments not singularly exposed to any one issuer; however, its investment activities are currently concentrated primarily in the technology and energy sectors. The Company also manages its market risk by reviewing commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and loan receivables. The Company limits exposure to credit risk by maintaining its cash with financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and loan receivable.

Credit risk measurement

In monitoring credit risk, the Company performs ongoing credit evaluations of its investees' financial condition. The evaluation considers delinquency trends, sales volumes and the investee's ability to maintain its financial condition.

As of December 1, 2018, the Company calculates an expected credit loss as outlined below. In prior periods, the Company accrued a loan loss provision of 0.75% (3% p.a.) of the portfolio amortized loan balance, net of future cash flows belonging to the holders of the co-investment obligation agreements.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

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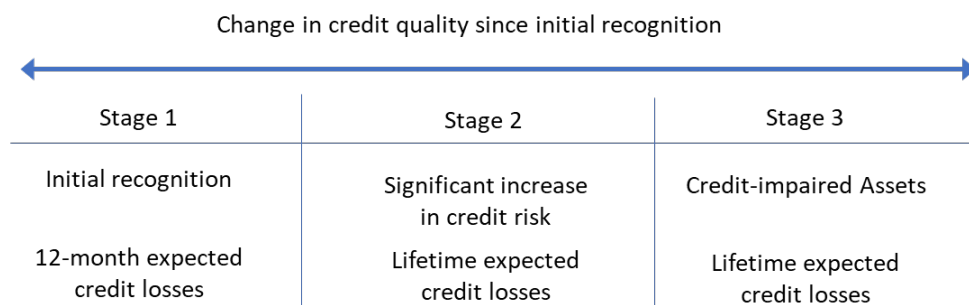
13. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

Credit risk (continued)

Expected credit loss measurement (continued)

The following diagram summarizes the impairment requirements under IFRS 9:



The Company assigns each loan in the portfolio to a credit quality stage of Stage 1, Stage 2 or Stage 3. This credit quality staging is then used to calculate the lifetime ECL. The lifetime ECL is the maximum loss in default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each loan receivable. The Company periodically reviews the ECL model to determine if industry trends or macro-economic factors have changed, causing a need to adjust the ECL model. The expected credit loss expense this quarter is \$101,089 and the loan loss accrued is \$549,614 as at February 29, 2020.

Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative or qualitative criteria have been met:

- The investment is more than 30 days but less than 90 days in arrears on its contractual payment obligations;
- The Company's management believes the cash resources available to the investment may not be sufficient to meet ongoing needs; or
- The investment has significantly underperformed with respect to revenue growth and expense control.

An investment is considered to be in stage 3 if:

- The investment is 90 days past due on contractual payments;
- The investment is in long term forbearance;
- The investment is insolvent; or
- The investment is in breach of financial covenants.

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13. FINANCIAL INSTRUMENTS AND RISK (continued)

Financial instruments (continued)

Credit risk (continued)

Expected credit loss model

The Company determines the lifetime expected credit loss to be the maximum loss in a default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each loan receivable.

The maximum default loss is a function of the relative exposure of the Company to a particular investment. The Company assesses this as a ratio of the enterprise value of the underlying entity to the amortized loan balance. Based on this ratio, the Company assigns the loan receivable to a maximum default loss band. Each band has a loss percentage based on historic experience.

The probability of default represents the likelihood that the borrower defaults on its financial obligation. As such it is dependent on the stage of the investment at the measurement date. An investment in stage 3 is in default by definition so the likelihood of default is 100%. Stage 1 and stage 2 credits are assigned default probabilities based on historic experience and an assessment of forward looking macro-economic trends. If Company management determines that a segment of the portfolio is facing macro-economic trends that differ from other investments in the portfolio, the probability of default will be adjusted accordingly for that segment.

The Company reviews the stage of each loan receivable and recalculates the ECL every reporting period. Changes to the ECL are recognized on the Statement of Comprehensive Income or Loss in the period of the change.

The Company periodically reviews the ECL model to determine if industry trends or macro-economic factors have changed, causing a need to adjust the ECL model.

Credit risk exposure

The Company's credit risk exposure by ECL staging is included in a table in Note 3 Loans receivable.

14. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to identify and to invest in investments with strong cash-flow and long-term growth potential, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term. The Company is subject to certain restrictions on its assets as described in Notes 6 and 7. The Company does not have any other externally imposed capital requirements to which it is subject. The capital of the Company comprises shareholders' equity, convertible debentures, private placements through a Limited Partnership fund, debentures and co-investment obligations.

The Company manages and adjusts the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

(Expressed in Canadian Dollars)

14. MANAGEMENT OF CAPITAL (continued)

The Company's investment policy is to invest in software companies that have strong revenue growth and gross margins. Management looks to invest in assets that will create routine monthly cash-flow, as well as periodic gains when the investments are sold or achieve an initial public offering.

If the Company does not receive sufficient cash flows from its activities, it may have to undertake a private placement to cover its cash outflows.

15. SUBSEQUENT EVENTS

On March 12, 2020, the Company granted 605,000 stock options to staff and officers exercisable into common shares at a price of \$0.20 per share. Of the 605,000, officers received 180,000, with the staff receiving the remainder. The stock options have a term of five years and will expire on March 11, 2025.

On March 18, 2020, the Company entered into a US\$2,000,000 investment facility with a US company based in Santa Monica, Calif. The financing facility includes an initial disbursement of US\$750,000, which has been advanced in March, and a further US\$1,250,000 to be disbursed upon certain milestones being met over the term of the agreement.

Subsequent to the interim period ended February 29, 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of travel restrictions, business closures, and quarantine/isolation measures that are currently, or may be put, in place by Canada, U.S. and other countries to fight the virus. Management continues to monitor its loan portfolio and assess the impact COVID-19 will have on its business activities.