

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

## **CONSOLIDATED FIRSTFUND CAPITAL CORP.**

### **NOTICE TO READER**

The condensed consolidated interim statements of financial position of Consolidated Firstfund Capital Corp. as at September 30, 2019 and 2018 and the condensed consolidated interim statements of loss and comprehensive loss, changes in equity and cash flows for the nine months then ended have not been reviewed by an auditor. These condensed consolidated interim financial statements are the responsibility of the Company's management. These condensed consolidated interim financial statements have been prepared by management of the Company in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION  
(Unaudited)  
(Expressed in Canadian Dollars)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets		
Cash	\$ 66,394	\$ 109,972
Accounts receivable (Notes 5 and 13)	8,864	88,771
Prepaid expenses	7,836	3,525
	83,094	202,268
Investments (Note 6)	668,780	1,720,081
Property and equipment (Note 7)	6,939	9,168
Long-term receivable from related party (Notes 5 and 13)	14,602	14,602
	<b>\$ 773,415</b>	<b>\$ 1,946,119</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 13)	31,268	36,370
Amounts owing to related party (Note 13)	140,189	290,740
Redeemable preference shares (Note 9)	104,200	102,400
	275,657	429,510
Deferred tax liability	54,036	54,036
	<b>329,693</b>	<b>483,546</b>
<b>Shareholders' equity</b>		
Capital stock (Note 10)	3,578,374	3,578,374
Reserves - equity settled employee benefits	197,436	197,436
Deficit	(3,332,088)	(2,313,237)
	443,722	1,462,573
	<b>\$ 773,415</b>	<b>\$ 1,946,119</b>

Approved and authorized by the Board on November 29, 2019

“W. Douglas Grant” (signed) Director

“Cheryl A. Grant” (signed) Director

*See accompanying Notes to the condensed consolidated interim financial statements.*

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS  
AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended Sep. 30, 2019	Nine Months Ended Sep. 30, 2019	Three Months Ended Sep. 30, 2018	Nine Months Ended Sep. 30, 2018
<b>Revenue</b>				
Fee income (Note 13)	\$ 80,738	\$ 243,736	\$ 79,916	\$ 236,276
Other income (Note 13)	777	2,265	436	2,345
Unrealized net (loss) gain on investments measured at fair value through profit or loss (Note 6)	(280,347)	(1,051,301)	(665,824)	525,650
	(198,832)	(805,300)	(585,472)	764,271
<b>Expenses</b>				
Salaries and benefits (Note 13)	31,600	99,477	32,461	107,112
Office, administration and rent (Note 13)	20,642	74,785	21,634	76,328
Professional fees	7,500	22,500	7,500	22,500
Consulting (Note 13)	3,000	9,000	3,000	9,000
Other	743	3,629	743	3,629
Foreign exchange loss (gain)	187	2,223	1,757	(1,574)
Travel and promotion	-	137	-	96
Share-based compensation (Note 10)	-	-	-	41,200
	63,672	211,751	67,095	258,291
Other expense				
Accrued dividends on redeemable preference shares (Note 9)	(600)	(1,800)	-	-
	(600)	(1,800)	-	-
(Loss) Income before income taxes	(263,104)	(1,018,851)	(652,567)	505,980
Income tax expense (recovery)	-	-	-	-
<b>Net (loss) income and comprehensive (loss) income for the period</b>	<b>\$ (263,104)</b>	<b>\$ (1,018,851)</b>	<b>\$ (652,567)</b>	<b>\$ 505,980</b>
(Loss) Earnings per share				
Basic and diluted	\$ (0.04)	\$ (0.16)	\$ (0.11)	\$ 0.08
Weighted average number of Common shares				
Basic (Note 17)	6,171,703	6,171,703	6,171,703	6,171,703
Diluted (Note 17)	6,371,703	6,371,703	6,371,703	6,371,703

*See accompanying Notes to the condensed consolidated interim financial statements.*

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

(Expressed in Canadian Dollars)

	<u>Capital Stock</u>		Reserves \$	Deficit \$	Accumulated Other Comprehensive Income (Loss) \$	Total \$
	Number	Amount \$				
Balance at December 31, 2017	6,006,703	3,546,413	171,697	(3,073,659)	(130,186)	514,265
Adjustment to retained earnings for adoption of IFRS 9	-	-	-	(130,186)	130,186	-
Balance at January 1, 2018 as restated (Note 2(b))	6,006,703	3,546,413	171,697	(3,203,845)	-	514,265
Stock options exercised	165,000	31,961	(15,461)	-	-	16,500
Share-based compensation	-	-	41,200	-	-	41,200
Net income	-	-	-	505,980	-	505,980
Balance at September 30, 2018	6,171,703	3,578,374	197,436	(2,697,865)	-	1,077,945
Net income	-	-	-	384,628	-	384,628
Balance at December 31, 2018	6,171,703	3,578,374	197,436	(2,313,237)	-	1,462,573
Net loss	-	-	-	(1,018,851)	-	(1,018,851)
Balance at September 30, 2019	6,171,703	3,578,374	197,436	(3,332,088)	-	443,722

*See accompanying Notes to the condensed consolidated interim financial statements.*

**CONSOLIDATED FIRSTFUND CAPITAL CORP.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended Sep. 30, 2019	Nine Months Ended Sep. 30, 2019	Three Months Ended Sep. 30, 2018	Nine Months Ended Sep. 30, 2018
<b>Operating activities</b>				
Net (loss) income for the period	\$ (263,104)	\$ (1,018,851)	\$ (652,567)	\$ 505,980
Items not involving cash				
Depreciation	743	2,229	743	2,229
Share-based compensation	-	-	-	41,200
Accrual of dividend on redeemable preference shares	600	1,800	-	-
Unrealized net loss (gain) on revaluation of investments measured at fair value through profit or loss	280,347	1,051,301	665,824	(525,650)
	18,586	36,479	14,000	23,759
Increase (Decrease) in non-cash operating working capital (Note 12)	8,981	69,943	13,844	(10,893)
	<b>27,567</b>	<b>106,422</b>	<b>27,844</b>	<b>12,866</b>
<b>Financing activities</b>				
Decrease in amounts owing to a related party	-	(150,000)	(214)	(16,410)
Stock options exercised	-	-	-	16,500
	-	<b>(150,000)</b>	<b>(214)</b>	<b>90</b>
(Decrease) Increase in cash position during the period	27,567	(43,578)	27,630	12,956
Cash, beginning of period	38,827	109,972	83,468	98,142
<b>Cash, end of period</b>	<b>\$ 66,394</b>	<b>\$ 66,394</b>	<b>\$ 111,098</b>	<b>\$ 111,098</b>

Additional information is presented in Note 12.

*See accompanying Notes to the condensed consolidated interim financial statements.*

# CONSOLIDATED FIRSTFUND CAPITAL CORP.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Unaudited)

(Expressed in Canadian Dollars)

### 1. Description of the business and going concern

Consolidated Firstfund Capital Corp. (the “Company”) is incorporated under the Canada Business Corporations Act. The head office and registered office of the Company is located at #304 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6. The Company is listed on the TSX Venture Exchange (TSX-V) and trades under the symbol "FFP".

The Company is primarily engaged in financial consulting relating to real estate development and venture capital activities in Canada and the United States.

The condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the course of business rather than through a process of forced liquidation. The Company has a total deficit of \$3,332,088 as at September 30, 2019 and, as of that date the Company’s current liabilities exceeded its current assets by \$192,563. Continued operations of the Company are dependent on the Company’s ability to receive continued financial support from its principal shareholder and lenders, maintaining profitable operations and issuing additional equity. These circumstances indicate the existence of material uncertainties that cast significant doubt as to the Company’s ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### 2. Basis of presentation

#### (a) *Statement of compliance*

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, certain information and disclosure normally included in consolidated annual financial statements prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRIC have been omitted or condensed.

## 2. Basis of presentation (continued)

### (a) *Statement of compliance (continued)*

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company's last fiscal year end and they do not include all of the information required in the Company's most recent consolidated annual financial statements. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the Company's most recent consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2018 and 2017, which were prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC. There have been no significant changes in judgments or sources of estimation uncertainty from those disclosed in the Company's consolidated financial statements for the years ended December 31, 2018 and 2017.

The condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2019 and 2018 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2019. Shortly thereafter, the financial statements are made available to shareholders.

### (b) *New and amended standards and interpretations*

#### IFRS 9, "Financial Instruments"

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9), which replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 was adopted retrospectively without restatement, as allowed under the standard's transitional provisions. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, including the impairment of financial assets and other commitments.

As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets effective January 1, 2018 as described in Notes 3(b) and 3(c) in the consolidated financial statements for the years ended December 31, 2018 and 2017. The IAS 39 accounting policies that were applied prior to January 1, 2018 are included in Note 3(d) in the consolidated financial statements for the years ended December 31, 2018 and 2017. For the Company, the adoption of IFRS 9 caused the reclassification of certain available for sale investments under IAS 39 to fair value through profit or loss under IFRS 9, and the adoption of the expected credit loss model for impairment of financial assets.

As a result of adopting IFRS 9, gains and losses recorded under accumulated other comprehensive income as at December 31, 2017 have been recognized as an adjustment to opening retained earnings at January 1, 2018 in the condensed consolidated interim statements of changes in shareholder's equity.

## 2. **Basis of presentation (continued)**

### (b) *New and amended standards and interpretations (continued)*

#### IFRS 15, “Revenue from Contracts with Customers”

In May 2014, the IASB issued this new standard which supersedes the requirements of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

The standard applies a core principal in that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It follows a five-step analysis of transactions to determine when and how much revenue is to be recognized. Management has assessed this standard as not having any impact on the Company’s financial statements.

## 3. **Significant accounting policies**

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the Company’s most recent consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2018 and 2017, which were prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC. There have been no significant changes in judgments or sources of estimation uncertainty from those disclosed in the Company’s consolidated financial statements for the years ended December 31, 2018 and 2017.

## 4. **Pending adoption of IFRS 16 and IFRIC 23**

### (a) *IFRS 16, “Leases”*

In January 2016, the IASB issued IFRS 16, replacing IAS 17, “Leases”. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity’s lease obligation. This standard is effective for reporting periods beginning on or after January 1, 2019, with early adoption permitted. Management has assessed this standard as not having any impact on the Company’s financial statements.

### (b) *IFRIC 23, “Uncertainty over income tax treatments”*

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. It will be applicable for annual periods beginning on or after January 1, 2019. Management has not yet assessed the impact of this interpretation on the Company’s financial statements.

## 5. Receivables

	As at September 30, 2019	As at December 31, 2018
	\$	\$
Current:		
Accounts receivable from related parties (see Note 13)	6,037	87,079
GST/HST receivable	2,827	1,692
Total current	8,864	88,771
Long-term receivable from related party (see Note 13)	14,602	14,602
Total receivables	23,466	103,373

## 6. Investments

		As at September 30, 2019	As at December 31, 2018
		\$	\$
Investments in Vitality Products Inc.			
Common shares measured at fair value through profit or loss	(a)	630,780	1,682,081
26,920 Retractable and redeemable preference shares measured at fair value through profit or loss	(b)	38,000	38,000
		668,780	1,720,081

### (a) Common shares

The Company owns 22.0% (2018 - 22.5%) of the issued and outstanding common shares of Vitality Products Inc. The Company has elected to use the exemptions allowed under IAS 28, "Investments in Associates and Joint Ventures" for venture capital companies to report this investment at fair value through profit or loss which resulted in an unrealized loss of \$1,051,301 (2018 - unrealized gain of \$525,650).

### (b) Preferred shares

The Company owns 100% (2018 - 100%) of the issued non-voting, redeemable Class "A" Preference Shares, Series 3 of Vitality Products Inc. which bear a 6% cumulative dividend. These shares are retractable by the Company or redeemable by Vitality at a price of \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. Vitality can force the conversion to common shares at a price equal to the lesser of the current market price per share and \$0.25 per common share plus all unpaid dividends accrued thereon to the date of conversion.

This investment is measured at fair value through profit or loss which resulted in an unrealized gain of \$Nil (2018 - \$Nil).

7. **Property and equipment**

	<b>Office furniture and equipment</b>
	<b>\$</b>
<b>Cost</b>	
As at December 31, 2017	37,769
Additions	-
Disposals	(3,607)
As at December 31, 2018	34,162
Additions	-
Disposals	-
<b>As at September 30, 2019</b>	<b>34,162</b>
<b>Accumulated depreciation</b>	
As at December 31, 2017	25,630
Depreciation	2,971
Disposals	(3,607)
As at December 31, 2018	24,994
Depreciation	2,229
Disposals	-
<b>As at September 30, 2019</b>	<b>27,223</b>
<b>Net book value</b>	
As at December 31, 2017	12,139
As at December 31, 2018	9,168
<b>As at September 30, 2019</b>	<b>6,939</b>

Included in property and equipment is artwork with a value of \$5,084 (2018 - \$5,084) that are not subject to amortization.

8. **Accounts payable and accrued liabilities**

	<b>As at September 30, 2019</b>	<b>As at December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Accounts payable to third parties	461	688
Accrued liabilities to related parties (see Note 13)	1,400	-
Accrued liabilities to third parties	29,407	35,682
<b>Total accounts payable and accrued liabilities</b>	<b>31,268</b>	<b>36,370</b>

## 9. Redeemable preference shares

(a) *Authorized*

10,000 non-voting Series B preference shares

(b) *Issued*

	As at September 30, 2019		As at December 31, 2018	
	Shares	Amount	Shares	Amount
		\$		\$
Series B preference shares	<b>4,000</b>	<b>104,200</b>	4,000	102,400

The Series B preference shares have a 6% per annum cumulative dividend payable annually commencing December 31, 1993, are redeemable by the Company and retractable by the holder after five years from issue. The redemption price is \$10 per share plus any cumulative dividends. The Company may force conversion into common shares at the lower of \$5 per share and the current market value price per common share.

Included in the balance at September 30, 2019 are aggregate cumulative preference shares dividends in arrears of \$64,200 (December 31, 2018 - \$62,400).

## 10. Capital stock and reserves

(a) *Authorized*

Unlimited voting common shares, no par value

660 Series A non-voting preference shares, no par value with a 9% non-cumulative dividend

(b) *Issued and outstanding*

	As at September 30, 2019		As at December 31, 2018	
	Shares	Amount	Shares	Amount
		\$		\$
Common shares	<b>6,171,703</b>	<b>3,578,374</b>	6,171,703	3,578,374

On June 4, 2018, the Company issued 165,000 common shares to directors, officers and employees upon the exercise of stock options at an exercise price of \$0.10 per share for proceeds totalling \$16,500.

## 10. Capital stock and reserves (continued)

### (c) Options

Under the 2005 stock option plan, the Company may grant options to its directors, officers, employees and consultants for up to 600,670 common shares. The exercise price of each option equals the market price of the Company's common shares on the trading day immediately preceding the grant date. Options under the plan vest immediately when granted.

A summary of changes in outstanding stock options is as follows:

	Granted	Expiry	Outstanding	Weighted average exercise price \$
Outstanding, December 31, 2017			180,000	0.10
Exercised			(165,000)	0.10
Expired			(15,000)	0.10
Granted	June 5, 2018	June 5, 2023	200,000	0.30
Outstanding, December 31, 2018			200,000	0.30
Outstanding, September 30, 2019			200,000	0.30
Options exercisable at September 30, 2019			200,000	0.30

165,000 stock options with an exercise price of \$0.10 per common share were exercised by option holders on June 4, 2018.

15,000 stock options with an exercise price of \$0.10 per common share expired on June 4, 2018.

200,000 stock options outstanding as at September 30, 2019 with an exercise price of \$0.30 per common share expire on June 5, 2023.

Share-based compensation recognized during the period was \$Nil (December 31, 2018 - \$41,200).

The following assumptions were used for the Black-Scholes valuation of stock options granted during 2018:

	2018
Risk-free interest rate	2.12%
Expected life of options	5 years
Fair value per option granted	\$0.2060
Annualized volatility	87%
Dividend rate	0.00%

Annualized volatility is based on the historical volatility of the Company's common share price on the TSX Venture Exchange.

## 11. Consolidated statements of accumulated other comprehensive income

As a result of adoption to IFRS 9 as discussed under Note 2, the opening balance of accumulated other comprehensive income of \$(130,186) has been adjusted to retained earnings as at January 1, 2018.

	Nine Months Ended Sep. 30, 2019	Nine Months Ended Sep. 30, 2018
	\$	\$
Unrealized gains/(losses) on available-for-sale investments		
Balance, beginning of the period	-	(130,186)
Adjustment to AOCI for adoption of IFRS 9 (Note 2(b))	-	130,186
Restated Balance, beginning of the period	-	-
Net change during the period	-	-
Accumulated other comprehensive income	-	-

## 12. Additional information relating to the statements of cash flows

	Nine Months Ended Sep. 30, 2019	Nine Months Ended Sep. 30, 2018
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	79,907	(4,526)
Prepaid expenses	(4,311)	(1,065)
Accounts payable and accrued liabilities	(5,102)	(5,302)
Amounts owing to related party	(551)	-
	69,943	(10,893)

During the periods ended September 30, 2019 and September 30, 2018 no amounts were paid in respect of income taxes or interest and no interest revenue was collected.

## 13. Related party transactions

Amounts due to/from related parties which are included in accounts receivable and accounts payable as at September 30, 2019 and 2018 are as follows:

	2019	2018
Accounts Receivable:		
Management fees receivable from first company under common control	\$ 2,528	\$ 79,001
Receivable from second company under common control	44	28
Receivable from third company under common control	39	39
Receivable from company under significant influence	3,426	3,230
	\$ 6,037	\$ 82,298
Accounts Payable:		
Amounts owing to directors	\$ 1,400	\$ 14,700

### 13. Related party transactions (continued)

The amounts due to and from related parties listed above are unsecured, non-interest bearing and have no specific terms of repayment.

In addition to the above:

- (a) The amount owed to a related party of \$140,189 (2018 - \$300,339) is owed to a significant shareholder of the Company. This balance represents the outstanding amount of monies provided to the Company in 2010 and 2011 to fund operations and is unsecured, non-interest bearing, and has no specific terms of repayment. In addition, nominal incidental expenses of \$189 (2018 - \$339) owing to the shareholder were included in the balance. The shareholder has confirmed in writing that this balance will not be called within 6 months of the statement of financial position date. However, pursuant to IAS 1 this amount is presented as a current liability.
- (b) The full amount of long-term receivable of \$14,602 (2018 - \$14,602) is owing from a limited partnership under common control. The receivable is non-interest bearing, unsecured, with no specific terms of repayment. Although this receivable may be demanded the Company has no intention of doing so in the next 12 months and therefore presents it as a long-term receivable.

The transactions during the period with related parties are as follows:

	2019	2018
Revenues:		
Management fees charged to first company under common control	\$ 239,236	\$ 231,776
Rental income from a company under significant influence	<u>4,500</u>	<u>4,500</u>
Fee income	<b>243,736</b>	236,276
Other income - fees charged to companies under common ownership for the use of photocopier	<b>2,264</b>	2,343
Expenses:		
Rent expense paid to a company under common control	\$ 26,370	\$ 26,370
Salaries and wages paid to an employee who is also a shareholder	<b>22,500</b>	22,500
Share-based compensation to an employee who is also a shareholder	-	6,180

The rent expense above is paid on a month-to-month basis with either party being able to terminate the agreement without any significant consequences.

In addition to these revenues and expenses, the Company incurs expenditures on behalf of entities under common control and is reimbursed. A total of \$12,311 of expenses was charged to these related parties in 2019 (2018 - \$13,599).

### 13. Related party transactions (continued)

Key management compensation:

	2019	2018
Salaries and wages	\$ 67,500	\$ 67,500
Consulting fees	9,000	9,000
Share-based compensation	-	35,020
Directors' fees	<u>1,400</u>	<u>1,400</u>
	<u>\$ 77,900</u>	\$ 112,920

Key management comprises the CEO, CFO and directors of the Company.

All related party transactions were measured at the exchange amounts, which is the amount agreed to between the parties.

### 14. Management of capital

The Company's objectives of capital management are intended to safeguard the Company's ability to support its normal operating requirements on an ongoing basis. The capital of the Company consists of shareholder's equity and its redeemable preferred shares. To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure it has the appropriate liquidity to meet the Company's operating and growth objectives. The Company expects its current capital resources, together with future cash flows from operations and continued financial support from its principal shareholder, are sufficient to support the Company's ability to operate on an ongoing basis.

### 15. Financial instruments

#### (a) Currency risk

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign currencies. The Company is exposed to currency risk primarily arising from sales and accounts receivable balances denominated in US dollars. During the period ended September 30, 2019, 98% (\$239,236) of the Company's fee income was denominated in US dollars (2018 - 98% (\$231,776)).

The statements of financial position include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in US dollars:

	As at Sep. 30, 2019	As at Sep. 30, 2018
Accounts receivable	2,528	79,001
Net statement of financial position exposure	<u>2,528</u>	<u>79,001</u>

A 10% strengthening (weakening) of the U.S. dollar against the Canadian currency would have decreased (increased) the Company's net loss from these account balances by \$253 (2018 - \$7,900).

## 15. Financial instruments (continued)

### (b) *Other price risk*

The Company is exposed to equity price risks arising from its investment in the Vitality Products Inc. common shares that is measured at fair value through profit or loss.

### (c) *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's principal cash requirements are for working capital needs. The Company uses its operating cash flows, cash balances, and support from its principal shareholder to maintain its liquidity.

### (d) *Credit risk*

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The financial instruments that subject the Company to credit risk consist primarily of cash, accounts receivable, long-term receivable and investment in preferred shares. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

The Company mitigates the risk associated with cash by dealing only with large financial institutions with good credit ratings. The Company applies the simplified approach to accounts receivable and recognizes a loss allowance provision based on lifetime expected credit losses (ECLs). The loss allowance provision is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

### (e) *Fair value*

IFRS requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of an asset or liability as of measurement date. The three levels of the fair value hierarchy are:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

## 15. Financial instruments (continued)

### (e) Fair value (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2019 and December 31, 2018:

	Classification	Fair Value Hierarchy	September 30, 2019 Fair Value	December 31, 2018 Fair Value
			\$	\$
Financial Assets:				
Cash	FVTPL	1	66,394	109,972
Investments in common shares	FVTPL	1	630,780	1,682,081
Investments in preference shares	FVTPL	1	38,000	38,000
Long-term receivable from related party	Amortized cost		14,602	14,602
Financial Liabilities:				
Redeemable preference shares	Amortized cost		104,200	102,400
Amounts owing to related party	Amortized cost		140,000	290,000

There were no transfers between Level 1, 2 and 3 in the year.

The fair values of cash, accounts receivable and accounts payable as at September 30, 2019 and December 31, 2018 approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

The fair value of the long-term receivable from related party as at September 30, 2019 and December 31, 2018 approximates its carrying value as this balance is due on demand.

The fair value of the Company's investment in Vitality Products Inc. common shares is determined based on the closing share price of Vitality Products Inc. common shares on the date of the consolidated statement of financial position.

The fair value of the Company's investment in Vitality Products Inc. Series 3 preference shares is determined based on the dividend discount approach which uses inputs from historical financial information and assumptions on discount rates and payment of dividends.

The fair value of the Company's redeemable preference shares as at September 30, 2019 and December 31, 2018 approximates its carrying value due to the redemption feature of this obligation.

## 16. Segmented information

The Company and its subsidiaries operate in two geographic segments: Canada and United States. Revenue in Canada includes an unrealized loss of \$1,051,301 (2018 - unrealized gain of \$525,650) on the investments measured at fair value through profit or loss. Revenue in the United States includes \$239,236 attributable to one customer (2018 - \$231,776).

Revenues and assets attributable to each geographic segment are as follows:

	As at or for the period ended September 30, 2019		
	Canada	US	Total
	\$	\$	\$
Revenues	(1,044,536)	239,236	(805,300)
Property and equipment	6,939	-	6,939

  

	As at or for the period ended September 30, 2018		
	Canada	US	Total
	\$	\$	\$
Revenues	532,495	231,776	764,271
Property and equipment	9,910	-	9,910

## 17. Weighted average shares outstanding

The number of basic shares outstanding and diluted common shares, calculated on a weighted average basis, is as follows:

	2019	2018
	#	#
<b>Basic shares outstanding</b>	<b>6,171,703</b>	6,171,703
Share options (dilutive effect of 200,000 options; 2018 - 200,000 options)	200,000	200,000
<b>Diluted shares</b>	<b>6,371,703</b>	6,371,703

At September 30, 2019, no options were antidilutive. At September 30, 2018, no options were antidilutive.