

# **FINTECH SELECT LTD.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Unaudited

**September 30, 2019**

**FINTECH SELECT LTD.**

**September 30, 2019**

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

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

The accompanying condensed unaudited 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 condensed financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

## Fintech Select Ltd.

### Condensed Consolidated Interim Statement of Financial Position (Unaudited)

(Presented in Canadian Dollars)

As at September 30, 2019

	Note	September 30 2019	January 01 2019 (See Note 2)	December 31 2018 (Audited)
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash – non-restricted		\$ --	\$ --	\$ --
Cash – restricted		--	29,931	29,931
Accounts receivable		161,038	185,199	185,199
Investment held for sale		98,854	64,022	64,022
Inventory		56,023	30,185	30,185
Prepaid and other assets		32,858	32,382	45,958
		348,773	341,719	355,295
<b>LONG TERM</b>				
Property and equipment	3, 9	571,134	696,224	196,257
Intangibles	4	478,109	158,397	158,397
		1,049,243	854,621	354,654
		\$ 1,398,016	\$ 1,196,340	\$ 709,949
<b>LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>				
<b>CURRENT</b>				
Bank overdraft		\$ 8,593	\$ 14,037	\$ 14,037
Accounts payable and accrued liabilities		4,030,833	3,947,876	3,947,876
Deferred revenue		13,046	65,894	65,894
Demand loan	5	187,098	176,900	176,900
Customer deposits		35,200	35,200	35,200
Current portion of lease obligations	9	139,332	144,353	--
		4,414,102	4,384,260	4,239,907
<b>NONCURRENT</b>				
Lease obligations	9	265,142	342,038	--
		4,679,244	4,726,298	4,239,907
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	6	18,270,142	17,945,142	17,945,142
Contributed and other surplus		6,338,801	6,338,801	6,338,801
Warrant capital	7, 8	356,293	356,293	356,293
Other comprehensive loss		(250,438)	(268,511)	(268,511)
Deficit		(27,996,026)	(27,901,683)	(27,901,683)
		(3,281,228)	(3,529,958)	(3,529,958)
		\$ 1,398,016	\$ 1,196,340	\$ 709,949

Nature of Operations and Going concern (Note 1)

Approved by the Board

Naveed Hassan  
Director (Signed)

Mohammad Abuleil  
Director (Signed)

The accompanying notes form an integral part of these consolidated financial statements.

## Fintech Select Ltd.

### Condensed Consolidated Interim Statement of Operations and Comprehensive Loss (Unaudited)

(Presented in Canadian Dollars)

For 3 and 9 months ended September 30, 2019

	Three months ended September 30		Nine months ended September 30,	
	2019	2018	2019	2018
<b>REVENUE</b>	\$ 725,310	\$ 762,093	\$ 2,513,606	\$ 2,386,449
<b>EXPENSES</b>				
Goods and services purchased	108,477	163,495	337,884	578,991
Salaries and benefits	559,885	567,125	1,884,493	1,799,113
Other general and administrative	77,934	133,375	246,155	551,610
Stock based compensation	--	--	--	285
Foreign exchange loss (gain)	(5,360)	13,462	25,677	(2,903)
Amortization	52,331	25,125	161,246	78,491
Investment loss (gain)	23,975	(5,705)	(83,965)	52,205
Interest expenses	12,816	--	36,459	427
	830,058	896,877	2,607,949	3,058,219
<b>Net loss from operations</b>	(104,748)	(134,784)	(94,343)	(671,770)
Other income	--	73,488	--	1,418,203
<b>Net income (loss)</b>	(104,748)	(61,296)	(94,343)	746,433
Exchange difference on translating foreign operation	(7,066)	(4,934)	18,073	(18,102)
<b>Comprehensive income (loss)</b>	\$ (111,814)	\$ (66,230)	\$ (76,270)	\$ 728,331
<b>Income (Loss) per share</b>				
Basic	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ 0.012
Diluted	\$ (0.001)	\$ (0.001)	\$ (0.001)	\$ 0.012
<b>Weighted average number of shares outstanding</b>				
Basic and diluted	70,874,515	64,374,515	69,898,325	64,374,515

See accompanying notes

## Fintech Select Ltd.

### Condensed Consolidated Interim Statements of Cash Flows

(Presented in Canadian Dollars)

For 3 and 9 months ended September 30, 2019

	Three months ended September 30		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Cash provided by (used in)</b>				
<b>Operations</b>				
Net income (loss)	\$ (104,748)	(61,296)	\$ (94,343)	\$ 746,433
<b>Items not affecting cash</b>				
Amortization	52,331	25,125	161,246	78,491
Interest expenses	12,816	--	36,459	427
Gain on settlement of accounts payable	--	(73,488)	--	(1,418,203)
Stock based compensation	--	--	--	285
Investment loss /(gain)	23,975	(5,705)	(83,965)	52,205
Unrealized foreign exchange loss/(gain)	5,551	3,287	18,181	(5,172)
	(10,075)	(112,077)	37,578	(545,534)
Net change in non-cash working capital				
Accounts receivable	3,748	24,675	24,161	157,435
Inventory	(7,398)	3,151	(25,838)	(14,773)
Prepaid and other assets	1,475	2,535	(477)	6,984
Accounts payable and accrued liabilities	35,847	77,305	82,955	(394,793)
Deferred revenue	(17,500)	--	(52,848)	5,296
	6,097	(4,411)	65,531	(785,385)
<b>Investing</b>				
Addition of investment held for sale	--	--	--	(55,200)
Disposal of investment held for sale	--	--	49,134	--
Additions of intangibles and equipment	--	(21,117)	(30,869)	(27,557)
	--	(21,117)	18,265	(82,757)
<b>Financing</b>				
Repayment of demand loan	--	--	--	(17,303)
Increase in bank draft	8,594	--	8,594	--
Lease payment	(36,088)	--	(108,176)	--
	(27,494)	--	(99,582)	(17,303)
Net change in cash	(21,397)	(25,528)	(15,786)	(885,445)
Effect of exchange rate changes on cash	(43)	7,207	(108)	(12,928)
Cash, beginning of the period	21,354	66,741	15,894	946,793
Cash, end of the period	\$ --	48,420	\$ --	\$ 48,420

See accompanying notes

## Fintech Select Ltd.

### Condensed Consolidated Interim Statement of Changes in Deficit

(Presented in Canadian Dollars)

For the 6 months ended September 30, 2019

	Share Capital		Contributed Surplus	Warrant Capital	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number	Amount					
Balance, December 31, 2018	64,374,515	17,945,142	6,338,801	356,293	(268,511)	(27,901,683)	(3,529,958)
Issuance of new shares	6,500,000	325,000	--	--	--	--	325,000
Other comprehensive income from translation of foreign entity	--	--	--	--	18,073	--	18,073
Net income	--	--	--	--	--	(94,343)	(94,343)
As at September 30, 2019	70,874,515	18,270,142	6,338,801	356,293	(250,438)	(27,996,026)	(3,281,228)
Balance, December 31, 2017	64,374,515	17,945,142	6,338,801	356,008	(218,859)	(28,666,774)	(4,245,682)
Grant of stock options	--	--	--	285	--	--	285
Other comprehensive income from translation of foreign entity	--	--	--	--	(18,102)	--	(18,102)
Net income	--	--	--	--	--	746,433	746,433
As at September 30, 2018	64,374,515	17,945,142	6,338,801	\$ 356,293	\$ (236,961)	\$(27,920,341)	\$(3,517,066)

# **Fintech Select Ltd.**

## **Notes to condensed consolidated interim financial statements (Unaudited)**

**September 30, 2019**

**(Presented in Canadian Dollars)**

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### **1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

Fintech Select Ltd. (the "Company") is a leader in financial payment services and is a provider of robust and disruptive payment solutions, including prepaid card programs, Crypto-currency POS, and recently acquired e-wallet and online payment solutions. The address of the registered office of Company is 100 King St W, Unit T201a, Chatham, ON, N7M 6A9. The Company's shares are listed on the TSX Venture Exchange under symbol FTEC.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The facts and circumstances noted below cast significant doubt on the company's ability to continue as going concern.

During the third quarter of 2019, the company incurred a net loss from operations in the amount of \$104,748(third quarter of 2018 - Net loss of \$134,784). The company had a net inflow of cash from operations of \$6,097(third quarter of 2018- outflow \$4,411). The Company has a working capital deficiency of \$4,065,329(December 31, 2018 deficit \$3,884,612). The working capital deficiency limits the Company's ability to fund capital expenditures and operations.

As of the quarter end, the Company had collateral account shortfalls which was contrary to the terms of special agreements with the financial institution whereby the Company agreed that it shall maintain in designated special collateral account in a designated bank of amounts equivalent to the consumers unspent card balances. As of September 30, 2019, the Company had collateral account shortfalls of approximately \$2.8 million liable to the cardholders and financial institution. These collateral shortfalls are already included in the working capital deficiency number noted above. The Company continues to work towards an agreeable resolution with the financial institution and simultaneously has been working to address the collateral shortfall.

The continuation of the Company as a going concern is dependent on raising sufficient working capital to maintain operations, reducing operating expenses, and increasing revenues and profits. The Company is pursuing further financing alternatives to fund its operations, to settle the shortfall noted above and continue its activities as a going concern. There is no assurance that it will be able to do so in the near future. Without enough financing the Company may be forced to cease operations.

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate. These adjustments could be material.

The condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on November 29, 2019.

# **Fintech Select Ltd.**

## **Notes to condensed consolidated interim financial statements (Unaudited)**

**September 30, 2019**

**(Presented in Canadian Dollars)**

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### **2. BASIS OF PRESENTATION**

#### **Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 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). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2018, excepted as outlined below. These condensed consolidated interim financial statements should be read in conjunction with the 2018 annual financial statements.

#### **Basis of presentation**

These consolidated financial statements are prepared on the historical cost basis except for held for sale investments which are measured at the fair value, with changes being recognized in other comprehensive income and financial assets classified as "fair value through profit and loss", if any, which are measured at fair value.

#### **New accounting standard**

IFRS 16 was issued January 2016 and replaces IAS 17 Leases. The standard introduces a single lessee accounting model for leases with required recognition of assets and liabilities for most leases. On January 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as an increase to right-of-use assets (included in "Petroleum and natural gas properties") with a corresponding increase to lease obligations (the non-current portion recorded in "lease obligations" and the current portion recorded in "Current portion of lease obligations").

The right-of-use assets recognized were measured at amounts equal to the lease obligations plus prepaid rent. The weighted average incremental borrowing rate used to determine the lease obligation at adoption was approximately 8%. The right-of-use assets and lease obligations recognized largely relate to the Company's offices.

The adoption of IFRS 16 included the following elections:

- The Company elected to retain the classification of contracts previously identified as leases under IAS 17 and IFRIC4;
- The Company elected to use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease;
- The Company elected to not apply lease accounting to certain leases for which the lease term ends within 12 months of the January 1, 2019 adoption;
- The Company elected to not apply lease accounting to certain leases of low value assets;
- The Company elected to apply a single discount rate to a portfolio of leases with similar characteristics.

As a result of this adoption, the Company has revised the description of its accounting policy for leases as follows:

## **Fintech Select Ltd.**

### **Notes to condensed consolidated interim financial statements (Unaudited)**

**September 30, 2019**

**(Presented in Canadian Dollars)**

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A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- **Incremental borrowing rate:** The Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense, may differ due to changes in the market conditions and lease term.
- **Lease term:** Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

#### **Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 1382285 Ontario Limited ("SelectComm"), 2143436 Ontario Limited ("SelectCore Comm"), Local Fone Service, Inc. ("LFS"), SelectCore USA, LLC ("SelectCore US") and 2314606 Ontario Limited ("SelectCore Financial Services").

Subsidiaries are all entities over which the Company has the power, is exposed, or has rights, to variable returns from its involvement and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Inter-Company transactions, balances and unrealized gains or losses between subsidiaries are eliminated in preparing the consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the reporting company using consistent accounting policies.

#### **Functional and presentational currency**

Unless otherwise noted, all amounts in the accompanying consolidated financial statements and these notes are presented in Canadian funds, which is the functional currency of the Company.

## Fintech Select Ltd.

### Notes to condensed consolidated interim financial statements (Unaudited)

September 30, 2019

(Presented in Canadian Dollars)

### 3. PROPERTY AND EQUIPMENT

Activity during the period ended September 30, 2019 is as follows:

<b>Cost</b>	<b>Terminals</b>	<b>Electronic Equipment</b>	<b>Office Furniture &amp; Fixtures</b>	<b>Right-of-use Assets</b>	<b>Leasehold Improvement</b>	<b>Totals</b>
Balance January 1, 2019	954,817	667,445	183,960	499,967	6,522	2,312,711
Additions	62	3,927	-	-	-	3,989
Disposal	(246)	-	-	-	-	(246)
Balance September 30, 2019	954,633	671,372	183,960	499,967	6,522	2,316,454
<b>Accumulated Depreciation</b>						
Balance January 1, 2019	909,779	561,000	145,415	-	293	1,616,487
Depreciation	9,166	15,382	5,596	97,688	1,001	128,833
Balance September 30, 2019	918,945	576,382	151,011	97,688	1,294	1,745,320
Net Book Value	35,688	94,990	32,949	402,279	5,228	571,134

Activity during the period ended September 30, 2018 is as follows:

<b>Cost</b>	<b>Terminals</b>	<b>Electronic Equipment</b>	<b>Office Furniture &amp; Fixtures</b>	<b>Totals</b>
Balance January 1, 2018	954,264	657,864	164,143	1,776,271
Additions	-	7,740	19,817	27,557
Balance September 30, 2018	954,264	665,604	183,960	1,803,828
<b>Accumulated Depreciation</b>				
Balance January 1, 2018	893,940	537,807	138,612	1,570,359
Depreciation for the period	12,292	17,752	4,740	34,784
Balance September 30, 2018	906,232	555,559	143,352	1,605,143
Net Book Value	48,032	110,045	40,608	198,685

## Fintech Select Ltd.

### Notes to condensed consolidated interim financial statements (Unaudited)

September 30, 2019

(Presented in Canadian Dollars)

#### 4. INTANGIBLES

Cost	Computer Software	
	30-Sep-19	31-Dec-18
Balance January 1,	\$ 1,299,117	\$ 1,299,117
Additions	352,124	-
<b>Balance end of period</b>	<b>\$ 1,651,241</b>	<b>\$ 1,299,117</b>
<b>Accumulated Depreciation</b>		
Balance January 1,	\$ 1,140,720	\$ 1,084,525
Amortization for the period	32,412	56,195
<b>Balance end of period</b>	<b>\$ 1,173,132</b>	<b>\$ 1,140,720</b>
<b>Net Book Value end of period</b>	<b>\$ 478,109</b>	<b>\$ 158,397</b>

#### 5. DEMAND LOAN

	September 30, 2019	December 31, 2018
Demand loan	\$ 187,098	\$ 176,900

This loan bears an interest rate of 8% per annum. It was secured by a promissory note and a general security agreement, covering all of the assets of the Company.

#### 6. SHARE CAPITAL

**Authorized:** Unlimited common shares

**Issued and fully paid:**

	September 30, 2019		December 31, 2018	
	Number	Amount	Number	Amount
Ordinary Shares	70,874,515	\$ 18,270,142	64,374,515	\$ 17,945,142
<b>Total</b>	<b>70,874,515</b>	<b>\$ 18,270,142</b>	<b>64,374,515</b>	<b>\$ 17,945,142</b>

In February 2019, the Company issued six million (6,000,000) common shares to acquire an online payment and e-wallet platform, and five hundred thousand (500,000) common shares, as payment of finder's fees to an arm's length third-party. The issued shares are currently held in trust with the Company's legal counsel until white labelling of the software is completed and uploaded on the Company's servers.

# Fintech Select Ltd.

## Notes to condensed consolidated interim financial statements (Unaudited)

September 30, 2019

(Presented in Canadian Dollars)

### 7. STOCK OPTIONS

The Board of Directors has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non transferable options to purchase shares to directors, officers and technical consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of outstanding shares. Furthermore, the aggregate number of shares to be issued upon exercise of the options granted there under to any one director or officer shall not exceed 5% of the issued and outstanding shares and the number of shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding shares. Options shall expire no later than five years after the date of grant. Options may be exercised no later than ninety (90) days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The exercise price of options granted pursuant to the Plan shall be set by the Board of Directors and shall not be less than the applicable discount permitted by the TSX-V or such other stock market on which the shares are then traded. The options issued under the plan vest according to the provisions determined by the Board at the time of grant.

On April 3, 2017, the Company granted 3,380,000 incentive stock options each giving the holder the right to acquire one common share to various officers, directors, employees and consultants. The options are exercisable at \$0.17 per option for a period of three years from the date of grant, vesting immediately. 120,000 stock options were exercised during the year ended December 31, 2017.

On June 26, 2017, the Company granted 2,000,000 incentive stock options each giving the holder the right to acquire one common share to directors and consultants. The options are exercisable at \$0.30 per option for a period of three years from the date of grant, vesting immediately. 250,000 stock options were exercised during the year ended December 31, 2017.

The Company had following options outstanding at September 30, 2019

	Number of options	Weighted average exercise price	Remaining life (Years)
Granted in April, 2017	3,260,000	\$0.17	0.5
Granted in June, 2017	1,750,000	0.30	0.8
Granted in April, 2018	1,425,000	0.30	1.5
<b>Balance, Sep 30, 2019</b>	<b>6,435,000</b>	<b>\$0.23</b>	<b>0.8</b>

## Fintech Select Ltd.

### Notes to condensed consolidated interim financial statements (Unaudited)

September 30, 2019

(Presented in Canadian Dollars)

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Date of Expiry	Number of Options	Exercise Price	Grant Date Fair Value of options
02-Apr-20	3,380,000	\$0.17	\$ 85,916

The options granted were valued using the Black-Scholes option pricing model with the following assumptions.

	2017
Expected dividend yield	0.00%
Expected volatility	20%
Risk free interest rate	0.82%
Expected life	3

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Date of Expiry	Number of Options	Exercise Price	Grant Date Fair Value of options
25-Jun-20	2,000,000	\$0.30	\$ 34,605

The options granted were valued using the Black-Scholes option pricing model with the following assumptions.

	2017
Expected dividend yield	0.00%
Expected volatility	18%
Risk free interest rate	1.04%
Expected life	3

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Date of Expiry	Number of Options	Exercise Price	Grant Date Fair Value of options
11-Apr-21	1,425,000	\$0.30	\$ 285

The options granted were valued using the Black-Scholes option pricing model with the following assumptions.

	2018
Expected dividend yield	0.00%
Expected volatility	15%
Risk free interest rate	1.20%
Expected life	3

There was no stock option granted or exercised during the nine months ended September 30, 2019.

## Fintech Select Ltd.

### Notes to condensed consolidated interim financial statements (Unaudited)

September 30, 2019

(Presented in Canadian Dollars)

#### 8. WARRANTS

The Company had following warrants outstanding at September 30, 2019.

		Number of warrants	Weighted average exercise price	Remaining life (Years)
<b>Balance, January 1, 2018</b>		15,679,997	\$0.25	2.5
Granted, private placements		-	-	-
Exercised		-	-	-
<b>Balance, December 31, 2018</b>		15,679,997	\$0.25	1.5
Granted, private placements		-	-	-
Exercised		-	-	-
<b>Balance, Sep 30, 2019</b>		15,679,997	\$0.25	0.8

	Date of Expiry	Number of Warrants	Exercise Price	Grant Date Fair Value of Warrants
	12-Apr-20	13,333,330	\$0.20	\$225,216
The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions.				
				<b>2017</b>
Expected dividend yield				0.00%
Expected volatility				18%
Risk free interest rate				0.82%
Expected life				3

On April 13, 2017, the company issued 13,333,330 common shares in a private placement at a price of \$0.15 per share for gross proceeds of \$2,000,000. In addition, for each issued common share, the company issued one (1) warrant exercisable into one (1) common share expiring in 36 months which, if exercised, will lead to proceeds per Warrant of \$0.20.

## Fintech Select Ltd.

### Notes to condensed consolidated interim financial statements (Unaudited)

September 30, 2019

(Presented in Canadian Dollars)

	Date of Expiry	Number of Warrants	Exercise Price	Grant Date Fair Value of Warrants
	11-Jun-20	5,840,000	\$0.35	\$74,718
The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions.				
				<b>2017</b>
Expected dividend yield				0.00%
Expected volatility				20%
Risk free interest rate				0.88%
Expected life				3

On June 12, 2017, the company issued 5,840,000 common shares in a private placement at a price of \$0.25 per share for gross proceeds of \$1,460,000. In addition, for each issued common share, the company issued one (1) warrant exercisable into one (1) common share expiring in 36 months which, if exercised, will lead to proceeds per Warrant of \$0.35. The issued common shares and warrants are subject to a hold period expired on October 11, 2017.

Upon expiry of the warrants, the related outstanding balance in warrant capital will be transferred to contributed surplus.

There was no warrant granted or exercised during the nine months ended September 30, 2019.

#### 9. COMMITMENTS

The Company has net lease commitments for equipment requiring the following minimum annual payments:

Within 1 year \$ 3,112

The Company had the following future commitments associated with its lease obligations:

Balance at December 31, 2018	\$ --
Additions upon adoption of IFRS 16 at January 1, 2019	486,391
Interest expense	26,259
Lease payments	<u>(108,176)</u>
Balance at September 30, 2019	\$ <u>404,474</u>
Current portion	139,332
Long term portion	<u>265,142</u>

Upon adoption of IFRS 16 on January 1, 2019, the Company recognized a \$499,967 right-of-use asset (included in "Property and equipment") and a \$486,391 lease obligation.

In relation to the leases recognized upon adoption of under IFRS 16, the Company has recognized during the nine months ended September 30, 2019, \$97,688 of depreciation charges, \$108,176 of lease payments and \$26,259 of interest expense from these leases.

# Fintech Select Ltd.

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As at September 30, 2019, the Company has recorded a \$402,279 right-of-use asset (included in "Property and equipment") and a \$404,474 lease obligation (the non-current portion of \$265,142 recorded in "Lease obligations" and the current \$139,332 portion recorded in "Current portion of lease obligations").

### 10. SEGMENT INFORMATION

The Company operates primarily in two industry segment, its distribution division, which sells prepaid wireless airtime and its Financial Services division provides prepaid credit card services.

	Distribution		Call Center		Financial and Payment Services		Corporate		Total	
\$ Millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	0.25	0.35	2.23	1.79	0.04	0.25	--	--	2.51	2.39
Assets	0.09	0.28	0.60	0.26	0.62	0.23	0.08	0.04	1.39	0.81
Net Profit/(Loss)	--	(0.30)	0.54	0.40	(0.04)	1.10	(0.59)	(0.45)	(0.09)	0.75

### 11. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, contributed surplus accumulated other comprehensive income in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and or debt financing. See note 1.

The Company's overall capital management strategy during the period ended September 30, 2019 and 2018 has been to raise share capital, reach settlement with creditors, shut down money-losing businesses, and expand profitable call center business.

### 12. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

#### (a) Market Risk

##### (i) Currency Risk

The Company operates primarily in Canada and has a subsidiary in USA, which has ceased operations. The Company has exposure to foreign exchange risk. Foreign exchange risk arises from purchase and

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sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12 month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held. Balances denominated in USD at September 30, 2019 and 2018 are as follows:

	2019	2018
Cash	\$ --	\$ 24,571
Accounts receivable and other receivables	131,176	124,028
Accounts payable and accrued liabilities	(132,983)	(64,669)
<b>Total net receivable (liability)</b>	<b>\$ (1,807)</b>	<b>\$ 83,930</b>

Fluctuations in the Canadian dollar exchange rate have an impact on the Company's results from operations. They can impair the ability of the Company to pay its foreign currency-denominated expenses.

Fluctuation of the U.S. dollar relative to the Canadian dollar of 5% would impact net loss by approximately \$90 at September 30, 2019 (2018 impact net loss \$703).

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company's demand loan has fixed interest rates and is not exposed to interest rate risk.

#### (b) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the Company at period-end is the carrying value of its cash and accounts receivables.

The Company manages credit risk by maintaining bank accounts with Schedule 1 banks in Canada.

The Company does not require collateral or other security for accounts receivable or amounts due from related parties. The Company estimates its provision for uncollectable amounts based on analysis of the specific amount and debtor's payment history and prospects. Accounts receivable are stated net of an allowance for doubtful accounts of \$44,457.

Top three customers represent 74% of accounts receivable at September 30, 2019 (2018 - three customers represented 56%). As at November 25, 2019, 64% (2018 - 68%) of the balance was collected. As at September 30, 2019, approximately \$57,758 (2018 - \$73,207) of the Company's receivable were past due the average credit period of 60 days of which approximately \$44,457 (2018 - \$45,466) have been allowed for as doubtful debts.

# Fintech Select Ltd.

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### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at September 30, 2019, the Company has bank overdraft, accounts payable and accrued liabilities, demand loan and current portion of lease obligations of \$4,365,856 due within 12 months (December 31, 2018 - \$4,138,813), cash of \$nil (December 31, 2018 - \$29,931, receivables of \$161,038 (December 31, 2018 - \$185,199) and investment held for sale of \$98,854 (December 31, 2018 - \$64,022) to meet its current obligations. As a result the Company has liquidity risk.

### (d) Economic Dependence

One customer represents 80% of the Company's revenue in the current quarter (2018 - one customer, represented 65% of total revenues).

The Company depends on large telecommunications carriers to provide certain products and services. If these carriers were unwilling or unable to provide such products and services in the future, the Company's ability to provide products and services to its customers may be adversely affected and the Company might not be able to obtain similar services from alternative carriers on a timely basis or on terms favorable to the Company.

### (e) Fair value

The estimated fair values of accounts receivable, accounts payable, accrued liabilities and demand loans debt approximates their carrying values due relatively short term nature of the instruments. The fair value of investment is based on open market price.

## 13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The following summarizes the Company's related party transactions for the three months ended September 30, 2019:

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
Accounts payable	\$ 357,396	114,739

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### 14. KEY MANAGEMENT COMPENSATION

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Company's key management personnel include the board of directors, Chief Executive Officer & President, Chief Financial Officer and Director of Business Operations.

Remuneration of Directors and key management of Company was as follows:

	Three months ended September 30	
	2019	2018
Salaries and Benefits	\$ 88,708	\$ 116,375

### 15. PROVISION

In April, 2017, the Company was served by a service provider with a Statement of Claim filed in the Ontario Superior Court of Justice (the "**Claim**") for the amount of \$4,000,000. The Claim relates to the shortfall of a secured cash pledge ("Secured Deposit"), as per the Special Account Agreement executed between the Company and the service provider. The Company has recorded its estimate of the liabilities associated to the service provider as of September 30, 2019. The Company has been working on settling this claim. The company does not expect that any additional loss will be incurred.

In July 2019, one of the Company's subsidiary has been served with a Statement of Claim by Her Majesty the Queen in Right of Alberta ("Alberta") in the amount of \$633,284 (the "Claim"). The Claim relates to the balance of funds on expired cards pursuant to a Card Management Agreement between the subsidiary and Alberta. The claimed amount was included in a claim served on the Company by its service provider. The Company has recorded such payables in its financial statements. The Company intends to vigorously defend the Claim, as all of the funds claimed by Alberta were deposited in the Company's service provider's bank account and not that of the subsidiary.