
FINDEV INC.
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTICE TO READER

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 financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Findev Inc. ("**Corporation**") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim 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 independent auditor.

FINDEV INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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Management's Responsibility

To the Shareholders of Findev Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS") that have been incorporated into Canadian Generally Accepted Accounting Principles ("CGAAP") and ensuring that all information in the management discussion and analysis is consistent with these financial statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors ("**Board**") is composed primarily of directors who are neither management nor employees of Findev Inc. and the Audit Committee is comprised of independent directors. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and with the external auditor. The Board is also responsible for recommending the appointment of the external auditor of Findev Inc.

 /s/ "Sruli Weinreb"
Sruli Weinreb
Chief Executive Officer

 /s/ "Claude Ayache"
Claude Ayache
Chief Financial Officer

Toronto
November 22, 2018

FINDEV INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 (All Amounts are in Canadian Dollars)

As at

September 30, 2018 December 31, 2017

ASSETS

Cash and cash equivalents	\$ 338,256	\$ 615,780
Receivables (Note 6)	222,688	71,222
Prepaid expenses	18,888	16,405
Loan and mortgage investments (Note 7)	<u>16,041,506</u>	<u>15,516,250</u>
	<u>\$ 16,628,474</u>	<u>\$ 16,219,657</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 8)	\$ <u>263,307</u>	\$ <u>255,623</u>
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SHAREHOLDERS' EQUITY

Share capital (Note 9)	34,474,681	34,474,681
Contributed surplus and other items (Note 10)	12,646,481	12,646,481
Accumulated deficit	<u>(30,755,955)</u>	<u>(31,157,128)</u>
	<u>16,365,167</u>	<u>15,964,034</u>
	<u>\$ 16,628,474</u>	<u>\$ 16,219,657</u>

Nature of Organization (Note 1)

Approved on behalf of the board of directors:

 /s/ "Brice Scheschuk"
 Brice Scheschuk, Director

 /s/ "Yisroel Weinreb"
 Yisroel Weinreb, Director

FINDEV INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(All Amounts are in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
Balance, January 1, 2017	28,647,441	\$ 34,474,681	\$ 12,393,585	\$ (31,704,787)	\$ 15,163,479
Stock-based compensation	---	---	213,184	---	213,184
Dividends declared	---	---	---	(644,568)	(644,568)
Comprehensive income	---	---	---	572,446	572,446
Balance, September 30 2017	28,647,441	\$ 34,474,681	\$ 12,606,769	\$ (31,776,909)	\$ 15,340,131
Balance, January 1, 2018 (Note 5)	28,647,441	\$ 34,474,681	\$ 12,646,481	\$ (31,187,128)	\$ 15,934,034
Dividends declared	---	---	---	(644,568)	(644,568)
Comprehensive income	---	---	---	1,075,701	1,075,701
Balance, September 30, 2018	28,647,441	\$ 34,474,681	\$ 12,646,481	\$ (30,755,995)	\$ 16,365,167

FINDEV INC.
UNAUDITED CONDENSED INTERIM
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(All Amounts are in Canadian Dollars)

For the Period from to September 30,	2018	July 1 2017	2018	January 1 2017
REVENUE				
Interest income	\$ 459,308	\$ 398,068	\$ 1,271,477	\$ 1,160,207
EXPENSES				
General and administrative (Note 11)	63,428	75,453	195,776	376,309
Share based compensation (Note 10)	---	35,590	---	248,774
	<u>63,428</u>	<u>111,043</u>	<u>195,776</u>	<u>625,083</u>
Net income from continuing operations	395,880	287,025	1,075,701	535,124
Net income from discontinued operations, net of taxes (Note 18)	---	11,513	---	37,322
	<u>---</u>	<u>11,513</u>	<u>---</u>	<u>37,322</u>
COMPREHENSIVE INCOME	<u>\$ 395,880</u>	<u>\$ 298,538</u>	<u>\$ 1,075,701</u>	<u>\$ 572,446</u>
Net income per common share				
Basic net income from				
continuing operations	<u>\$ 0.014</u>	<u>\$ 0.010</u>	<u>\$ 0.038</u>	<u>\$ 0.019</u>
Diluted net income from				
continuing operations per share	<u>\$ 0.014</u>	<u>\$ 0.010</u>	<u>0.038</u>	<u>0.019</u>
Basic net income from				
discontinued operations per share	<u>\$ 0.000</u>	<u>\$ 0.000</u>	<u>0.000</u>	<u>0.001</u>
Diluted net income from				
discontinued operations per share	<u>\$ 0.000</u>	<u>\$ 0.000</u>	<u>0.000</u>	<u>0.001</u>
Basic net income per share	<u>\$ 0.014</u>	<u>\$ 0.010</u>	<u>0.038</u>	<u>0.020</u>
Diluted net income per share	<u>\$ 0.014</u>	<u>\$ 0.010</u>	<u>0.038</u>	<u>0.020</u>
Weighted average number of common shares outstanding (Note 14)				
Basic	<u>28,647,441</u>	<u>28,647,441</u>	<u>28,647,441</u>	<u>28,647,441</u>
Diluted	<u>28,647,441</u>	<u>28,647,441</u>	<u>28,647,441</u>	<u>28,647,441</u>

FINDEV INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(All Amounts are in Canadian Dollars)

For the Period from to September 30,	July 1		January 1	
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$ 395,880	\$ 298,538	\$ 1,075,701	\$ 572,446
Non-cash expenses:				
Amortization of loan initiation costs	---	801	---	2,377
Amortization of financing fee	(15,756)	(4,226)	(15,756)	(11,300)
Loan loss provision	11,031	---	75,500	---
Stock-based compensation	---	35,590	---	248,774
Loan and mortgage investments:				
Investment in loans and mortgages	(1,565,000)	---	(2,065,000)	(2,335,000)
Repayments of loans and mortgages	1,450,000	1,300,000	1,450,000	1,300,000
Transactional costs	---	---	---	15,525
Net change in operating assets and liabilities				
Receivables	(169,933)	(27,860)	(170,354)	(71,038)
Prepaid expenses	7,014	10,956	9,269	36,206
Accounts payable and accrued liabilities	<u>22,429</u>	<u>15,621</u>	<u>7,684</u>	<u>(181,307)</u>
CASH FLOWS PROVIDED (USED IN) OPERATING ACTIVITIES	<u>188,165</u>	<u>1,629,420</u>	<u>356,044</u>	<u>(423,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	<u>(214,856)</u>	<u>(214,856)</u>	<u>(644,568)</u>	<u>(644,568)</u>
CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(214,856)</u>	<u>(214,856)</u>	<u>(644,568)</u>	<u>(644,568)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in assets held for sale	<u>---</u>	<u>48,418</u>	<u>---</u>	<u>138,772</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>---</u>	<u>48,418</u>	<u>---</u>	<u>138,772</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,691)	1,462,982	(277,524)	(929,113)
CASH AND CASH EQUIVALENTS				
- Beginning of the period	<u>364,947</u>	<u>434,781</u>	<u>615,780</u>	<u>2,826,876</u>
CASH AND CASH EQUIVALENTS				
- End of the period	<u>\$ 338,256</u>	<u>\$ 1,897,763</u>	<u>\$ 338,256</u>	<u>\$ 1,897,876</u>
CASH AND CASH EQUIVALENTS, represented as follows:				
Cash	\$ 338,256	\$ 434,781	\$ 338,256	\$ 497,763
Short-term deposit	—	1,400,000	—	1,400,000
SUPPLEMENTAL INFORMATION				
Interest received	\$ 1,074,344	\$ 363,102	\$ 1,074,344	\$ 1,043,133
Interest paid	25	51	25	56
Income taxes paid	—	—	—	—

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

1. Nature of Organization

Description of the Business

Findev Inc. (“**Findev**” or “**Corporation**”) was incorporated under the Canada Business Corporations Act on August 4, 2004 and filed a Certificate of Amendment on September 16, 2016 to change its name from Transgaming Inc. to Findev Inc. The Corporation is domiciled in Canada and its principal offices are located at 10 Wanless, Suite 201, Toronto, Ontario. The principal business is to provide financing secured primarily by investment properties and real estate developments. These financings are generally for a period of one to five years to help bridge a period during the various stages of development.

The Corporation’s common shares are listed on the TSX Venture Exchange (“**TSXV**”) under the symbol FDI.

These unaudited condensed interim consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on November 22, 2018.

2. Basis of Presentation

Statement of Compliance

These unaudited condensed interim financial statements for the period from January 1, 2018 to September 30, 2018 have been prepared by management in accordance International Accounting Standards (“**IAS**”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and incorporated into Canadian Generally Accepted Accounting Principles (“**CGAAP**”). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”). These financial statements have not been reviewed by the Corporation’s external auditors.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business.

Principles of Consolidation

These unaudited condensed interim consolidated financial statements of the Corporation include the accounts of Findev Inc. and its wholly-owned legal subsidiary, Findev Lending Inc. (“**FLI**”). All significant intercompany balances, transactions and gains and losses from intercompany transactions have been eliminated on consolidation.

Basis of Measurement

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

Functional and Presentation Currency

These unaudited condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. Transactions during the years were converted at the then average exchange rate for the period and year-end balance sheet amounts were converted at the exchange rate as at that date.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

2. Basis of Presentation – continued

Critical Judgments and Estimates

The preparation of the unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results may differ from these estimates.

In making estimates, the Corporation relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that the Corporation believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The areas involving greater judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately.

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of these unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the years. Actual results could also differ from those estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Critical judgements and estimates are disclosed in Note 4.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements in accordance with IFRS with the exception of the adoption of IFRS 9 that is described in greater detail in Note 5.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Share Capital

Share capital, common shares and an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

Warrants

The Corporation measures the fair value of warrants issued using the Black-Scholes option-pricing model. The fair value of each warrant is estimated based on their respective issuance dates considering volatility, expected life, the dividend rate, and the risk-free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Unearned Income

Unearned income includes commitment fees received from borrowers, which are amortized over the contractual terms of the respective loan and mortgage investments.

Revenue Recognition – Interest and Fees Earned

Interest and fees earned is recognized in the consolidated statements of income and comprehensive income using the EIM. The EIM discounts the estimated future cash receipts through the expected life of the loan and mortgage to its carrying amount. When estimating future cash flows, the contractual terms of the mortgage are considered, including origination revenue, interest receipts, principal receipts and contractual end-of-term participation receipts, where applicable. Participation receipts that are contingent upon future events, such as the profitability of the underlying security, are not included in the estimated cash flows. Such amounts are recorded in income when management is reasonably assured of its collectability.

Share-based Compensation

The Corporation has an incentive stock option plan for grants to eligible directors, officers, senior management and consultants under its incentive stock option plan. The expense of the equity-settled incentive option plan is measured based on fair value of the options granted of each tranche at the grant date. The expense is recognized in proportion to the vesting features of each tranche of the grant and is reflected in equity. When incentive stock options are exercised, any consideration paid, together with the amount recorded in equity, are recorded in share capital.

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting year and are discounted to present value where the effect is material.

Deferred Financing Costs

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the proposed financing is completed, at which time the costs will be charged against the proceeds received. If the proposed financing does not close, the costs will be charged to the statements of operations and comprehensive loss.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

Income Tax

Income tax comprises current and deferred taxes. Income tax is recognized in the consolidated statements of income and comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case, the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted, or substantively enacted, at the end of the reporting year.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

Deferred tax is determined based on the temporary differences between the carrying value and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in income. Deferred income tax assets and liabilities are determined based on enacted or substantially enacted tax rates and laws which are expected to apply to the Corporation's taxable income for the year in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per Share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of shares outstanding during the year.

Diluted earnings per share is determined by adjusting the net income attributable to shareholders and the weighted average number of shares outstanding, adjusted for the dilutive effects of all convertible securities and granted incentive stock options and warrants, issued and outstanding, if any. No effect has is given to the potential exercise of stock options and warrants in the calculation of diluted net earnings (loss) per share if the effect would be anti-dilutive. Stock options and warrants have a dilutive effect only when the average market price per common share during the period exceeds the exercise price.

4. Significant Accounting Policies, Judgements and Estimation Uncertainty

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Share-Based Payment Transactions

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are determined at the time of the granting of such share-based compensation.

Impairment of Loans and Mortgages

At the end of each reporting period, the Corporation reviews the carrying amounts of its loans and mortgages to determine the expectation of future impairment losses, taking in to consideration value of the recoverable amount and an adjustment to that expected future impairment is adjusted, if any, with such amount being reflected as a reduction in revenues within the Statement of Operations and Comprehensive Income.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

4. Significant Accounting Policies, Judgements and Estimation Uncertainty – continued

Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

5. Changes in Accounting Policies

Accounting standards issued and adopted

IFRS 7 - Financial Instruments (“IFRS 7”)

IFRS 7 requires entities to provide disclosure in their financial statements that enable users to evaluate the significance of financial instruments and the nature and extent of risks arising from financial instruments to which an entity is exposed and how the entity manages those risks. It was amended to (i) add guidance on whether an arrangement to service a financial asset that has been transferred constitutes continuing involvement, and (ii) to clarify that the additional disclosure required by the amendments to IFRS 7 is not specifically required for interim periods. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 has not had a material effect on the Corporation’s financial position.

IFRS 9 – Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (“**IFRS 9**”) replacing IAS 39, Financial Instruments Recognition and Measurements. The Corporation has adopted IFRS 9 effective January 1, 2018, without restatement of comparative periods. Changes in accounting policies resulting from the adoption of IFRS as of January 1, 2018 are described below:

Classification & Measurement of Financial Assets

Recognition and initial measurement

The Corporation on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities are initially recognized on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

5. Changes in Accounting Policies – continued

Financial assets include both debt and equity instruments.

Debt Instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- i. Amortization cost;
- ii. Fair value through other comprehensive income (“**FVOCI**”);
- iii. Fair value through profit or loss (“**FVTPL**”) for trading related assets.

Classification of debt instruments is determined based on:

- i. The business model under which the asset is held; and
- ii. The contractual cash flow characteristics of the instrument.

Business Model Assessment

Business model assessment involves determining whether financial assets are managed in order to generate collection of contractual cash flows. The Corporation takes into consideration the following factors:

- i. How the performance of assets in a particular portfolio is evaluated and reported;
- ii. The risks that affect the performance of assets held within a business model and how those risks are managed; and
- iii. Whether the assets held for trading purposes;

Cash Flow Characteristics Assessments

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (“**SPPI**”)

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In performing this assessment, the Corporation takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement.

If the Corporation identifies any contractual features that could modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Consolidated Statement of Income.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

5. Changes in Accounting Policies – continued

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the Condensed Interim Consolidated Balance Sheets.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Condensed Interim Consolidated Balance Sheets, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognised in OCI with a corresponding charge to Provision for impairment losses in the Consolidated Statement of Income. The accumulated allowance recognised in OCI is recycled to the Consolidated Statement of Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Condensed Interim Consolidated Balance Sheets, with transaction costs recognized immediately in the Consolidated Statement of Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Consolidated Statement of Income.

Equity Investments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of Non-interest income in the Consolidated Statement of Income.

The Corporation can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer-term investment purposes. The FVOCI election is made upon initial recognition on an instrument-by-instrument basis and once made is irrevocable.

Impairment

The impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

FINDEV INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(Expressed in Canadian Dollars)

5. Changes in Accounting Policies – continued

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Measurement of expected credit loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

PD: The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

EAD: The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD: The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic Factors

In its models, the Corporation relies on forward looking information as economic inputs, such as house price indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Assessment of Significant Increases in Credit Risks (“SIR”)

At each reporting date, the Corporation assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macro-economic factors, management judgement and delinquency and monitoring.

The common assessments for SIR on investment portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Presentation of allowance for credit losses in the Statement of Financial Position

- i. Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets;
- ii. Debt instruments measured at fair value through other comprehensive income: no allowance is recognized in the Statement of Financial Position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income.

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5. Changes in Accounting Policies – continued

Definition of default

The Corporation considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- i. Significant financial difficulty of the borrow;
- ii. Default or delinquency in interest or principal payments;
- iii. High probability of the borrower entering a phase of bankruptcy or financial reorganization;
- iv. Measurable of decrease in the estimated future cash flows of the loan or the underlying assets that back the loan.

The Corporation considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is applicable.

Reconciliation of IAS 39 to IFRS 9

The following table provides the impact from the transition to IFRS 9 on the Unaudited Condensed Interim Consolidated Balance Sheets at transition date, January 1, 2018. The impact consists of re-measurements. These adjustments reflect the movement of balances between carrying values of the items on the Unaudited Condensed Interim Consolidated Balance Sheets with an impact to shareholders' equity.

As at Jan 1, 2018	Note	IAS 39 Measurement Basis	IAS 39 Carrying Amount	Re- classification	Re- measurement	IFRS 9 Carrying Amount	IFRS Measurement Basis
Cash and cash equivalent		Loans and receivables	\$ 615,780			\$ 615,780	Amortized costs
Receivables	6	Loans and receivables	71,222			71,222	Amortized costs
Prepaid expenses		Amortized costs	16,405			16,405	Amortized costs
Loans and mortgages	7	Loans and receivables	15,516,250		(30,000)	15,486,250	Amortized costs
			<u>\$ 16,219,657</u>	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ 16,189,657</u>	
Accounts payables and accrued liabilities	8	Other liabilities	\$ 255,623			\$ 255,623	Amortized costs
Capital stock	9		\$ 34,474,681			\$ 34,474,681	
Contributed surplus	10		12,646,481			12,646,481	
Accumulated deficit			(31,157,128)		(30,000)	(31,187,128)	
			<u>\$ 15,964,034</u>	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ 15,934,034</u>	
			<u>\$ 16,219,657</u>	<u>\$ 0</u>	<u>\$ (30,000)</u>	<u>\$ 16,189,657</u>	

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5. Changes in Accounting Policies – continued

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 was issued by the IASB in September 2015 and replaces IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. This standard establishes principles to address the nature, amount, timing and uncertainty of revenue arising from an entity’s contracts with customers. This standard is mandatorily effective for annual reporting periods beginning on or after January 1, 2018. Upon adopting IFRS 15, there was no impact on the financial position of the Corporation.

Future Accounting standards issued and to be adopted

IFRS 16 - Leases (“IFRS 16”)

IFRS 16 sets out principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all leases and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Management is in the process of assessing the impact of IFRS 16 on the Corporation’s consolidated financial statements.

6. Receivables

As at	September 30, 2018	December 31, 2017
Interest receivable	\$ 222,688	\$ 48,081
Sales tax refundable	18,888	23,141
	<u>\$ 241,576</u>	<u>\$ 71,222</u>

7. Loan and Mortgage Investments

As at September 30, 2018, the Corporation had principal balance of loan and mortgage investments of \$16,041,506 (December 31, 2017 - \$15,516,260). The loan and mortgage investments carry a weighted average effective interest rate of 11.15% (December 31, 2017 – 10.63%) and a weighted average term to maturity of 1.7 years (December 31, 2017 – 2.6), with maturities as follows:

Maturity	September 30, 2018	December 31, 2017
Less than one year	\$ 4,097,006	\$ 2,516,250
Between one and five years	12,050,000	13,000,000
More than five years	—	—
	<u>16,147,006</u>	<u>15,516,250</u>
Allowance for loan and mortgage investments loss	(100,500)	(30,000)
	<u>\$ 16,041,506</u>	<u>\$ 15,486,250</u>

During the period ending September 30, 2018, the Corporation received \$Nil (December 31, 2017 - \$34,275) in financing fees, of which \$2,994 remains to be recognized in income and is included in the above balances.

There is one loan issued to Plazacorp Investments Limited and it can be prepaid at any time.

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7. Loan and Mortgage Investments – continued

The loan and mortgage investments are secured by mortgages registered on title and/or other forms of security, including, but not limited to, floating charge debentures, general security agreements, postponement of specific claims and joint and several guarantees.

The Corporation may syndicate certain of its loan and mortgage investments to private investors or to financial institutions, each participating in a prescribed manner per agreement and on an investment by investment basis. In these investments, the investors will assume the same risks associated with the specific investment transaction as the Corporation. Each syndicated loan and mortgage investment have a designated rate of return that the syndicated investors expect to earn from that loan and mortgage investment. As at September 30, 2018 and December 31, 2017, the Corporation's principal balance of loan and mortgage syndications was Nil.

The following table presents details of the loan and mortgage investments as at September 30, 2018:

	Net Investment	% of net investments
Residential housing development	\$ 11,550,000	71.53
Land and lot inventory	4,097,006	25.37
Special situations	500,000	3.10
	<hr/> 16,147,006	<hr/> 100.00
Allowance for loan and mortgage investments loss	(105,500)	(0.65)
	<hr/> <u>\$ 16,041,506</u>	<hr/> <u>99.35</u>

8. Accounts Payable and Accrued Liabilities

Accounts payable are comprised of trade payables and accrued liabilities as well as dividends payable of \$214,856 (December 31, 2017 – \$214,856).

9. Share Capital

The Corporation is authorized to issue an unlimited number of common shares.

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10. Contributed Surplus

The Corporation's contributed surplus consists of the following:

	Incentive Stock			Total
	General	Option	Warrants	
Balance, January 1, 2017	8,120,031	190,984	4,082,570	12,393,585
Issuance of incentive stock options	—	252,896	—	252,896
Balance, December 31, 2017	8,120,031	443,880	4,082,570	12,646,481
Expiration of warrants	3,174,327	—	(3,174,327)	—
Balance, September 30, 2018	\$ 11,294,358	\$ 443,880	\$ 908,243	\$ 12,646,481

a) Incentive Stock options

The Corporation's Incentive Stock Option Plan ("**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified within the terms of the option.

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

There were no options granted during the period ending September 30, 2018 as well as the fiscal year ending December 31, 2017.

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10. Contributed Surplus – continued

The following table reconciles outstanding incentive stock options as at September 30, 2018 and December 31, 2017:

	Number	Weighted Average Exercise Price
Balance, January 1, 2017	1,466,857	\$ 0.63
Granted	—	N/A
Exercised	—	N/A
Cancelled	—	N/A
Forfeited	—	N/A
Balance, December 31, 2017 and September 30, 2018	<u>1,466,857</u>	<u>\$ 0.63</u>

Upon the cancelling of an incentive stock option, the cumulative amount previously expensed is transferred from contributed surplus - incentive stock options to contributed surplus - general.

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at September 30, 2018.

Exercise Price	Options Outstanding	Expiry Date	Outstanding		Exercisable		
			Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price	
\$ 6.125	2,857	April 22, 2019	0.6 years	\$ 6.125	2,857	\$ 6.125	
6.125	14,000	February 2, 2020	1.4 years	6.125	10,250	6.125	
0.600	1,250,000	October 20, 2024	6.1 years	0.60	1,250,000	0.600	
0.600	200,000	November 2, 2024	6.1 years	0.60	200,000	0.600	

b) Warrants

The following is a summary of outstanding warrants as at December 31, 2017 and September 30, 2018:

	Number of Warrants	Amount	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding, December 31, 2017	23,263,901	\$ 4,082,570	\$ 0.62	1.05
Outstanding, September 30, 2018	11,721,236	1,424,175	0.60	0.75

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10. Contributed Surplus – continued

During the period that ended September 30, 2018, 11,542,665 warrants expired with an exercise price of \$0.60 as well as 178,571 warrants with an exercise price of \$3.50, which were issued in October 2016 and July 2013 respectively. Accordingly, the fair value associated with these warrants of \$3,174,327 was reallocated from contributed surplus - warrants to contributed surplus - general. There were no warrants that expired or that were exercised during the year ended December 31, 2017.

11. Expenses by Nature

The Corporation presents its operating and corporate expenses by function on the consolidated statements of operations and comprehensive income (loss). IFRS requires additional disclosure of significant expenses according to their nature to assist in understanding future cash flow requirements. The Corporation's operating expenses by nature for the three-month and six-month period ended September 30, 2018 are as follows:

From To September 30,	July 1, 2018 2018	July 1, 2017 2017	Jan 1, 2018 2018	Jan 1, 2017 2017
Bank charges	\$ 221	\$ 422	\$ 634	\$ 3,714
Insurance	4,556	9,012	13,669	41,709
Interest	7	1	24	56
Office	355	647	944	2,938
Professional services	44,406	35,164	150,916	193,484
Regulatory reporting	13,883	30,207	29,589	134,201
	<u>\$ 63,428</u>	<u>\$ 75,453</u>	<u>\$ 195,776</u>	<u>\$ 376,856</u>

12. Dividend Declared and Paid

From To September 30,	July 1, 2018 2018	July 1, 2017 2017	Jan 1, 2018 2018	Jan 1, 2017 2017
Declared	\$ 214,856	\$ 214,856	\$ 644,568	\$ 644,568
Paid	214,856	214,856	644,568	644,568
Declared per common share	0.0075	0.0075	0.0225	0.0225
Paid per common share	0.0075	0.0075	0.0225	0.0225

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13. Transactions with Related Parties and Payments to Key Management

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring during the fiscal period.

From To September 30,	July 1, 2018 2018	July 1, 2017 2017	Jan 1, 2018 2018	Jan 1, 2017 2017
Revenues				
Interest income	\$ 297,698	\$ 354,881	942,356	\$ 1,043,133
Expenses				
Professional Fees	4,352	1,691	18,353	24,648
Loans and mortgage investments Included with accounts payable	11,550,000 —	13,004,190 —	11,550,000 —	13,004,190 —

Payments to key management

From To September 30,	July 1, 2018 2018	July 1, 2017 2017	Jan 1, 2018 2018	Jan 1, 2017 2017
Directors' Fees	\$ —	\$ —	\$ —	\$ 5,000
Management Fees	34,553	33,472	114,721	138,834
Stock-based compensation	—	35,590	—	248,774

The key management personnel of the Corporation include the Chief Executive Officer, Chief Financial Officer and the Board of Directors.

During the period ended September 30, 2018 and December 31, 2017, no key management personnel were indebted to the Corporation, with the exception that certain of the Corporation's loans and mortgage investments are currently issued to Plazacorp Investments Limited and/or its affiliates which are owned and controlled by a director and are in the normal course of business.

14. Earnings Per Share

In calculating the diluted earnings per share, issued and outstanding incentive stock options and warrants were not considered as they would have been anti-dilutive.

September 30,	2018	2017
Denominator basic and diluted earnings per share		
Weighted average number of Common shares outstanding	28,647,441	28,647,441
Dilutive effect of incentive stock options	—	—
Dilutive effect of warrants	—	—
Diluted weighted average Common shares	<u>28,647,441</u>	<u>28,647,441</u>

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15. Commitments and Contingencies

The Corporation, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Corporation.

16. Capital Management

The Corporation manages its common shares, stock options, warrants and accumulated deficit as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

The Corporation manages the capital structure and makes appropriate adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets in order to adjust the amount of cash on its balance sheet.

To facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry and market conditions.

The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

17. Financial Instruments and Risk Management

The Corporation's financial instruments have been classified into categories that determine their basis of measurement and for items carried at fair value, where changes in fair value are recognized in the Statement of Operations and Comprehensive Income (Loss):

Financial Assets	September 30, 2018	Dec 31, 2017
Cash	\$ 338,256	\$ 615,780
Receivables	241,576	71,222
Loans and mortgage investments	16,041,506	15,516,250
Financial Liabilities	September 30, 2018	Dec 31, 2017
Accounts payables and accrued liabilities	\$ 263,307	\$ 255,623

Fair value

As at September 30, 2018 and December 31, 2017, the estimated fair values of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their respective carrying values due to their short-term nature.

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17. Financial Instruments and Risk Management – continued

The fair value of the loans and mortgages investments approximates its carrying value as the majority of the loans are repayable in full at any time per agreement. There is no quoted price in an active market for the mortgage and loan investments. The Corporation makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 of the fair value hierarchy.

The fair values of loans payable approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) the interest rates at market value.

Credit risk

Credit risk is the possibility that a borrower under one of the loans and mortgages investments, may be unable to honour their debt commitment as a result of a negative change in the borrowers' financial position or market conditions that could result in a loss to the Corporation.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans that comprise the Corporation's investment portfolio. This could result in impairments in the mortgage loans or loan losses in the event the real estate security has to be realized upon by the lender. The Corporation's maximum exposure to credit risk is represented by the fair values of amounts receivable and the investment portfolio.

For the period ended September 30, 2018 and 2017, the Corporation's two largest borrowers accounted for 100% of revenues of continuing operations.

The Corporation's exposure to credit risk for its loans and mortgage portfolio by geographic area is limited to Toronto, Ontario.

Interest rate risk on income and expense

The Corporation also has credit risk relating to cash and cash equivalents, which it manages by dealing with large Canadian chartered banks. The Corporation's maximum exposure to credit from banks is \$338,256 (December 31, 2017 - \$615,780). As at September 30, 2018 - 100% (December 31, 2017 - 100%) of cash and cash equivalents were held in Canadian chartered banks.

Interest rate risk is the risk that fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in the market interest rates.

The Corporation's current loan portfolio is not subject to interest rate fluctuations, nor are its current liabilities. There is however, the risk of not being able to reinvest its capital at the same or greater rates due to the fluctuation of interest rates. In addition, as the Corporation expands its operations the loans which it may make may incorporate variable interest rates that shall fluctuate with the market.

Currently, if a shift in interest rates of 100 basis points were to occur, the impact on cash and the related gain (loss) for a fiscal year would have an impact on revenues of approximately \$165,000 (December 31, 2017 - \$165,000). Management does not deem this to be an immediate material issue as it could and would continue to meet its operating expenses as well as its dividend policy.

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17. Financial instruments and Risk Management – continued

Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund operations and to meet commitments and obligations in the most cost-effective manner possible. The Corporation achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Corporation monitors its financial resources on a regular basis and updates its expected use of cash resources based on the latest available data.

The Corporation's financial liabilities, classified as current, primarily consist of trade payables and accrued liabilities. Current liabilities were \$263,307 (December 31, 2016 - \$255,623) with all of it having expected settlement dates within one year or where conditions exist that could result in accelerated payment.

18. Discontinued Operations

On June 16, 2015, the Corporation sold its cross-platform portability technology to NVIDIA for an aggregate purchase price of US\$3.75 million, satisfied by payment of US\$3.375 million on the date of closing and US\$0.375 million ("Holdback Funds") paid on June 15, 2016. The assets included the technology that formed the Corporation's Graphics and Portability Group which included Cider, its core-enablement or translation and related technologies, along with associated customer relationships.

On April 20, 2016, the Corporation also signed an agreement with a third party for the full assignment of all rights, title and interest in the Corporation's SwiftShader technology, including TransGaming patents, licensed know-how and licensed intellectual property for total consideration of US\$1.25 million.

On November 1, 2016, the Corporation divested itself of its remaining software and game related active business for US\$225,000, where such amount was to be settled with an immediate payment of US\$50,000 and of future sales. Of the US\$50,000, US\$30,000 was collected prior to December 31, 2016 and the balance was received in February and April 2017.

The prior period gain of \$37,322 was due to a revision of the estimated remaining liabilities related to the Corporation's previous business and has been included in discontinued operations.

For the period ended, September 30,	2018	2017
Revenues	\$ —	\$ —
Cost of Sales	—	(37,322)
Gross Profit	—	37,322
Operating expenses	—	—
Foreign currency exchange gain (loss)	—	—
Net income (loss) from discontinued operations	\$ —	\$ 37,322

The impact of the discontinued operations on the cash flows is as follows:

For the period ended, September 30,	2018	2017
Cash used by discontinued operations	\$ —	\$ —
Cash used by discontinued financing activities	—	—
Cash provided by discontinued investing activities	—	138,772

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18. Discontinued Operations – continued

The following is a Summary of Significant Accounting Policies relating to discontinued operations that are no longer relevant to the current business of the Corporation.

Revenue recognition

General

The Corporation's discontinued operation's revenues were derived from the sale, development and licensing of platform enablement technology and the related provision of post-contract customer support (PCS) in addition to the sale of graphics rendering technology, and the provision of professional services for video game development (stand-alone services), the sale of online video games, and online subscription services.

Licensing

The Corporation's sale of Cider licenses, its video game enablement technology, which often includes the rendering of professional services to enable the gaming content, was accounted for as service revenue. Revenue was recognized on the licensing and professional services together by reference to the stage of completion of the transaction at the end of the reporting period when the outcome of a transaction involving the rendering of services can be estimated reliably. The outcome of a transaction could be estimated reliably when the amount of revenue can be measured reliably, it was probable that the economic benefits associated with the transaction would flow to the entity, the stage of completion of the transaction at the end of the reporting period would be measured reliably, and the costs incurred for the transaction and the costs to complete the transaction could be measured reliably. Revenue on a given contract was recognized proportionately with its percentage of completion. The stage of completion was measured based on direct expenses incurred as a percentage of the total direct expenses to be incurred.

If the professional services associated with the license was not deemed essential to the functionality of the licensed software, revenue from licensed software was accounted for as a sale of goods. The Corporation recognized revenue on sales of goods when the entity had transferred to the buyer the significant risks and rewards of ownership of the goods, if the entity retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue was able to be measured reliably, and it was probable that the economic benefits associated with the transaction would flow to the entity and the costs incurred or to be incurred would in respect of the transaction would be measured reliably. These criteria were generally met at the earlier of delivery or the inception of the license term (if term based).

The sale of Swift Shader technology was recognized over the term of the license if the term was clearly defined and if at the completion of the term, use of the licensed software ceased. Where licensed software rights cannot practicably be revoked the license was deemed perpetual and revenue was recorded using the criteria described in the previous paragraph for sales of goods.

The Corporation's license sales often included multiple elements, which typically included software licenses with professional services and PCS. The components in such arrangement were assessed to determine whether they could be sold separately and could be treated as a separately identifiable component for the purpose of revenue recognition. When there were separately, identifiable components in an arrangement, the arrangement consideration was allocated to the separate components on a relative fair value basis. If components were not separately identifiable, revenue recognition was deferred until all revenue recognition criteria had been met. The revenue recognition policy described above was then applied to each component.

Professional services including PCS

If the professional services were deemed essential to the functionality of the licensed software, license fees, PCS and professional services revenue were recognized by reference to the stage of completion as described above.

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18. Discontinued Operations – continued

If services were not deemed essential to the functionality of the software (or when professional services are provided on a stand-alone basis), the services revenue were then recognized as the services was delivered to the customer.

Online and Smart TV distribution

Revenue from the sale of online video games or those sold through managed service operators was recognized when the game was delivered to the customer. Terms of the sale ensured that the risks and rewards were transferred, that there was no ongoing control over the permitted use of a game for the duration purchased, sales amounts were defined, payment was processed at the time of purchase and related costs are measurable.

Subscription fees

Revenue from subscription fees was recognized on a monthly basis as services are provided.

Unbilled and deferred revenue

Amounts were generally billable on reaching certain performance milestones, as defined by individual contracts. Revenues in excess of contract billings were recorded as unbilled revenue. Deferred revenue resulted from advance payments of support and maintenance, payments made in advance of the delivery of enablement or distribution services, and license revenues where the Corporation had not met the criteria for revenue recognition, as described above.

Property and Equipment

Property and equipment and intangible assets were recorded at cost less accumulated amortization and impairment losses to write off the cost of the assets to their residual values over their estimated useful lives. Cost included expenditures that were directly attributable to the acquisition of the asset. Subsequent costs were included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it was probable that future economic benefits associated with the item would flow to the Corporation and the cost could be measured reliably. The cost and accumulated amortization of replaced assets were derecognized when replaced. Repairs and maintenance costs were charged to the consolidated statements of operations and comprehensive income (loss) during the year in which they were incurred.

The major categories of property and equipment were amortized to operations over their estimated useful lives on the following bases:

Asset	Depreciation method and Rate
Office equipment	20% diminishing balance
Computer equipment	30% diminishing balance
Office furniture	20% diminishing balance
Leasehold improvements	Straight-line over lease term

Residual values, method of amortization, and useful lives of these assets were reviewed annually and adjusted if appropriate.

Intangibles acquired separately

Intangibles with finite useful lives that were acquired separately were carried at cost less accumulated amortization and accumulated impairment losses. Amortization was recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method were reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangibles with indefinite useful lives that were acquired separately were carried at cost less accumulated impairment losses.

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18. Discontinued Operations – continued

Internally-generated intangibles

Expenditure on research activities was recognized as an expense in the period in which it was incurred.

An internally-generated intangible arising from development (or from the development phase of an internal project) was recognized if, and only if, all of the following had been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangibles was the sum of the expenditure incurred from the date when the intangibles first met the recognition criteria listed above. Where no internally-generated intangibles could be recognized, development expenditure was recognized in the Consolidated Statement of Operations and Comprehensive Loss in the period in which it was incurred.

Subsequent to initial recognition, internally-generated intangibles are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangibles that are acquired separately.

Intangibles acquired in a business combination

Intangibles acquired in a business combination and recognised separately from goodwill were initially recognised at their fair value at the acquisition date (which was regarded as their cost).

Subsequent to initial recognition, intangibles acquired in a business combination were reported at cost less accumulated amortization and/or accumulated impairment losses, on the same basis as intangibles that were acquired separately.

Identifiable intangible assets

The Corporation's intangible assets had finite useful lives and were carried at cost less accumulated amortization. Intangible assets were amortized over their estimated useful lives on the following bases:

Computer software	Straight-line over four years
Contract and distribution agreements	Straight-line over four years

Costs associated with maintaining computer software programs were recognized as an expense as incurred.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviewed the carrying amounts of its property and equipment and intangibles to determine whether there were any indication that those assets had suffered an impairment loss. If any such indication existed, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it was not possible to estimate the recoverable amount of an individual asset, the Corporation estimated the recoverable amount of the cash-generating unit to which the asset belonged. When a reasonable and consistent basis of allocation could be identified, corporate assets were also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis could be identified.

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18. Discontinued Operations – continued

Intangibles with indefinite useful lives and intangibles not yet available for use were tested for impairment at least annually, and whenever there was an indication that the asset may be impaired.

Recoverable amount was the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows that had to be adjusted.

If the recoverable amount of an asset (or cash-generating unit) was estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) was reduced to its recoverable amount. An impairment loss was recognized immediately in the Statement of Operations and Comprehensive Loss.

When an impairment loss subsequently reversed, the carrying amount of the asset (or a cash-generating unit) was increased to the revised estimate of its recoverable amount, but so that the increased carrying amount did not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss was recognized immediately in the Statement of Operations and Comprehensive Loss.

Foreign currency translation

Items included in these consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Canadian dollars (the “**presentation currency**”).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in the consolidated statements of operations and comprehensive income (loss).

The results and financial position of all the group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- b) income and expenses for each consolidated statement of operations and comprehensive income (loss) are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognized in other comprehensive income (loss).

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18. Discontinued Operations – continued

Foreign currency risk

Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Corporation's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by matching its foreign-denominated cash balances to the extent practical to CAD dollar obligations. The Corporation previously conducted a significant portion of its business activities in foreign countries. The financial assets and financial liabilities that are denominated in foreign currencies are affected by changes in the foreign currency exchange rates between the Canadian dollar and these foreign currencies. The Corporation recognized a foreign currency exchange gain in the period ended of Nil (December 31, 2016 of \$4,640,571) where the primary driver was intercompany transactions which is reflected within discontinued operations and the divesture of the foreign operations.

19. Subsequent Events

On October 12, 2018 the Corporation paid a dividend of \$0.0075 per Common share to holders of record on September 30, 2018 that was declared on September 12, 2018.

In November 2018, the Corporation extended the expiry date of 11,542,665 warrants that were originally due to expire on October 7, 2019 to October 7, 2021. All other terms and conditions remained unchanged.