
**FINDEV INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

FINDEV INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
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Management's Responsibility

To the Shareholders of Findev Inc.:

Management is responsible for the preparation and presentation of the accompanying 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 safe-guarded 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 included in the annual report. 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.

Dale Matheson Carr-Hilton Labonte LLP, an independent firm of Chartered Professional Accountants, has been appointed to audit the financial statements and report directly to the shareholders; their report follows. The external auditor has full and free access to, and meets periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

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

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

Toronto
April 29, 2019



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Findev Inc.

Opinion

We have audited the consolidated financial statements of Findev Inc. (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and comprehensive income, shareholder's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The consolidated financial statements of Findev Inc. for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 27, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2019

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

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

As at December 31, **2018** **2017**

ASSETS

Cash and cash equivalents	\$ 299,007	\$ 615,780
Receivables (Note 6)	54,531	71,222
Prepaid expenses	17,811	16,405
Loans & mortgage investments (Note 7 and 14)	<u>16,452,887</u>	<u>15,516,250</u>
	<u>\$ 16,824,236</u>	<u>\$ 16,219,657</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 8 and 14)	<u>\$ 244,686</u>	<u>\$ 255,623</u>
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SHAREHOLDERS' EQUITY

Share capital (Note 9)	34,474,681	34,474,681
Contributed surplus (Note 10)	12,646,481	12,646,481
Accumulated deficit	<u>(30,541,612)</u>	<u>(31,157,128)</u>
	<u>16,579,550</u>	<u>15,964,034</u>
	<u>\$ 16,824,236</u>	<u>\$ 16,219,657</u>

Nature of Organization (Note 1)
 Commitments and Contingencies (Note 15)

Approved on behalf of the board of directors:

 /s/ "Brice Scheschuk"
 Brice Scheschuk, Director

 /s/ "Yisroel Weinreb"
 Yisroel Weinreb, Director

FINDEV INC.
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	---	---	252,896	---	252,896
Dividends declared (Note 13)	---	---	---	(859,424)	(859,424)
Comprehensive income	---	---	---	1,407,083	1,407,083
Balance, December 31, 2017	28,647,441	\$ 34,474,681	\$ 12,646,481	\$ (31,157,128)	\$ 15,964,034
Expected credit risk recognised on adoption of IFRS 39 (Note 5)	---	---	---	(30,000)	(30,000)
Dividends declared (Note 13)	---	---	---	(859,424)	(859,424)
Comprehensive income	---	---	---	1,504,940	1,504,940
Balance, December 31, 2018	28,647,441	\$ 34,474,681	\$ 12,646,481	\$ (30,541,612)	\$ 16,579,550

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

For the year ended December 31,	2018	2017
REVENUE		
Interest income (Note 14)	\$ 1,761,079	\$ 1,554,448
EXPENSES		
General and administrative (Note 11)	256,139	410,512
Share based compensation (Note 10)	---	252,896
	<u>256,139</u>	<u>663,408</u>
Net income (loss) from continuing operations	1,504,940	891,040
Net income (loss) from discontinued operations, net of taxes (Note 18)	---	516,043
	<u>1,504,940</u>	<u>1,407,083</u>
COMPREHENSIVE (LOSS) INCOME		
	<u>\$ 1,504,940</u>	<u>\$ 1,407,083</u>
Net income (loss) per common share		
Basic net (loss) income from continuing operations per share	<u>\$ 0.05</u>	<u>\$ 0.03</u>
Diluted net (loss) income from continuing operations per share	<u>0.05</u>	<u>0.03</u>
Basic net (loss) income from discontinued operations per share	<u>0.00</u>	<u>0.02</u>
Diluted net (loss) income from discontinued operations per share	<u>0.00</u>	<u>0.02</u>
Basic net (loss) income per share	<u>0.05</u>	<u>0.05</u>
Diluted net (loss) income per share	<u>0.05</u>	<u>0.05</u>
Weighted average number of common shares outstanding (Note 20)		
Basic	<u>28,647,441</u>	<u>28,647,441</u>
Diluted	<u>28,647,441</u>	<u>28,647,441</u>

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

For the year ended December 31,	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the period	\$ 1,504,940	\$ 1,407,083
Non-cash expenses:		
Amortization of loan initiation costs	---	6,567
Amortization of financing fee	(18,750)	(15,525)
Loan loss provision	58,000	---
Stock-based compensation	---	252,896
 Loan and mortgage investments:		
Investment in loans and mortgages	(2,735,857)	(17,335,000)
Repayments of loans and mortgages	1,730,000	14,800,000
Financing fee received	---	34,275
 Net change in operating assets and liabilities		
Receivables	16,691	(13,312)
Prepaid expenses	(1,406)	28,305
Accounts payable and accrued liabilities	<u>(10,937)</u>	<u>(685,958)</u>
CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(542,651)</u>	<u>(1,520,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	<u>(859,424)</u>	<u>(859,424)</u>
CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(859,424)</u>	<u>(859,424)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in assets held for sale	<u>---</u>	<u>168,997</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>---</u>	<u>168,997</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(316,773)	(2,211,096)
CASH AND CASH EQUIVALENTS		
- Beginning of the period	<u>615,780</u>	<u>2,826,876</u>
CASH AND CASH EQUIVALENTS		
- End of the period	<u>\$ 299,007</u>	<u>\$ 615,780</u>

FINDEV INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(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 real estate financing secured 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 audited consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on April 29, 2019.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board (“**IASB**”), applicable to the preparation of consolidated financial statements.

Basis of Presentation

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

Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis 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 consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. Foreign exchange transactions during the year were converted at the then average exchange rate for the period and year-end balance sheet amounts denominated in foreign currencies were converted at the exchange rate as at that date.

FINDEV INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Basis of Presentation – continued

Critical Judgments and Estimates

The preparation of the 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 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 years presented in these consolidated 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.

Investment in Non-Derivative Financial Assets and Derivative Assets

Investments in non-derivative financial assets and derivative assets that are not traded in an active market are valued based on the results of valuation techniques – using observable market inputs where possible, on such a basis and in such a manner established by the management. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other commonly used by market participants and which make the maximum use of observable inputs.

Share Capital

Share capital, common shares and equity instruments are any contracts 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.

FINDEV INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies – continued

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.

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 Income and Fees Earned

Interest income and fees earned is recognized in the consolidated statements of operations and comprehensive income using the effective interest rate method (“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 contributed surplus. When incentive stock options are exercised, any consideration paid, together with the amount recorded in contributed surplus, 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 financings are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the 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 shares are charged to share capital upon the raising of equity. Costs associated with the issuance of debt are amortized using the EIM 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.

FINDEV INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Summary of Significant Accounting Policies – continued

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.

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 into consideration the value of the recoverable amount and an adjustment to the expected future impairment, 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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(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.

Fair value of the investment in convertible debentures

The Corporation measures the investments in convertible debentures at fair value. Estimating fair value for the convertible debentures requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the debentures. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model such the time to expiration, volatility, dividend yield and risk rate of the debentures.

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 7 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 9 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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017
(Expressed in Canadian Dollars)

5. Changes in Accounting Policies – continued

Financial assets which 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. Amortized 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 CONSOLIDATED FINANCIAL STATEMENTS
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(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 Consolidated Statement of Financial Position.

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 Consolidated Statement of Financial Position, 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 Consolidated Statement of Financial Position, 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.

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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 Consolidated Statement of Financial Position 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 Consolidated Statement of Financial Position 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 cost
Receivables	6	Loans and receivables	71,222			71,222	Amortized cost
Prepaid expenses		Amortized costs	16,405			16,405	Amortized cost
Loans and mortgages	7	Loans and receivables	15,516,250		(30,000)	15,486,250	FVTPL
			<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 cost
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>	

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Corporation has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application

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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 December 31,	2018	2017
Interest receivable	\$ 37,281	\$ 48,081
Commodity tax refundable	17,250	23,141
	<u>\$ 54,531</u>	<u>\$ 71,222</u>

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7. Loan and Mortgage Investments

As at December 31, 2018, the Corporation had principal balance of loan and mortgage investments of \$16,452,887 (December 31, 2017 - \$15,516,250). 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 1.42 years (December 31, 2017 - 2.80), with maturities as follows:

Maturity	December 31, 2018	December 31, 2017
Less than one year	\$ 4,770,887	\$ 2,516,250
Between one and five years	11,770,000	13,000,000
More than five years	—	—
	16,540,887	15,516,250
Allowance for loan and mortgage investments loss	(88,000)	—
	\$ 16,452,887	\$ 15,516,250

During the year, the Corporation received \$Nil (December 31, 2017 - \$34,275) in financing fees but recognized \$2,994 in 2018, which was previously received.

There is one loan issued to Plazacorp Investments Limited of \$11,270,000 (December 31, 2017 - \$13,000,000) and it can be prepaid at any time.

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 has a designated rate of return that the syndicated investors expect to earn from that loan and mortgage investment. As at December 31, 2018 and 2017, the Corporation's principal balance of loans and mortgage syndications were Nil.

The following table presents details of the loan and mortgage investments as at December 31, 2018:

	Net Investment	% of net investments
Residential housing development	\$ 11,270,000	68.14
Land and lot inventory	4,770,887	28.84
Special situations	500,000	3.02
	16,540,887	100.00
Allowance for loan and mortgage investments loss	(88,000)	(0.53)
	\$ 16,452,887	99.47

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7. Loan and Mortgage Investments – continued

The special situation loan is an investment in 500 convertible debentures with a face value of \$1,000 each due on August 3, 2021 bearing a coupon rate at 10% per annum if paid in cash or 12 % per annum if paid by issuing shares at the 20 day volume weighted average price of the borrow. The convertible debentures are convertible at any time at \$0.70 per common share or 1,429 shares per \$1,000 subject to certain price adjustment provisions. In addition, the Corporation also received in aggregate 714,500 warrants in connection with the convertible debentures subscription. The warrants expire on August 3, 2021 are exercisable at \$0.80 per share subject to certain price adjustment provisions. The fair value of these convertible debentures and warrants at December 31, 2018 is \$500,000 based on a discounted cash flow bases and using a Black Scholes option pricing model to value the conversion feature and the detachable warrants.

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.

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, December 31, 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 fiscal year ending December 31, 2018 and 2017.

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11. Contributed Surplus – continued

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

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

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 December 31, 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	0.3 years	\$ 6.125	2,857	\$ 6.125	
6.125	14,000	February 2, 2020	1.1 years	6.125	10,250	6.125	
0.600	1,250,000	October 20, 2024	5.8 years	0.60	1,250,000	0.600	
0.600	200,000	November 2, 2024	5.8 years	0.60	200,000	0.600	

b) Warrants

During the fiscal year ending December 31, 2018, 11,542,665 warrants expired with an exercise price of \$0.70 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.

In addition, on November 14, 2018, the TSXV approved the extension of 11,542,665 warrants with an exercise price of \$0.70 that were originally to expire on October 7, 2019 to October 7, 2021, with no other terms were amended.

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10. Contributed Surplus – continued

The following is a summary of outstanding warrants as at December 31, 2017 and 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	\$ 0.72	1.05
Outstanding, December 31, 2018	11,542,665	908,243	0.70	2.80

11. Expenses by nature

December 31,	2018	2017
Bank charges	\$ 901	\$ 4,901
Insurance	18,428	47,748
Interest	24	101
Management fees (Note 14)	94,097	90,000
Office	2,213	3,365
Professional services	105,040	205,374
Regulatory reporting	35,436	59,023
	<u>\$ 256,139</u>	<u>\$ 410,512</u>

12. Income taxes

i) The Corporation's income tax rate differs from the statutory rate of approximately 26.5% (2016 - 26.5%) as follows:

For the period ended December 31,	2018	2017
Pre-tax income (loss) for the period before income taxes	\$ 1,504,940	\$ 1,407,083
Pre-tax (income) loss from discontinued operations	—	(516,044)
Pre-tax income (loss) from continuing operations	<u>1,504,940</u>	<u>891,040</u>
Expected income tax expense based on statutory rate	399,000	236,000
Non-deductible provisions	23,000	—
Stock-based compensation expense	—	67,000
Other non-deductible expenses	(34,000)	(49,000)
Income tax (recovery) expense	<u>388,000</u>	<u>254,000</u>
Utilization of previously unrecognized non-capital loss carry forward amounts	(388,000)	(254,000)
Income tax expense for the year	<u>\$ —</u>	<u>\$ —</u>

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12. Income taxes – continued

ii) As at December 31, 2018, the Corporation had accumulated income tax losses for federal and provincial income tax purposes of approximately \$9,371,000 (December 31, 2017 - \$10,875,000). These losses carry-forward may be used to offset future years' federal and provincial taxable income and commence expiring in 2032.

iii) Scientific Research and Experimental Development Expenses and Tax Credits

The Corporation also had approximately \$707,000 in unclaimed scientific research and experimental development expenses as at December 31, 2018, which may be used to reduce taxable income in the future, without expiry.

As at December 31, 2018, the Corporation also had approximately \$1,750,000 in unclaimed investment tax credits, which may be used to offset federal income taxes payable in the future and commence expiring in 2027.

The potential benefit of these expenses and investment tax credits has not been recognized in the consolidated financial statements, as the recoverability is not more likely than not due to the fact the Corporation's Loan and Mortgage Investments either expire within two to five years or they may be prepaid at any time which is currently the primary source of income.

iv) Deferred Income Tax Assets

In assessing the ability to realize deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. No deferred income tax asset has been recognized in respect of these non-capital losses and other temporary differences, as the Corporation's Loan and Mortgage Investments either expire within two to five years or they may be prepaid at any time which is currently the primary source of income.

13. Dividend Payable

The dividends declared in 2018 and 2017 were \$859,424 (\$0.03 per common share) and \$859,424 (\$0.03 per common share) respectively. Dividends paid in 2018 and 2017 were \$859,424 (\$0.03 per common share) and \$859,424 (\$0.03 per common share), respectively.

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14. 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.

As at or for the period ended	Dec. 31, 2018	Dec. 31, 2017
Revenues		
Interest income	\$ 1,232,099	\$ 1,368,384
Expenses		
Professional Fees	25,753	24,648
Loans and mortgage investments	11,270,000	13,000,000
Included with accounts payable	5,088	4,954

Payments to key management

As at or for the period ended	Dec. 31, 2018	Dec. 31, 2017
Directors' Fees	\$ 4,000	\$ 5,000
Management Fees	143,941	174,039
Stock-based compensation	—	252,896

The key management personnel of the Corporation include the Chief Executive Officer, Chief Financial Officer and the Board of Directors. During the fiscal year ended December 31, 2018 and 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.

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 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.

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16. Capital management – continued

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	Dec. 31, 2018	Dec 31, 2017
Cash	\$ 299,007	\$ 615,780
Receivables	54,531	71,222
Loans and mortgage investments	16,452,887	15,516,250
Financial Liabilities	Dec 31, 2018	Dec 31, 2017
Accounts payables and accrued liabilities	\$ 244,686	\$ 255,6231

Fair value

As at December 31, 2018 and 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.

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 loans and mortgage investment portfolio.

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17. Financial instruments and risk management – continued

For the year ended December 31, 2018, the Corporation's three 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 \$299,007 (December 31, 2017 - \$615,780). As at December 31, 2018, 100% of cash and cash equivalents were held in Canadian chartered banks (December 31, 2017 - 100%).

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 and mortgage 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 1% were to occur, the impact on cash and the related gain (loss) for the year would have an impact on revenues of approximately \$165,000 (2017 - \$165,000). Management does not deem this to be material as it could and would continue to meet its operating expenses as well as its dividend policy.

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 \$244,686 (December 31, 2017 - \$255,623) with all of it having expected settlement dates within one year or where conditions exist that could result in accelerated payment.

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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 2f 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 year's gain of \$516,043 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, December 31,	2018	2017
Revenues	\$ —	\$ —
Cost of Sales	—	(419,103)
Gross Profit	—	419,103
Operating expenses	—	(96,940)
Net income (loss) from discontinued operations	\$ —	\$ (516,043)

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

For the period ended, December 31,	2018	2017
Cash provided by discontinued investing activities	\$ —	\$ 168,997

19. 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.

December 31,	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	28,647,441	28,647,441