AUTOMOTIVE FINCO CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

AND

TEN MONTHS ENDED DECEMBER 31, 2017

Independent Auditor's Report

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To the Shareholders of
Automotive Finco Corp.

Opinion

We have audited the consolidated financial statements of Automotive Finco Corp. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in shareholder's equity and the consolidated statements of cash flows for the year ended December 31, 2018 and the ten-month period ended December 31, 2017, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the ten-month period ended December 3, 2017 in accordance with International Financial Reporting Standards (IFRS).

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 consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated 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 consolidated 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 Company'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 Company'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 consolidated 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 Company 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;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Nancy Wolfe.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 29, 2019

[1] CPA auditor, CA public accountancy permit no. A120795

AUTOMOTIVE FINCO CORP.
Consolidated Statements of Financial Position
As at December 31, 2018 and December 31, 2017
(Canadian dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current			
Cash		$ 2,172,755	$ 1,693,972
Sales taxes receivable		152,717	76,720
Receivable from a project partner		700,000	700,000
Prepaid expenses		13,792	13,637
		3,039,264	2,484,329
Non-current			
Exploration and evaluation assets		1	1
Partnership's loan investments	6	76,333,333	76,333,333
Deferred tax assets	14	49,817	852,337
Total assets		$ 79,422,415	$ 79,670,000
LIABILITIES			
Current			
Accounts payable and accruals		$ 866,325	$ 1,906,069
		866,325	1,906,069
Non-current			
Convertible debentures	7	26,946,809	26,122,146
Total liabilities		27,813,134	28,028,215
SHAREHOLDERS' EQUITY			
Capital stock	8.1	62,245,925	61,111,925
Warrants	8.2	1,720,971	1,720,971
Contributed surplus		5,840,817	5,832,763
Equity component of convertible debentures	7	2,938,709	2,938,709
Deficit		(21,137,153)	(19,962,588)
Total equity attributable to owners of the parent company		51,609,269	51,641,780
Non-controlling interest		12	5
Total equity		51,609,281	51,641,785
Total liabilities and shareholders' equity		$ 79,422,415	$ 79,670,000

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2019.

/s/ Kuldeep Billan
CEO

/s/ Shannon Penney
CFO

(Canadian dollars)

	Notes	Year ended December 31, 2018	Ten Months ended December 31, 2017
REVENUE			
Interest revenue from Partnership's loan investments	6	$8,015,000	$5,186,920
OTHER OPERATING EXPENSES			
Transaction expenses	12	–	1,072,976
Partnership expenses	6	600,700	356,508
Legal expense		84,901	14,122
Share-based remuneration	9	8,054	1,282,259
Professional fees		84,510	58,274
Director fees		34,220	31,564
General and administrative expenses		152,105	122,422
Interest expense	7	2,759,632	1,482,458
Write-off of tax credits receivable		–	1,303
		3,724,122	4,421,886
INCOME BEFORE TAXES		4,290,878	765,034
Deferred income taxes	14	(802,520)	(526,200)
NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		$3,488,358	$ 238,834
NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Common shareholders		$3,488,351	$ 238,829
Non-controlling interest		7	5
		$3,488,358	$ 238,834
Basic earnings per common share	11	$ 0.15	$ 0.01
Diluted earnings (loss) per common share	11	$ 0.15	$ (0.03)

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

AUTOMOTIVE FINCO CORP.
Consolidated Statements of Changes in Shareholder's Equity
Year ended December 31, 2018 and Ten Months Ended December 31, 2017
(Canadian dollars)

	Notes	Capital stock	Warrants	Equity component of convertible debentures	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-Controlling Interest	Total Shareholders' Equity
Balance at February 28, 2017		$39,274,788	$1,890,856	$ –	$5,820,480	$(15,704,120)	$31,282,004	$ –	$31,282,004
Net income and total comprehensive income for the period		–	–	–	–	238,829	238,829	5	238,834
Private placement, March 2017	8	10,400,000	–	–	–	–	10,400,000	–	10,400,000
Private placement, June 2017	8	10,003,500	–	–	–	–	10,003,500	–	10,003,500
Share issuance costs	8	–	–	–	–	(1,020,798)	(1,020,798)	–	(1,020,798)
Warrants/RSUs/Stock options exercised	8	1,433,637	(169,885)	–	–	–	1,263,752	–	1,263,752
Convertible debentures, June 2017	7	–	–	2,938,709	–	–	2,938,709	–	2,938,709
Share-based remuneration	8	–	–	–	12,283	–	12,283	–	12,283
Dividends declared	8	–	–	–	–	(3,476,499)	(3,476,499)	–	(3,476,499)
Balance at December 31, 2017		$61,111,925	$1,720,971	$2,938,709	$5,832,763	$(19,962,588)	$51,641,780	$ 5	$51,641,785
Balance at December 31, 2017		$61,111,925	$1,720,971	$2,938,709	$5,832,763	$(19,962,588)	$51,641,780	$ 5	$51,641,785
Net income and total comprehensive income for the period		–	–	–	–	3,488,351	3,488,351	7	3,488,358
RSUs exercised	8	1,134,000	–	–	–	–	1,134,000	–	1,134,000
Share-based remuneration	8	–	–	–	8,054	–	8,054	–	8,054
Dividends declared	8	–	–	–	–	(4,662,916)	(4,662,916)	–	(4,662,916)
Balance at December 31, 2018		$62,245,925	$1,720,971	$2,938,709	$5,840,817	$(21,137,153)	$51,609,269	$ 12	$51,609,281

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

(Canadian dollars)

	Notes	Year ended December 31, 2018	Ten Months ended December 31, 2017
OPERATING ACTIVITIES			
Net income		$3,488,358	$ 238,834
Adjustments			
Share-based remuneration	9	8,054	1,282,259
Accretion of convertible debentures	7	824,663	401,137
Write-off of tax credits receivable		–	1,303
Deferred income tax	11	802,520	526,200
		5,123,595	2,449,733
Changes in working capital items	13	7,844	(2,205,201)
Cash flows from operating activities		5,131,439	244,532
FINANCING ACTIVITIES			
Private placement		–	20,403,500
Issuance cost of units		–	(1,020,798)
Warrants/RSUs/Stock options exercised		–	1,263,752
Issuance of convertible debentures		–	30,615,000
Issuance cost of convertible debentures		–	(895,748)
Dividends paid	8	(4,652,656)	(3,091,343)
Cash flows from financing activities		(4,652,656)	47,274,363
INVESTING ACTIVITIES			
Partnership's loan investments		–	(76,333,333)
Cash flows from investing activities		–	(76,333,333)
Net change in cash		478,783	(28,814,438)
Cash, beginning of period		1,693,972	30,508,410
Cash, end of period		$2,172,755	$ 1,693,972
Other informations on cash flows related to operating activities			
Interest paid		$2,066,513	$ 1,081,321
Interest received		$8,015,000	$ 5,186,920

See Note 13 for additional information on cash flows.

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

1. NATURE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on December 5, 1986. The Company filed articles of amendment on October 22, 2015 to change the province where its registered office is situated to Ontario. The Company changed its name from "Augyva Mining Resources Inc." to "Automotive Finco Corp." (hereafter the "Company" or "AFCC") and gave effect to a consolidation of the common shares by a ratio of 15 pre-consolidation common shares to 1 post-consolidation common share pursuant to articles of amendment filed on March 3, 2017.

The head and registered office is located at 8 King Street East, Suite 1800, Toronto, Ontario, M5C 1B5, Canada.

Since June 20, 2017, the Company is a reporting issuer in all provinces and territories of Canada.

The common shares are listed and posted for trading on the TSX Venture Exchange under the trading symbol "AFCC" since March 8, 2017. Before that date, the common shares were listed and posted under the trading symbol "AUV".

On February 23, 2017, shareholders approved the change of business (hereafter "COB") from an exploration stage company engaged in the exploration of mineral properties in Canada to an investment issuer focused on providing debt financing and making other investments in the auto retail sector. Shareholders also approved the consolidation of shares. The COB was implemented on March 6, 2017. Concurrently, the Company completed a private placement with AA Capital LP of 4,333,333 common shares at a price of $2.40 per common share.

In connection with the COB, the Company entered into a limited partnership agreement with Automotive Finance Limited Partnership (the "Partnership"). Automotive Finance GP Inc. is the General Partner of the Partnership and it is an entity controlled by a shareholder exercising a significant influence. The Company is the sole limited partner of the Partnership and makes its investments indirectly through the Partnership (see Note 6).

In October 2017, the Company changed its fiscal year end from February 28 to December 31.

2. COMPLIANCE WITH IFRS

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

Certain pronouncements have been issued by the IASB or IFRIC (IFRS Interpretations Committee) that will be effective for the current and future accounting periods. Many of these are not applicable to the Company and so are not discussed below. The following is a brief summary of IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement.

3. CHANGES IN ACCOUNTING POLICIES (continued)

3. Recent Accounting Pronouncements (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets which include a logical model for classification and measurement of financial assets, a single, forward-looking ‘expected credit loss’ impairment model. This applies to the Partnership’s loan investments. The Company has adopted the new standard as of January 1, 2018.

Under the historical IAS 39 measurement, cash, receivable from a project partner and Partnership’s loan investments were classified as ‘Loans and receivables’. Under IFRS 9, these are classified as ‘Amortized cost’. For financial liabilities, the classification under IFRS 9 is consistent with IAS 39. The application of IFRS 9 has no impact on the classification and measurement of the Company's financial liabilities. Note 4.3 provides a summary of the new financial instruments accounting policy that was implemented retrospectively to January 1, 2018. The Company has applied transitional relief and opted not to restate prior periods.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as was the case under IAS 39. Our financial performance and disclosure are not materially affected by the application of the standard.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The significant accounting policies and measurement base that have been applied in the preparation of these consolidated financial statements are summarized below.

4.2 Basis of consolidation

These consolidated financial statements include the Company’s subsidiary, Automotive Finance Limited Partnership (99.9999% owned). The Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its control of the entity. On consolidation, all intercompany transactions and balances have been eliminated. Accounting policies of the Company’s subsidiary are consistent with those of the Company.

Automotive Finance Limited Partnership was formed in Ontario, Canada on February 23, 2017, is engaged in the business of lending and investing and administering investment funds and has a December 31st year-end.

4.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities were measured initially at fair value and adjusted for transaction costs, where applicable. As a result of adopting IFRS 9 on January 1, 2018, the Company changed its accounting policy with respect to financial instruments. Under IAS 39, the Company's financial assets were classified as Loans and receivables and the Company’s financial liabilities were classified at amortized cost. Under IFRS 9, the Company’s financial assets and liabilities are classified at Amortized cost.

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.3 Financial Instruments (continued)

Financial Assets

The Company will classify financial assets as subsequently measured at amortized cost on its business model for managing the financial assets and the financial assets contractual cash flow characteristics. The three categories are defined as follows:

(a) Amortized cost - A financial asset is measured at amortized cost if the net asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
(b) Fair value through other comprehensive income - Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(c) Fair value through profit or loss - Any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets. The Company's cash, receivable from a project partner and Partnership's loan investments are measured at amortized cost.

Impairment of financial assets

The Company will assess the impairment of its receivable from a project partner and Partnership's loan investments using the expected credit loss model. This replaces IAS 39's 'incurred loss model'. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit loss, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. At the end of each reporting period, the Company now applies a three-stage forward looking impairment approach to measure the expected credit loss ("ECL").

Determining the stage

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets and if the credit quality has deteriorated significantly since initial recognition. If the credit risk and the credit quality of non-impaired financial instruments has not deteriorated significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses is measured and recorded at an amount equal to 12-month expected credit loss. When there is a significant increase in credit risk and the credit quality has deteriorated significantly since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses is measured and recorded at an amount equal to lifetime expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The interest income is calculated on the gross carrying amount of financial assets in Stages 1 and 2 and on the net carrying amount of financial assets in Stage 3.

Measurement of Expected Credit losses

ECLs are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instruments, and reasonable and supportable information about past events, current conditions and forecasts of future events and economic conditions is considered. The estimation and application of forward-looking information requires significant judgment. The cash shortfall is the difference between all contractual cash flows owed to the Company and all the cash flows that the Company expects to receive. The measurement of ECLs is primarily based on the product of the financial instruments probability of default, loss given default and exposure at default. Forward-looking macroeconomic factors such as credit default indices, interest rates and gross domestic product are incorporated into the risk parameters. The estimate of ECLs reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.3 Financial Instruments – Financial assets (continued)

The Company applies experienced credit judgment to adjust the modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit risk rating and modelling process. In the prior year, the impairment of the receivable from a project partner and Partnership's loan investments was based on the incurred model. The financial assets were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default.

Financial liabilities

The Company's financial liabilities include accounts payable and accruals (excluding source deductions, directors' fees and share-based remuneration payable) and convertible debentures. Financial liabilities are measured at amortized cost using the effective interest method. All interest-related charges are reported in profit or loss within Interest expense, if applicable.

Compound financial instrument

The components of the compound financial instrument (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument.

At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible debentures will be transferred to capital stock. No profit or gain is recognized on the conversion or expiration of the conversion option.

Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity.

Transaction costs relating to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the convertible debentures using the effective interest rate method.

4.4 Basic and diluted earnings (loss) per share

Basic earnings per share is calculated by dividing the net income attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing the income attributable to common equity holders of the Company by the weighted average number of common shares outstanding adjusted for the effects of all potentially dilutive common shares, which include stock options, warrants, restricted share units and convertible debentures.

4.5 Provisions

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured as the estimated expenditure required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized unless it was assumed in the course of a business combination. At December 31, 2018 and December 31, 2017, there is no provision in the consolidated statements of financial position. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.6 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting year. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognized in full, although IAS 12 "Income Taxes" specifies limited exemptions.

4.7 Equity

Capital stock

Capital stock represents the amount received on the issue of shares. If shares are issued when stock options, brokers' option units and warrants are exercised, the capital stock account also comprises the compensation costs and the fair value of the stock options, brokers' option units and warrants previously recorded as contributed surplus or warrants.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value. The fair value of the warrants is determined using the Black-Scholes model of evaluation and the market price at the time of issuance is used to determine the fair value of the shares.

Other elements of equity

Warrants include charges related to warrants. When warrants are exercised the related compensation is transferred to capital stock. When the warrants expire the corresponding charges are transferred to contributed surplus. Contributed surplus includes charges related to stock options until such equity instruments are exercised and charges related to warrants expired. When stock options are exercised corresponding compensation costs are transferred to capital stock.

Deficit includes all current and prior year retained profits or losses less issuance costs net of any underlying income tax benefit from the issuance costs and effect of warrant extensions, if any.

Equity component of convertible debentures represent the equity component of convertible debentures less issuance costs net of any underlying income tax benefit from the issuance costs.

4.8 Share-based remuneration

Stock option plans

The Company operates equity-settled share-based remuneration plans (stock option plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any stock options for a cash settlement. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except for stock option units issued to brokers) are ultimately recognized as an expense in with a corresponding credit to Contributed surplus, in equity. Stock option units issued to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to Contributed surplus, in equity.

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.8 Share-based remuneration (continued)

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of stock options expected to vest. Non-market vesting conditions are included in assumptions about the number of stock options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current year. No adjustment is made to any expense recognized in prior years if stock options ultimately exercised are different to that estimated on vesting.

Restricted share unit plan and deferred share unit plan

The Company operates a restricted share unit (“RSU”) plan and deferred share unit (“DSU”) plan for directors, executive officers, employees and consultants of the Company. The vesting conditions of the RSUs and DSUs may be based on a required service period or the achievement of performance targets. RSUs that have vested will be payable, at the holder’s option, in cash or common shares. Vested DSUs are payable only in cash. The share-based remuneration expense of the RSUs and DSUs is based on the fair value at the end of each reporting period and the awards expected to vest over the vesting period. A corresponding compensation liability is recorded in the accounts payable and accruals.

4.9 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the Chairman and the Board of Directors in order to assess each segment’s performance.

The Company has determined that there was only one operating segment: Investment issuer focused on providing debt financing and making other investments in the auto retail sector.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

5.1 Significant management judgements

Recognition of deferred tax assets and measurement of deferred income tax

Management continually evaluates the likelihood that its deferred tax could be realized. The assessment of availability of future taxable profits involves significant judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized (see Note 4.6).

Impairment of Partnership’s loan investments

The measurement of expected credit losses requires significant judgement (see Note 4.3).

5.2 Estimation uncertainty

Share-based remuneration

The estimation of share-based remuneration costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of stock options, brokers’ option units and warrants granted and the time of exercise of those stock options, brokers’ option units and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 9).

(Canadian dollars)

6. PARTNERSHIP'S LOAN INVESTMENTS

In March 2017, the Partnership entered into two financing agreements with entities controlled by a shareholder exercising significant influence, pursuant to which the Partnership loaned an aggregate of $33,333,333. The investments bear interest at 10.5% per annum, and have a 25-year term.

In May 2017, the Partnership entered into financing agreements with entities controlled by a shareholder exercising significant influence, pursuant to which the Partnership loaned an aggregate of $43,000,000. The investments bear interest at 10.5% per annum and have a 25-year term. The loans were disbursed at the end of June 2017.

During the year, the Partnership received interest income of $8,015,000 ($5,186,920 – ten months ended December 31, 2017) from the entities controlled by a shareholder exercising significant influence and incurred Partnership expenses of $600,700 ($356,508 – ten months ended December 31, 2017). Partnership expenses include items such as compensation of the CEO/CFO and other general & administrative expenses.

These investments are not guaranteed.

7. CONVERTIBLE DEBENTURES

In June 2017, the Company completed offerings of (i) $20,000,000 aggregate principal amount of convertible senior unsecured debentures of the Company maturing on June 30, 2022 at a price of $1,000 per convertible debenture and (ii) 3,705,000 shares at a price of $2.70 per share and concurrent offering of $10,615,000 in aggregate principal amount of convertible debentures. The convertible debentures bear interest of 6.75% per annum payable semi-annually on June 30 and December 31 in each year commencing on December 31, 2017. The convertible debentures are convertible into common shares of the Company at the option of the holder at any time at a price of $3.50 per common share. The Company has the option to redeem the convertible debentures, in whole or in part from time to time, on or after July 1, 2019 at their redemption amount. The redemption amount is, (i) from July 1, 2019 to and including June 30, 2020, 103% of, (ii) from July 1, 2020 to and including June 30, 2021, 102% of, (iii) from July 1, 2022 to and including June 29, 2022, 101% of, the principal amount of the convertible debentures to be redeemed plus accrued and unpaid interest thereon, up to the redemption date. The Company has the option of redeeming the convertible debentures by paying either cash or issuing common shares. The implied effective interest rate for accounting purposes on the convertible debentures is 10.48%.

	Convertible debentures	Equity component of convertible debentures
Issuance of convertible debentures	$ 30,615,000	$ –
Transactions costs	(895,748)	–
Equity component of convertible debentures, net of transaction costs	(3,998,243)	3,998,243
Accretion of convertible debentures	401,137	–
Deferred income taxes - equity component of convertible debentures	–	(1,059,534)
Balance, December 31, 2017	26,122,146	2,938,709
Accretion expense	824,663	–
Balance, December 31, 2018	$ 26,946,809	$ 2,938,709

During the period, the Company recorded interest expense in the amount of $2,759,632 of which $824,663 is related to accretion of convertible debentures.

(Canadian dollars)

8. EQUITY

8.1 Capital stock

Capital stock consists of fully paid common shares, no par value, of which 1,960,120 shares are held in escrow.

The Company gave effect to a consolidation of its common shares by a ratio of 15 pre-consolidation common shares to 1 post-consolidation common share pursuant to articles of amendment filed on March 3, 2017. The consolidation was approved by the shareholders at a special meeting held on February 23, 2017. Prior to the consolidation, the Company had 209,611,787 common shares, 40,891,303 warrants and 3,450,000 stock options outstanding. The exercise price and the number of common shares issuable under any of the Company's outstanding warrants and the stock options were proportionately adjusted upon the consolidation. After consolidation, the Company had 13,974,119 common shares, 2,726,087 warrants and 230,000 stock options outstanding. The Company's common shares began trading on a consolidated basis on March 8, 2017. During the period and the comparative period all information regarding common shares, earnings per share, warrants and stock options have been adjusted to reflect this change.

Authorized

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at shareholders' meetings. Capital stock is as follows:

	Number of shares
Balance, February 28, 2017[(a)]	13,974,119
Private placement [(b)]	4,333,333
Issued, exercise of Restricted Share Units [(c)]	246,468
Issued, exercise of warrants [(d)]	244,926
Issued, exercise of stock options [(e)]	19,998
Adjustment [(f)]	(71)
Private placement [(g)]	3,705,000
Balance, December 31, 2017	22,523,773
Issued, exercise of Restricted Share Units [(h)]	600,000
Balance, December 31, 2018	23,123,773

(a) In January 2017, the Company issued subscription receipts convertible into 7,205,625 shares at a price of $2.40 per unit for aggregate gross proceeds of $17,293,500. The issuance costs of the units totalled $1,073,498. The proceeds were held in escrow and were released to the Company on March 3, 2017 when the subscription receipts were automatically converted into shares.

(b) On March 3, 2017, the Company completed a private placement with AA Capital LP, an affiliate of an entity controlled by a shareholder exercising significant influence, of 4,333,333 common shares at a price of $2.40 per common share for a total of $10,400,000. The share issuance costs of the shares totalled $9,195.

(c) On March 14, 2017 and November 8, 2017, 196,468 and 50,000 shares were issued upon exercise of RSUs of the Company.

(d) During the three months ended May 31, 2017, 244,926 warrants were exercised for a total of 244,926 shares for total proceeds of $514,348.

(e) On October 18, 2017, 19,998 shares were issued upon exercise of stock options.

(f) Adjustment related to requirement to round down upon consolidation and exercise of warrants.

(g) On June 23, 2017, the transaction as presented in the Company's final short form prospectus closed. It consisted of the issuance of 3,705,000 common shares of the Company at a price of $2.70 per share for a total proceeds of $10,003,500. The share issuance costs of the shares totalled $1,011,603.

(h) On September 12, 2018, 600,000 shares were issued upon exercise of RSUs of the Company for a value of $1,134,000.

(Canadian dollars)

8. EQUITY (continued)

8.2 Warrants

Outstanding warrants expire in April 2019 and entitle their holders to subscribe to an equivalent number of common shares as follows:

	Number of warrants	Weighted average exercise price
Balance, February 28, 2017	2,726,087	$ 2.10
Exercised	(244,926)	$ 2.10
Balance, December 31, 2017	2,481,161	$ 2.10
Exercised	–	–
Balance, December 31, 2018	2,481,161	$ 2.10

8.3 Dividends

In March 2017, the Board of Directors declared an annual dividend of $0.168 per common share, payable monthly. In June 2017, the Board of Directors increased the annual dividend to $0.205 per common share, which shall be payable monthly, with the first payment made at the end of July 2017 to the shareholders on record as of June 30, 2017. During the current period, the Company paid eligible dividends of $4,652,656 (ten months ended December 31, 2017 - $3,091,343). Furthermore, on December 17, 2018, the Company announced $0.0171 per common share to be paid on January 31, 2019 to the shareholders of record as of December 31, 2018. Refer to Note 18 for more information.

The declaration, amount and payment of future cash dividends are subject to the Board of Directors' continuing determination that the payments of dividends are in the best interests of the Company and its shareholders and are in compliance with all laws and agreements of the Company applicable to the declaration and payment of cash dividends.

9. SHARE-BASED REMUNERATION

9.1 Stock options

The Company maintains stock option plans whereby the Board of Directors may from time to time grant to directors, officers, employees and consultants, options to acquire common shares.

The plan provides that the maximum number of common shares which may be reserved for issuance to any option may not exceed 10% of the common shares outstanding at the time of grant. These stock options have a maximum life period of 5 years after the grant date.

The number of shares reserved for issuance to any beneficiary may not exceed 5% of the then outstanding shares. The number of shares reserved for consultants or any employee performing investor relation activities for a period of 12 months may not exceed 2% of the outstanding shares of the Company. The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

All share-based remuneration will be settled in equity. A summary of the status of the stock options outstanding as of December 31, 2018 and December 31, 2017 is presented below:

	December 31, 2018		December 31, 2017	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of year	203,333	$1.76	230,000	$1.76
Exercised	–	–	(19,998)	$1.88
Expired	–	–	(6,666)	$1.88
Adjustment (a)	–	–	(3)	–
Outstanding, end of year	203,333	$1.76	203,333	$1.76
Exercisable, end of year	203,333	$1.76	150,000	$1.75

(a) Adjustment related to requirement to round down upon consolidation and exercise of warrants.

(Canadian dollars)

9. SHARE-BASED REMUNERATION

9.1 Stock options (continued)

The table below summarizes the information related to outstanding stock options as at the end of each reporting period:

	December 31, 2018			December 31, 2017		
Exercise Price	Number of stock options	Exercisable stock options	Weighted average remaining life (years)	Number of stock options	Exercisable stock options	Weighted average remaining life (years)
$1.725	166,667	166,667	0.30	166,667	113,334	1.30
$1.725	16,667	16,667	2.65	16,667	16,667	3.65
$1.950	13,333	13,333	0.31	13,333	13,333	1.31
$1.950	6,666	6,666	2.65	6,666	6,666	3.65
	203,333	203,333		203,333	150,000	

In total, $8,054 of employee share-based remuneration expense (all of which related to equity-settled share-based payment transactions) was included in profit or loss for the year ended December 31, 2018 ($12,283 for the ten months ended Decemeber 31, 2017) and is credited to Contributed surplus.

9.2 Restricted share unit plan and deferred share unit plan

In April 2014, 196,468 Restricted Share Units ("RSUs") and 103,532 Deferred Share Units ("DSUs") were awarded to the Company's Chief Executive Officer ("CEO") and an aggregate of 50,000 DSUs were awarded to the non-executive directors. On August 25, 2016, 30,000 DSUs expired and 10,000 DSUs were awarded to an incoming director. On March 7, 2017, 103,532 DSUs awarded to the Company's CEO in 2014 were paid out for consideration of $345,227. On March 14, 2017, 196,468 shares were issued upon the exercise of the RSUs. An amount of $589,404 was accounted in capital stock. There is no date of maturity related to these DSUs. The DSUs awarded to the non-executive directors vest subject to the achievement of specific price and operational performance conditions, including the achievement of a 30-day Volume Weighted Average Price of $2.70 on the Company's common shares and $5,000,000 in annualized EBITDA based upon a specified formula. Of the above-mentioned RSUs and DSUs, Nil RSUs remain outstanding and 30,000 DSUs remain outstanding as at December 31, 2018 and December 31, 2017.

On March 13, 2017, the Board of Directors approved an amendment to the RSU Plan to increase the fixed cap to be equal to 10% of the then current issued and outstanding shares subject to approval by the TSX Venture Exchange and ratification by the Company's shareholders at the next Annual General Meeting of Shareholders, both of which occurred in August 2017.

On March 13, 2017, the Board of Directors approved a total award of 866,668 RSUs with 666,667 awarded to the Company's CEO and 66,667 to each director. The RSU awards have the following terms:

i) as to 50%, they will vest upon the achievement by the Partnership of annualized EBITDA of $6.5 million (where EBITDA means interest revenue less annualized cash operating expenses at the time of measurement less estimated annual Company expenses for the forthcoming 12 months) and expire 18 months from the date they vest;
ii) as to 25%, they will vest upon the initiation by the Company of an annual dividend of $0.20/annum and expire 24 months from the date they vest; and
iii) as to 25%, they will vest upon the achievement by the Company of a share price of $4.50 and will expire 36 months from the date they vest.

On March 13, 2017, the Board of Directors approved a total award of 155,171 DSUs with 103,448 being awarded to the Company's CEO and 17,241 being awarded to each director. The DSU awards were to vest upon the closing of a financing transaction by the Partnership that results in $10 million in annual interest revenue to the Partnership. These DSU awards expired on December 31, 2017.

(Canadian dollars)

9. SHARE-BASED REMUNERATION (continued)

9.2 Restricted share unit plan and deferred share unit plan (continued)

On November 8, 2017, 50,000 RSUs were exercised leaving 816,668 RSUs outstanding as at December 31, 2017. An amount of $122,500 was accounted for in capital stock. As at December 31, 2018, 30,000 DSUs remain outstanding (30,000 DSUs as at December 31, 2017). On September 12, 2018, 600,000 shares were issued upon exercise of RSUs of the Company leaving 216,668 RSUs outstanding at December 31, 2018. An amount of $1,134,000 was accounted for in capital stock.

The Company recorded $Nil share-based remuneration expense related to the RSU's in 2018 ($1,615,203 for the year ended December 31, 2017) of which $345,227 was recorded in transaction expenses in 2017 (see Note 12).

10. FAIR VALUE MEASUREMENT

Fair value measurement of financial instruments

The following presents financial assets and liabilities measured at amortized cost for which the fair value is disclosed in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly of indirectly; and
- Level 3: inputs for the assets of liabilities that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The fair value of the Partnership's loan investments and convertible debentures is estimated using analysis of discounted cash flows based on current borrowing rates which apply to similar borrowings and these are classified in Level 2.

11. NET EARNINGS (LOSS) PER SHARE

Reconciliations of earnings used in calculating earnings per share:

	Year ended December 31, 2018	Ten months ended December 31, 2017
Net income attributable to common shareholders used in calculating basic earnings per share	$ 3,488,351	$ 238,829
Adjustments for calculation of diluted earnings (loss) per share		
RSUs – increase in share-based remuneration (assuming share settlement)	–	(946,420)
Net income (loss) attributable to common shareholders used in calculating diluted earnings (loss) per share	$ 3,488,351	$(707,591)

Reconciliations of average number of shares used as the denominator

	Year ended December 31, 2018	Ten months ended December 31, 2017
Weighted average number of shares outstanding used in calculating basic earnings per share	22,706,239	21,002,986
Effects of dilution from:		
RSUs	–	264,267
Weighted average number of shares outstanding used in calculating diluted earnings (loss) per share	22,706,239	21,267,253

(Canadian dollars)

11. NET EARNINGS (LOSS) PER SHARE (continued)

For the fiscal year ended December 31, 2018, all outstanding RSUs, stock options and warrants as well as the convertible debentures have not been included in the calculation of the diluted earnings per share as they either have not vested, are not in the money or would have the effect of being antidilutive. For the fiscal period ended December 31, 2017, 216,667 RSUs and all outstanding stock options and warrants as well as the convertible debentures have not been included in the calculation of the diluted earnings per share as they would have the effect of being antidilutive.

The information presented in the above table, including comparative balances, has been adjusted and presented on a post-consolidation basis.

12. TRANSACTION EXPENSES

The transaction expenses are detailed as follows:

	Year ended December 31, 2018	Ten months ended December 31, 2017
Termination benefit and share-based remuneration	$ –	$ 670,227
Legal expense	–	352,330
Professional fees	–	50,419
	$ –	$ 1,072,976

On March 7, 2017, the Company paid a severance payment to the company's CEO in the amount of $325,000 and 103,532 DSUs awarded to the company's CEO in 2014 were paid out for consideration of $345,227.

13. ADDITIONAL INFORMATION - CASH FLOWS

The changes in working capital items are detailed as follows:

	Year ended December 31, 2018	Ten months ended December 31, 2017
Sales taxes receivable	$ (75,997)	$ 76,720
Prepaid expenses	(155)	77
Accounts payable and accruals	83,996	(2,281,998)
	$ 7,844	$ (2,205,201)
Dividends declared included in accounts payable and accruals	$ 395,416	$ 385,156

14. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	December 31, 2018	December 31, 2017
Inception and reversal of temporary differences	$ 1,137,575	$ 634,361
Impact of change in tax jurisdiction	–	165,761
Recording of deferred income tax assets unrecognized previously	(335,055)	(273,922)
Tax income	$ 802,520	$ 526,200

(Canadian dollars)

14. INCOME TAXES (continued)

Relationship between tax expense and accounting profit or loss

The relationship between the expected tax expenses (income) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	December 31, 2018	December 31, 2017
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.5% (26.5% at December 31, 2017)	$ 1,137,083	$ 202,734
Recording of deferred income tax assets unrecognized previously	(335,055)	(273,922)
Share-based remuneration	2,134	431,284
Impact of change in tax jurisdiction	–	165,761
Other	(1,642)	343
Tax income	$ 802,520	$ 526,200

The recorded deferred income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following items:

	Balance as at December 31, 2017	Recognized in net income	Recognized in Equity	Balance as at December 31, 2018
Exploration and evaluation assets	$ 598,177	$ (382,558)	$ –	$ 215,619
Issuance cost	609,498	(164,402)	–	445,096
Convertible debentures	(1,190,605)	218,535	–	(972,070)
Property and equipment	36,563	(10,446)	–	26,117
Investment tax credits	–	335,055	–	335,055
Non-capital losses	798,704	(798,704)	–	–
	$ 852,337	$ (802,520)	$ –	$ 49,817

	Balance as at February 28, 2017	Recognized in net income	Recognized in Equity	Balance as at December 31, 2017
Exploration and evaluation assets	$ 738,723	$ (140,546)	$ –	$ 598,177
Issuance cost	243,054	366,444	–	609,498
Convertible debentures	–	(131,071)	(1,059,534)	(1,190,605)
Property and equipment	53,086	(16,523)	–	36,563
Non-capital losses	1,403,208	(604,504)	–	798,704
	$ 2,438,071	$ (526,200)	$(1,059,534)	$ 852,337

(Canadian dollars)

14. INCOME TAXES (continued)

Deferred tax assets and liabilities

The ability to realize the tax benefits is dependent upon a number of factors including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, the deferred tax assets related to capital losses of $852,696 (Federal and provincial) have not been recognized. Those deferred tax assets not recognized equal an amount of $225,964 ($225,964 as at December 31, 2017).

The Company has investment tax credit carryovers, which are available to reduce income taxes payable in future years. They expire as follows:

	Federal
2028	$ 74,397
2029	47,355
2030	132,320
2031	19,667
2032	53,438
2033	7,054
2034	824
	$ 335,055

15. RELATED PARTY TRANSACTIONS

The Company's related parties include key management and other related parties, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

15.1 Transactions with key personnel

The Company considers key personnel to be those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key personnel are the members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. Remuneration of key personnel includes the following expenses:

	Year ended December 31, 2018	Ten months ended December 31, 2017
Termination benefit included in transaction expenses	$ –	$ 325,000
Directors' fees	34,220	31,564
Share-based remuneration (Notes 9.1 and 9.2)	8,054	1,627,486
Total remuneration	$ 42,274	$ 1,984,050

As at December 31, 2018, the Company had accounts payable of $866,325 ($1,906,069 as at December 31, 2017) of which $4,810 was to a company owned by key personnel ($4,810 as at December 31, 2017) and $294,561 ($1,443,071 as at December 31, 2017) was to key personnel as share-based remuneration.

15.2 Transactions with related companies

On March 3, 2017, the Company completed a private placement with an entity controlled by a shareholder exercising significant influence of 4,333,333 common shares at a price of $2.40 per common share.

In 2018, the partnership incurred partnership expenses of $600,700 with an entity controlled by a shareholder exercising significant influence.

Beginning April 1, 2017, the Company incurred rent expense of $52,500 which is payable to a related company. An officer of the Company is a director of the related company.

(Canadian dollars)

15. RELATED PARTY TRANSACTIONS (continued)

15.2 Transactions with related companies (continued)

The Company has agreed to commit $100 million as an obligated financing under the terms of an alliance agreement dated March 3, 2017 between the Partnership and a group of entities controlled by a shareholder exercising significant influence, with approximately $24 million remaining to be committed as of December 31, 2017; any financing request will be subject to the Partnership having obtained the necessary funding. The commitment period ended in September 2018.

16. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders and issue new shares.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

17. FINANCIAL INSTRUMENTS RISKS

The Company is exposed to various risks relating to financial instruments. The main types of risks are credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes. No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

Credit risk is the risk that another party to a financial instrument fails to discharge an obligation and thus, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	December 31, 2018	December 31, 2017
Cash	$ 2,172,755	$ 1,693,972
Receivable from a project partner	700,000	700,000
Partnership's loan investments	76,333,333	76,333,333
Carrying amounts	$79,206,088	$78,727,305

The Company continuously monitors defaults of counterparties. Management considers that all the above financial assets for each of the reporting dates under review are of good credit quality.

The credit risk for cash and the other instruments is considered negligible, since the counterparties are reputable banks and partners with high external credit ratings or good financial situations.

(Canadian dollars)

17. FINANCIAL INSTRUMENTS RISKS (continued)

17.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty meeting obligations associated with financial liabilities that are settled by cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	December 31, 2018	December 31, 2017
Less than 12 months		
Account payable and accruals	$ 571,763	$ 462,998
Interest payable on convertible debentures	2,066,513	2,060,851
	$ 2,638,276	$ 2,523,849

	December 31, 2018	December 31, 2017
Between 12 and 60 months		
Convertible debentures	$30,615,000	$30,615,000
Interest payable on convertible debentures	5,135,157	7,201,670
	$35,750,157	$37,816,670

The Company considers expected cash flows from cash, receivable from a project partner and Partnership's loan investments in assessing and managing liquidity risk. Management believes that working capital on hand and the interest revenue generated from the Partnership's loan investments will be sufficient to fund the Company's activities for the next 12 months.

18. SUBSEQUENT EVENT

18.1 Dividends declared

Subsequent to December 31, 2018, and before the authorization of these consolidated financial statements, the Company announced eligible monthly dividends of $0.0171 per common share to be paid at the end of February, March, April and May 2019.