CONSOLIDATED FINANCIAL STATEMENTS

SOLUTION FINANCIAL INC.

(Formerly SHELBY VENTURES INC.)

FOR THE FISCALYEARS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

Unit 137 - 8680 Cambie Road
Richmond, BC
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Solution.Financial

SOLUTION FINANCIAL INC.
(Formerly SHELBY VENTURES INC.)

Consolidated Financial Statements

October 31, 2018

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Solution Financial Inc. (formerly Shelby Ventures Inc.)

We have audited the accompanying consolidated financial statements of Solution Financial Inc. (formerly Shelby Ventures Inc.), which comprise the consolidated statements of financial position as at October 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Solution Financial Inc. (formerly Shelby Ventures Inc.) as at October 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

February 26, 2019

A member of Nexia International

SOLUTION FINANCIAL INC.

(Formerly SHELBY VENTURES INC.)

Consolidated Statements of Financial Position
as at October 31, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	**447,639**	$	12,242
Accounts receivable		**689,612**		449,188
Income taxes receivable		**155,528**		43,796
Prepayment and deposits		**120,381**		98,819
Current portion of car loans receivable (Note 9)		**47,943**		47,454
Current portion of receivable under finance lease (Note 10)		**88,932**		311,643
Inventory (Note 8)		**718,864**		412,550
		2,268,899		1,375,692
Inventory (Note 8)		**50,505**		50,505
Due from related company (Note 13)		**-**		40,311
Car loans receivable (Note 9)		**60,244**		116,006
Receivable under finance lease (Note 10)		**161,359**		338,421
Property under operating leases (Note 11)		**12,269,109**		6,037,477
Property and equipment (Note 12)		**317,452**		285,250
	$	**15,127,568**	$	8,243,662
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Bank indebtedness (Note 15)	$	**1,093,510**	$	1,242,935
Accounts payable and accrued liabilities		**790,973**		485,175
Deferred revenue (Note 18)		**10,680**		14,354
Customers' deposits and advances (Note 17)		**286,150**		123,218
		2,181,313		1,865,682
Promissory notes payable (Note 16)		**-**		1,000,000
Customers' deposits (Note 17)		**1,093,500**		665,850
Deferred revenue (Note 18)		**1,591,882**		590,229
Convertible debentures (Note 19)		**1,137,635**		-
		6,004,330		4,121,761
Shareholder's equity				
Share capital (Note 20)		**5,431,156**		100
Warrants (Note 20)		**634,492**		-
Contributed surplus		**607,430**		-
Equity portion of convertible debt		**246,066**		-
Retained earnings		**2,204,094**		4,121,801
		9,123,238		4,121,901
	$	**15,127,568**	$	8,243,662

Nature of Business (Note 1)

Subsequent Events (Note 27)

APPROVED ON BEHALF OF THE BOARD

"Bryan Pang" Director

"Sean Hodgins" Director

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

SOLUTION FINANCIAL INC.

(Formerly SHELBY VENTURES INC.)
Consolidated Statements of Comprehensive Income (Loss)
For the years ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Lease and brokerage sales		
Sales and lease income (Note 23)	**$ 3,005,046**	$ $ 2,807,750
Brokerage commissions (Note 22)	**1,806,258**	2,771,791
Total Sales	**4,811,304**	5,579,541
Cost of Sales (Note 23)	**2,065,678**	2,186,951
Gross profit	**2,745,626**	3,392,590
Expenses		
Sales and marketing (Note 24)	**1,456,496**	1,710,688
General and administration (Note 24)	**894,924**	525,383
Interest	**61,694**	52,965
Amortization	**18,048**	14,309
Share based compensation (Note 20)	**574,862**	-
	3,006,024	2,303,345
	(260,398)	1,089,245
Other items		
Listing expenses (Note 7)	**1,592,749**	-
Other income	**(4,058)**	(3,362)
(Loss) income before tax	**(1,849,089)**	1,092,607
Income taxes (Note 21)	**68,618**	225,585
Net (loss) income and comprehensive (loss) income for the year	**(1,917,707)**	867,022
Basic and diluted earnings per common share	**$ (0.031)**	$ 0.017
Weighted average number of common shares outstanding	**61,708,226**	52,000,000

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

SOLUTION FINANCIAL INC.
(Formerly SHELBY VENTURES INC.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Share capital Issued and outstanding Number	Common shares	Warrants	Contributed surplus	Equity component of convertible debt	Retained earnings	Total shareholders' equity
		$	$	$		$	$
Balance, October 31, 2016	52,000,000	100	-	-		3,384,779	3,384,879
Net and comprehensive income	-	-	-	-		867,022	867,022
Dividends declared on common shares	-	-	-	-		(130,000)	(130,000)
Balance, October 31, 2017	52,000,000	100	-	-	-	4,121,801	4,121,901
Private placement units, net of costs	14,979,000	2,871,904	488,996		-	-	3,360,900
Shares issued for finders shares	2,000,000	427,252	-	-	-	-	427,252
Shares issued pusuant to RTO	6,000,031	1,281,765	-	-	-	-	1,281,765
Shares issued for debt	4,000,000	854,504	145,496	-	-	-	1,000,000
Issuance of convertible debt	-	-	-	-	246,066	-	246,066
Fair value of agents' warrants	-	(45,699)	-	45,699	-	-	-
Exercise of agents' warrants	112,800	41,330	-	(13,130)	-	-	28,200
Share based compensation on options	-	-	-	574,861	-	-	574,861
Net and comprehensive loss	-	-	-	-	-	(1,917,707)	(1,917,707)
Balance, October 31, 2018	79,091,831	5,431,156	634,492	607,430	246,066	2,204,094	9,123,238

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

SOLUTION FINANCIAL INC.

(Formerly SHELBY VENTURES INC.)
Consolidated Statements of Cash Flows
For the years ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Operating activities		
Net (loss) income	**$ (1,917,707)**	$ 867,022
Items not affecting cash and cash equivalents:		
Amortization of property and equipment	**18,048**	14,309
Share-based compensation	**574,861**	-
Listing expenses	**1,592,748**	-
Depreciation of property under operating lease	**1,853,167**	1,200,417
Change in non-cash working capital		
Trade receivables and due from related company	**(200,113)**	(252,191)
Prepayment and deposits	**(21,562)**	(28,864)
Inventory	**(306,314)**	(234,143)
Car loans receivables	**55,273**	42,971
Lease payment receivables	**399,773**	(58,663)
Trade and other payables	**222,186**	428,768
Income taxes payable	**(111,732)**	(52,044)
Customers' deposits	**590,582**	183,268
Deferred revenue	**997,979**	58,227
	3,747,189	2,169,077
Investing activities		
Acquisition of property and equipment	**(50,250)**	(40,080)
Acquisition of property under operating lease (net)	**(8,084,799)**	(3,037,958)
Cash acquired from qualifying transaction	**199,882**	-
	(7,935,167)	(3,078,038)
Financing activities		
Proceeds (repayments) from bank indebtedness	**(149,425)**	1,038,880
Common units issued for cash, net of costs	**3,360,900**	-
Convertible debentures	**1,383,700**	-
Warrants	**28,200**	-
Payment of dividends	**-**	(130,000)
	4,623,375	908,880
Net increase (decrease) in cash and cash equivalents	**435,397**	(81)
Cash and cash equivalents, beginning of year	**12,242**	12,323
Cash and cash equivalents, end of year	**$ 447,639**	$ 12,242

Supplemental cash flow information (Note 14)

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

1. Nature of Business and Share Exchange Agreement

Solution Financial Inc. (the “Company” or “Solution”), formerly Shelby Ventures Inc. (“Shelby”) was incorporated on February 27, 2007 under the Company Act of British Columbia and commenced trading on the TSX Venture Exchange (“TSX-V”) on December 6, 2007.

The Company’s registered and records office is Unit 137, 8680 Cambie Road, Richmond, British Columbia, Canada, V6X 4K1.

During the year ended October 31, 2018, the Company consolidated its common shares at a rate of 2.4510. The Company gave retroactive effect in the financial statements for changes in the capital structure regarding the share consolidation at October 31, 2018 and 2017.

On June 22, 2018, Shelby completed a qualifying transaction (the “Qualifying Transaction”) by acquiring Solution Financial (Canada) Inc. (“Solution Canada”), formerly Solution Auto Lease and Sales Ltd. a private company incorporated on August 8, 2003 under the Company Act of British Columbia. The Company’s primary business activity is leasing, and financing of high-end automotive vehicles, boats, commercial equipment and end of lease sales.

The Qualifying Transaction was accomplished through an exchange of shares which resulted in the former shareholders of Solution Canada, obtaining control of the Company. Accordingly, this transaction was recorded as a reverse acquisition for accounting purposes as Solution Canada was deemed to be the acquirer. These consolidated financial statements are a continuation of the financial statements of Solution Canada while the capital structure is that of the Company. The consolidated financial statements include the historical operations and assets and liabilities of Solution Canada from its inception and those of Shelby from June 22, 2018 to October 31, 2018.

On June 27. 2017, its common shares resumed trading on the TSX Ventures Exchange (“TSX-V”) under the symbol “SFI”.

2. Background and Basis of Presentation

Basis of Presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting and Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

These consolidated financial statements include the assets and operations of Solution, and Solution Canada.

All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on February 25, 2019.

3. Critical Accounting Estimates and Use of Judgement

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas of financial reporting that require management's estimates and judgments are discussed below.

Significant estimates used in the preparation of these financial statements include the following:

Determination of the Company's allowance for credit losses

Estimates and judgments are required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, current economic trends, the expected residual value of leased assets and past experience.

Valuation of inventory

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis for new and used vehicles. In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory. The determination of net realizable value for inventories involves the use of estimates.

Valuation of underlying residual values of leased assets

The Company has significant investments in leased vehicles recorded as operating leases, which relate to vehicle leases. At the beginning of the lease contract a determination is made of the estimated realizable value of the vehicle at the end of the lease term, which is the critical assumption underlying the estimated carrying value of leased assets. The estimated realizable value is based on the lower of the contracted residual value or the current market estimate of residual value based on independent lease guides. Since the customer is not obligated to purchase the vehicle at the end of the contract, the Company is exposed to a risk of loss to the extent the value of the vehicle at the end of the lease term is below the residual value estimated at contract inception. Over the life of the lease, the Company evaluates the adequacy of the estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Adjustments could result in a change in the depreciation rate of the leased asset or if an impairment exists, an impairment charge.

Useful lives of equipment

The Company's capitalized property and equipment balances are determined in part through the use of estimates of the useful lives of the underlying assets. In developing their accounting policy for property and equipment, the Company makes estimates of these useful lives. Changes in useful lives of property and equipment may result in adjustments to these capitalized balances in future periods if there are signs that estimates may no longer be accurate.

Income taxes

The determination of current tax expense requires estimates and assumptions. Further the Company's estimates of its deferred income tax assets and liabilities require subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these estimates and assumptions could materially affect the recorded amounts.

3. Critical Accounting Estimates and Use of Judgement (continued)

Determination of lease type

On entering lease arrangements, the Company assesses whether the lease is a finance lease or an operating lease. As part of this determination, the Company makes a number of estimates associated with the lease, the customer, and the fair value of the underlying lying assets. The accounting for an operating lease is significantly different from that of a finance lease. As such, this determination has a significant impact on the way the leased assets are presented within Company's financial statements.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based compensation expense and the fair value of agent warrants. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

4. Significant Accounting Policies

Cash and cash equivalents

Cash consists of amounts held in banks with maturities less than three months at inception. Interest from cash is recorded on an accrual basis. The Company's cash equivalents consist of term deposits maturing within the next year.

Lease receivables

The Company provides financing to customers through direct leases and loans.

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the lessor to the lessee at the inception of the leases transaction.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus guaranteed residual values less unearned finance income. Unearned finance income includes origination fees earned.

Direct financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 120 days. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

4. Significant Accounting Policies (continued)

Revenue recognition

Brokerage Commissions

The Company facilitates vehicle sales through third-party dealerships where customers have low or limited credit history. The Company bears limited inventory risk in the transaction and does not have latitude in setting vehicle prices and therefore the Company only recognizes the net fees. In these situations, the fees are recorded as revenue at the time the customer enters into the contract and the Company is entitled to the fee. The Company is not the obligor under any of these contracts.

Automobile sales

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer and the revenue and costs can be reliably measured and it is probable that economic benefits will flow to the Company. In practice, this means that revenue is recognized when vehicles are invoiced and physically delivered to the customer and payment has been received or credit approval has been obtained by the customer.

Lease interest and rental income

Finance lease interest income is included in the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. The application of the method has the effect of recognizing revenue on the financial instrument evenly in proportion of the amount outstanding over the period to maturity or repayment. Once the recorded value of a financial asset has been reduced due to an impairment loss, interest revenue continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is offset by a corresponding adjustment to the loan loss provision charge to reflect the fact that this additional revenue may not be collectible.

Rental income on operating leases is recognized on a straight-line basis over the lease term.

Taxation

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4. Significant Accounting Policies (continued)

Taxation (continued)

The Company follows the liability method to provide for income taxes on all transactions recorded in its financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings or equity in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and is recognized in the consolidated statements of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, accounts receivable, due from related company, car loans receivable and receivable under finance lease.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by International Accounting Standards ("IAS") 39. The Company's cash and cash equivalents are classified as fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's loans and receivables are comprised of accounts receivable, due from related company, car loans receivable, and receivable under finance lease.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these assets are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity. When an investment is derecognized through sale or has an impairment that is other than temporary, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not have any financial assets that are classified as available-for-sale.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Company does not have any financial assets that are classified as held-to-maturity.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities

Other financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's bank indebtedness, accounts payable and accrued liabilities, customers' advances, customers' deposits, convertible debentures, and promissory notes payable are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as fair value through profit or loss are recognized in profit or loss.

Inventories

New, used and demonstrator vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis.

In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory.

The Company retains security over the vehicles associated with each lease. Subject to certain conditions, the Company may repossess a vehicle provided a notice of default has been issued to the customer, or upon the customer voluntarily terminating their contract. The Company attempts to negotiate with customer to avoid the need for repossession whenever possible. Vehicles that are repossessed are either disposed of at the wholesale used vehicle market price or re-leased to new customers with the proceeds offsetting any outstanding balance. The customer is liable for any shortfall.

4. Significant Accounting Policies (continued)

Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Deferred financing costs incurred in connection with the issuance of common shares are capitalized until the financing is completed. In the event the financing is not completed, these costs are expensed to profit or loss.

Proceeds that are received in advance of the completion of an issuance of common shares are recorded within equity as subscriptions received in advance.

Convertible debentures

Convertible debentures, where all significant terms of the agreement are known, are separated into their liability and equity components and accounted for using effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component. Convertible debentures for which the conversion price is not known are recorded as liabilities in their entirety.

Earnings per share ("EPS")

Basic EPS amounts are calculated by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS amounts are calculated with consideration given to convertible preferred shares, stock options and warrants, and assumes that any proceeds received on exercise of options or warrants would be used to purchase common shares at the average market price during the period. Diluted EPS amounts also include exchangeable shares using the "if-converted" method to determine the dilutive effect of convertible and subordinate debentures, whereby it is assumed the conversion of the exchangeable shares occurs at the beginning of the reporting period (or at the time of issuance, if later) where applicable. The weighted average number of common shares outstanding is then adjusted by the net change.

Share-based compensation

Equity-settled share-based compensation to employees and others providing similar services are measured at the fair value of equity instruments at the grant date. The fair value is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

4. Significant Accounting Policies (continued)

Share-based compensation (continued)

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of the stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity.

Dividends

Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's Board of Directors.

Property under operating leases

The Company determines the classification of a lease at its lease inception date. An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Property classified as operating leases are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term.

Property under operating leases are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. The Company has not been required to record an impairment loss to date.

Property, plant and equipment

Property and equipment are stated at cost less accumulated amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. Land is not amortized. Unless noted otherwise, amortization of property and equipment is provided for over the estimated useful life of the assets on the declining balance basis at the following annual rates:

Land	0%
Buildings	4%
Vehicles	Straight line basis over the term of the lease
Furniture & Equipment	20%
Computer Equipment	30%
Software	4 years straight line method

4. Significant Accounting Policies (continued)

Impairment of non-current assets

The carrying amounts of the Company's non-current assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

5. Financial Instruments and Risk Management

Fair value

The Company’s financial instruments recognized on the statements of financial position consist of cash, term deposits, accounts receivable, due from related company, car loans receivable, receivable under finance lease, bank indebtedness, accounts payable and accrued liabilities, customers’ advances, customers’ deposits, due to shareholder and short-term loans payable. The fair values of the Company’s short term financial instruments approximate their carrying values due to their short-term maturity. The fair values of the Company’s long term financial assets and liabilities approximate their carrying values based on market interest rates. The Company has classified financial instruments as follows:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Due from related company	Loans and receivables	Amortized cost
Car loan receivable	Loans and receivables	Amortized cost
Lease receivables	Loans and receivables	Amortized cost
Financial liabilities:		
Bank indebtedness	Financial liabilities	Amortized cost
Accounts payable accrued liabilities	Financial liabilities	Amortized cost
Customers' advances	Financial liabilities	Amortized cost
Customers' deposits	Financial liabilities	Amortized cost
Convertible debentures	Financial liabilities	Amortized cost

(Expressed in Canadian Dollars)

5. Financial Instruments and Risk Management (continued)

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at October 31, 2018 and 2017:

	October 31, 2018		
	Level 1	**Level 2**	**Level 3**
Cash	**$435,542**	**$ -**	**$ -**
Cash equivalents	**$12,097**	**$ -**	**$ -**

	October 31, 2017		
	Level 1	Level 2	Level 3
Cash	$259	$ -	$ -
Cash equivalents	$11,983	$ -	$ -

(Level 1) – Based on quoted market prices in active markets.
(Level 2) – Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.
(Level 3) – Unobservable inputs that are not corroborated by market data.
The Company's cash equivalents consist of term deposits maturing within the next year.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, liquidity, and price risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary. The fair values of the Company's financial assets and liabilities held at amortized cost approximates their book values.

Credit risk
Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, due from related company, car loans receivable, and lease receivables. The Company attempts to mitigate the risks associated with cash and term deposits by dealing only with major Canadian financial institutions with good credit ratings and performs credit assessments of all customers making material orders. The Company attempts to mitigate the risks associated with car loans receivable and lease receivables through its credit check process performed before entering into any sales arrangement.

Interest rate risk
Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company's financial instruments that are exposed to concentrations of interest rate risk consist of bank indebtedness and short-term loans. A change in the prime rate of interest of 1% would result in additional interest expense for the Company of $10,935.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. The Company currently settles all of its financial obligations out of cash generated from operations. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. To help manage its liquidity the Company has obtained an operating loan agreement through the Bank of Montreal (Note 15).

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices, which may affect financing options available to the Company.

6. Future Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after October 31, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The following have not yet been adopted and are being evaluated by management to determine the impact on the Company:

(i) IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The effective date to apply IFRS 9 for the Company, which has a October 31 year end, is the first quarter of fiscal 2019.

This new standard impacts the recognition of finance lease receivables and car loan receivables; however, the Company expects to continue to account for these using amortised cost. As such, the Company does not anticipate this standard to have a material impact on its financial statements.

(ii) IFRS 15 – Revenue from Contracts with Customers – The Standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRIC 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption.

The Company is reviewing the impact of this new standard, however it expects this standard will not have a material impact on its financial statements.

(iii) IFRS 16- Leases – In January 2016 the International Accounting Standards Board issued IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019.

The Company is evaluating the impact of IFRS 16.

(Expressed in Canadian Dollars)

7. Qualifying Transaction

On June 22, 2018, Solution Financial Inc. ("Solution") acquired 100% ownership in Solution Canada by issuing 52,000,000 common shares to shareholders of Solution Canada. For accounting purposes, the acquisition was considered to be reverse acquisition under IFRS 3 Business Combinations ("IFRS 3") as the shareholders of Solution Canada obtained control of Solution. As Solution was a Capital Pool Company whose activities, prior to the acquisition, were limited to the management of cash resources and the maintenance of its listing, it did not constitute a business. The transaction is also accounted for in accordance with IFRS 2 Share-based Payment whereby Solution Canada is deemed to have issued shared in exchange for the net assets of Solution together with its listing status at the fair value of the consideration received by Solution Canada. The accounting for this transaction resulting in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Solution, but are considered a continuation of the financial statements of the legal subsidiary, Solution Canada.

(ii) Since Solution Canada is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(iii) As part of the completion of the Qualifying Transaction with Solution to facilitate the listing of Solution Canada on the TSX-V the original shareholders of Solution retained 6,000,031 common shares of the Company.

Since the shares allocated to the former shareholders of Solution on closing the Qualifying Transaction is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods and services received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations of Solution acquired on closing was expensed in the consolidation statement of loss and comprehensive loss as listing expenses.

The listing expense in the amount of $1,592,748 is comprised of $1,281,765 representing the fair value of the shares at $0.2136 per share retained by shareholders of the public company, $427,252 representing the fair value of 2,000,000 finder shares issued to an arm's length finder concurrent with the Qualifying Transaction.

(iv) The fair value of all the consideration given and charged to listing expense was comprised of:

Fair Value of Share Based Consideration Allocated:	
	$
Deemed share issuance	1,281,765
Shares issued as finders' fees	427,252
	1,709,017
Identifable Net Assests Assumed:	
	$
Cash and cash equivalents received	199,882
Prepaid legal and transaction costs	128,858
Liabilities assumed	(33,182)
Net assets aquired	295,558
Legal and transaction costs	179,289
Listing expense	1,592,748

(Expressed in Canadian Dollars)

8. Inventory

Inventory at October 31, 2018 and 2017 consist of used vehicles held for sale. The inventory is carried at the lower of cost or net realizable value and as at October 31, 2018 and 2017, the Company has not recorded any reserves for inventory write downs.

9. Car Loans Receivable

Car loans consist of loan agreements at interest rates ranging from 11% to 32% made to vehicle owners. In these agreements, the borrower has acquired the vehicle outright and the Company is providing financing to the purchaser that is secured by a lien against the underlying vehicle.

	31-Oct-18			31-Oct-17		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	$	$	$	$	$	$
Maturity						
Within 1 year	**58,479**	**(10,536)**	**47,943**	65,539	(18,085)	47,454
In 1 to 3 years	**64,669**	**(4,425)**	**60,244**	118,013	(15,697)	102,316
After 3 years	**-**	**-**	**-**	14,106	(416)	13,690
	123,148	**(14,961)**	**108,187**	197,658	(34,198)	163,460

The unearned income in the above table represents the unearned portion of interest receivable over the remaining term of the loan.

10. Receivable Under Finance Lease

Finance lease receivables consist of conditional sales contracts, which have terms of 12 to 60 months with fixed rates of interest. All lease receivables are secured by the corresponding vehicle.

The contractual maturity of the portfolio outstanding of continuing operations as at October 31, 2018 and 2017, assuming no prepayments, is as follows:

	31-Oct-18			31-Oct-17		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	$	$	$	$	$	$
Maturity						
Within 1 year	**116,194**	**(27,262)**	**88,932**	382,984	(71,341)	311,643
In 1 to 3 years	**157,137**	**(24,587)**	**132,550**	314,813	(50,279)	264,534
After 3 years	**32,171**	**(3,362)**	**28,809**	79,102	(5,215)	73,887
	305,502	**(55,211)**	**250,291**	776,899	(126,835)	650,064

(Expressed in Canadian Dollars)

10. Receivable Under Finance Lease (continued)

Included in the above table, the residual interest of assets as at October 31, 2018 are $41,700 (2017 - $118,000). As at October 31, 2018, the Company has recognized $32,796 (2017 - $89,037). This recognized portion is included in the net receivable column in the above table of the amounts receivable under finance lease.

The Company has a history with limited payment defaults and no credit losses. The lease agreements include security deposits and the Company has a history of releasing or selling vehicles repossessed without taking any losses. As such, the Company has no provisions for credit losses.

11. Property Under Operating Leases

The Company acts as a lessor in connection with operating leases and recognizes the leased assets in its statements of financial position. The lease payments received, are recognized in net income as rental revenue.

	For the Year Ended	
	31-Oct-18	31-Oct-17
	$	$
COST		
At the beginning of the year	**7,456,036**	5,301,206
Additions	**10,282,307**	4,354,828
Disposals	**(3,277,310)**	(2,199,998)
At the the end of the year	**14,461,033**	7,456,036
ACCUMULATED DEPRECIATION		
At the beginning of the year	**1,418,559**	1,101,270
Depreciation charge for the year	**1,853,167**	1,200,417
Disposals	**(1,079,802)**	(883,128)
At the the end of the year	**2,191,924**	1,418,559
Net carrying amount	**12,269,109**	6,037,477

The above depreciation charge for the year is included within the Company's cost of sales in the statements of comprehensive income (Note 23).

(Expressed in Canadian Dollars)

11. Property Under Operating Leases (continued)

Below are the future minimum lease payments arising from non-cancellable operating leases of continuing operations:

	31-Oct-18	31-Oct-17
Within 1 year	**2,798,194**	1,675,224
In 1 to 3 years	**3,073,360**	1,706,895
After 3 years	**348,043**	183,548
	$ 6,219,597	$ 3,565,667

12. Property and Equipment

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Total
Cost						
Balance, October 31, 2016	$ 161,883	$ 94,025	$ 64,190	$ 12,111	$ -	$ 332,209
Additions	-	-	39,456	624	-	40,080
Disposals	-	-	-	(9,990)	-	(9,990)
Balance, October 31, 2017	$ 161,883	$ 94,025	$ 103,646	$ 2,745	$ -	$ 362,299
Accumulated Amortization						
Balance, October 31, 2016	$ -	$ 32,362	$ 29,795	$ 10,573	$ -	$ 72,730
Additions	-	2,467	10,947	895	-	14,309
Disposals	-	-	-	(9,990)	-	(9,990)
Balance, October 31, 2017	-	34,829	40,742	1,478	-	77,049
Net Book Value						
Balance, October 31, 2017	$ 161,883	$ 59,196	$ 62,904	$ 1,267	$ -	$ 285,250

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Total
Cost						
Balance, October 31, 2017	$ 161,883	$ 94,025	$ 103,646	$ 2,745	$ -	$ 362,299
Additions	-	-	15,269	3,341	31,640	50,250
Balance, October 31, 2018	$ 161,883	$ 94,025	$ 118,915	$ 6,086	$ 31,640	$ 412,549
Accumulated Amortization						
Balance, October 31, 2017	-	34,829	40,742	1,478	-	77,049
Additions	-	2,368	14,132	1,548	-	18,048
Balance, October 31, 2018	$ -	$ 37,197	$ 54,874	$ 3,026	$ -	$ 95,097
Net Book Value						
Balance, October 31, 2018	$ 161,883	$ 56,828	$ 64,041	$ 3,060	$ 31,640	$ 317,452

(Expressed in Canadian Dollars)

13. Related Party Transactions

The Company uses an office leased by Solution Lease Club, a Company controlled by the CEO the Company for administration and promotional purposes. Solution Lease Club's office is at Unit 6, 11220 Voyager Way, Richmond. The Company pays Solution Lease Club a $100 fee for each sales and lease transaction for property usage. The Company paid a total of $52,300 for 2018 (2017- $54,700).

At October 31, 2018, the Company had loaned Solution Lease Club $ nil (2017- $ 40,311).
The amounts are non-interest bearing, unsecured and due on demand.

For the year ended October 31, 2018, remuneration of directors and other members of key management personnel are $711,790 (2017 – $488,520). During the year ended October 31, 2018, the Company declared a dividend of $nil (2017 - $130,000).

The Company paid a total of $202,502 to law firms where a partner is a director of the Company.

14. Supplemental Cash Flow Information

Significant non-cash transactions during the years ended October 31, 2018 and 2017 affecting cash flows from investing and financing activities included:

October 31,	2018	2017
Fair value of agents' options (Note 20)	$ 45,699	$ -
Finder's fee share issued (Note 7, 20)	427,253	-
Common shares issued pusuant to RTO (Note 7, 20)	1,281,765	-
Conversion of promissory notes payable into units	1,000,000	-
Share issuance costs in accounts payable accrued liabilities	83,612	-
Recognition of equity portion on convertible debt on issuance	246,066	-

15. Bank Indebtedness

The Company has a $1,200,000 operating loan agreement with the Bank of Montreal and a line of credit of $65,000 with Canadian Imperial Bank of Commerce. The loan agreements allow the Company to draw on funds as needed and are secured by a personal guarantee of the Company's CEO and certain assets of the Company. The loans bear interest at prime rate plus 1.00% per annum and prime rate plus 2.00% per annum for Bank of Montreal and Canadian Imperial Bank of Commerce respectively. As at October 31, 2018, the total outstanding balance on the two loan agreements is $1,093,510 (2017 -$1,242,935). As part of the bank covenants, the Company is required to maintain a debt service ratio greater than or equal to 1.25:1.

16. Promissory Notes Payable

At October 31, 2018, the Company has no outstanding promissory notes payable (2017 - $1,000,000).
On July 1, 2017 the Company entered into an agreement to replace all existing short-term loans payable with a promissory note payable of $1,000,000 bearing interest at 2.7% per annum and is due on or before November 1, 2018.
During the year ended October 31, 2018, the Company settled its outstanding $1,000,000 in promissory note payable for 4,000,000 units (Note 20).

17. Customers' Deposits

Customers' deposits are refundable security deposits received by the Company at lease inception. They are applied to residual balance if buyout option is exercised or will be refunded at the maturity of the lease upon return of the vehicle. As at October 31, 2018, the Company has deposits of $286,150 on leases coming due in the next year (2017 - $120,000) and $1,093,500 deposits coming due in more than a year (2017 - $665,850).

18. Deferred Revenue

Deferred revenue are lease down payment received by the Company at lease inception. They are recognized as rental income on a straight-line basis over the terms of the lease. In case of pre-mature termination, any balance of the unrealized down payment will be recognized at the same time.

19. Convertible Debenture

On October 3, 2018, the Company closed the first tranche of its previously announced non-brokered financing of unsecured convertible debentures ("Debentures") in the principal amount of $1,380,000. The Debentures will mature on October 3, 2020 ("Maturity Date") and bear interest at a rate of 3.99% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be converted into common share in the capital of the Company ("Shares"), in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of $0.40 per Share. The Debentures and the Shares issuable upon the conversion of the Debentures will be subject to a statutory resale restriction expiring on February 4, 2019.

On issuance, the Company recognized the fair value of the liability component of $1,133,934 based on the terms of the Debentures and a discount rate of 15.22%. The residual amount of $246,066 was allocated to the equity portion. Accretion expense of $3,701 and interest expense for $4,224 were recognized under interest expense prior to October 31, 2018.

20. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended October 31, 2017 the Company did not issue any share capital

During the year ended October 31, 2018 the Company completed the following transactions:

(i) The Company consolidated all its issued and outstanding share capital on the basis of one post-consolidation common share for every 2.4510 pre-consolidation common shares. The Company gave retroactive effect in the consolidated financial statements for changes in the capital structure regarding the share consolidation at October 31, 2018 and October 31, 2017;

(Expressed in Canadian Dollars)

20. Share Capital (continued)

(ii) On June 22, 2018, Solution issued 52,000,000 shares to acquire all the issued and outstanding share of Solution Canada. On June 22, 2018 upon completion of the Qualifying Transaction, the 100 issued and outstanding common shares of Solution Canada held by its former shareholder were exchanged for 52,000,000 common shares;

On June 22, 2018 concurrent with the completion of the Qualifying Transaction, the Company issued 2,000,000 common shares to the finder of Solution's acquisition of Solution Canada. The value of these common shares was $0.2136 per share and was recorded as a listing expense for the year ended October 31, 2018.

(iii) The Company completed a brokered private placement of 13,610,000 units at a price of $0.25 per unit for gross proceeds of $3,402,500. The Company also completed a non-brokered private placement of 1,369,000 units for gross proceeds of $342,250.
Each unit is comprised of one share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable by the holder to acquire one additional Share at a price of $0.40 until December 22, 2019. The Company paid cash issuance costs of $383,850 and were issued an aggregate of 392,700 agents' options. The cash commissions were allocated $328,000 and $55,850 to share capital and warrants reserve respectively. Each agent option is exercisable for one unit at an exercise price of $0.25 per unit until December 22, 2019. The units have the same terms as those included in the private placement. There were no commissions paid on the non-brokered placement.

(iv) On June 22, 2018, the Company settled a Debt for Share Agreement with 321688 Enterprises Ltd., which involved the settlement of outstanding aggregate principal of $1,000,000 by issuing 4,000,000 Common shares in the capital of Solution, as part of the Qualifying Transaction, at a deemed issue price of $0.25 per Common shares and 2,000,000 warrants to purchase Common shares in the capital of Solution at an exercise price of $0.40 per Common share.

Unit Valuation and agents' options

(i) Unit Valuation

The valuation of the common share and one-half of one common share purchase warrant contained in each unit, was derived using the Black-Scholes model based on their relative values. Based on this model the relative fair value of each common share was $0.2136 and the relative fair value of each half warrant was $0.0364. The value of the warrants was determined using the Black-Scholes option pricing model, with the following assumptions:

Exercise price of warrants	$0.40
Risk-free interest rate	1.43%
Dividend yield	0.00%
Volatility factor	100%

(Expressed in Canadian Dollars)

20. Share Capital (continued)

(ii) Agents' Options Valuation

The valuation of the agents' options was determined to be $0.11 and was recognized as a cost of financing. This value was derived using the Black-Scholes model based on the following assumptions:

Exercise price of warrants	$0.25
Risk-free interest rate	1.43%
Dividend yield	0.00%
Volatility factor	100%
Expected life	1.5 Years

Based on these valuations, the $3,360,900 of net proceeds on the private placements were allocated $2,871,904 to common shares and $488,996 to warrants.

Escrow shares

At October 31, 2018, 440,628 (October 31, 2017-nil) common shares were held in escrow and deposited with a trustee under a CPC escrow agreement. Under the escrow agreement, 10% of the escrowed shares will be released on completion of a QT, 15% of the escrowed shares will be released every 6 months following the initial release on completion of a QT over a period of 36 months.

At October 31, 2018, 51,377,519 (October 31, 2017-nil) common shares were held in escrow and deposited with a trustee under the Surplus escrow agreement. Under the surplus escrow agreement, 5% of escrowed shares will be released on completion of a QT and 6 months from the release date, 10% release 12 and 18 months from QT completion date and 15% release 24 and 30 from QT completion date, and 40% release 36 months from QT completion date.

Stock options and warrants

The Company follows the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price, or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of three years and vest at the discretion of the Board of Directors.

(Expressed in Canadian Dollars)

20. Share Capital (continued)

Stock option transactions are summarized as follows:

	Stock Options		
	Number		Weighted Average Exercise Price
Outstanding, October 31, 2016	-	$	-
Outstadning, October 31, 2017	-	$	-
Granted	4,882,700		0.25
Exercised-Agent's options	(112,800)		0.25
Outstanding, October 31, 2018	4,769,900	$	0.25
Exercisable, October 31, 2018	3,568,900	$	0.25

Stock option activity during the year ended October 31, 2018:

(i) On June 22, 2018, the Company granted 392,700 to agent pursuant to the Brokered Private Placement. The Agent's Compensation Option entitling the agent to purchase up to 392,700 Resulting Issuer Units at a price of $0.25 per Resulting Issuer and expiring on December 22, 2019.

(ii) On June 25, 2018, the Company granted 4,490,000 stock options to employees, directors and officers with an exercise price of $0.25 and expiring on June 25, 2021. The granted options have multiple dates pertaining to the start of vesting.

Warrant transactions are summarized as follows:

	Warrants		
	Number		Weighted Average Exercise Price
Outstanding, October 31, 2016	-	$	-
Outstadning, October 31, 2017	-	$	-
Warrants issued in brokered private placement	9,489,500		0.40
Warrants issued on excerise of Agents' options	56,400		0.40
Outstanding, October 31, 2018	9,545,900	$	0.40
Exercisable, October 31, 2018	9,545,900	$	0.40

Warrant activity during the year ended October 31, 2018:

(i) On June 22, 2018, 6,805,000 warrants were issued associated conversion of the subscription receipts, 2,000,000 warrants were issued on conversion of promissory note, and 684,500 warrants were issued pursuant to the Non-Brokered Private Placement. Another 196,350 warrants are issuable on exercise of the agents' compensation options of which 56,400 were issued during the year ended October 31, 2018.

(Expressed in Canadian Dollars)

20. Share Capital (continued)

As at October 31, 2018, the following were outstanding:

	Expiry Date	Number of Shares		Exercise Price	Weighted average
Options	December 22, 2019	279,900	$	0.25	1.1 years
	June 25, 2021	4,490,000	$	0.25	2.7 years
		4,769,900	$	0.25	2.6 years
Warrants	December 22, 2019	9,545,900	$	0.40	1.1 years
		9,545,900	$	0.40	1.1 years

Share-based compensation

During the year ended October 31, 2018, the company recognized $574,862 as share-based compensation for options granted to directors, officers, and employees.

Options and warrants granted with vesting terms are recalculated each period to adjust for the changes in the variables used in determining the fair value.

The Company applies the fair value method in accounting for its stock options using the Black-Scholes option pricing model using the following estimates: expected dividend yield of 0%; risk-free interest rate of 1.10%; expected life of 3 years; common share price of $0.25; and expected volatility of 100%. Volatility is based on a range of comparable companies operating in the same industry, adjusted for the Company's limited history.

21. Income Taxes

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Share issue costs	648,000	No expiry date	-	N/A
Non-capital losses available for future periods	1,295,000	2027 to 2038	-	N/A
	1,295,000	2027 to 2038	-	N/A

The following table reconciles the expected income tax recovery at the combined Canadian federal and provincial statutory rate of 26% (2017 – 26%) to the amount recognized in the statements of comprehensive income.

		2018		2017
Profit (Loss) for the year	$	(1,849,088)	$	1,092,607
Expected income tax (recovery)	$	(495,382)		284,078
Change in statutory, foreign tax, foreign exchange rates and other		2,000		(4,895)
Permanent differences		590,000		8,902
Impact on portion of taxable income eligible for small business tax rate		(49,000)		(62,500)
Share issue cost		(196,000)		-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		-		-
Expiry of non-capital losses		-		-
Change in unrecognized deductible temporary differences		217,000		-
Total income tax expense (recovery)	**$**	**68,618**	**$**	**225,585**
Current income tax	**$**	**-**	**$**	**-**
Deferred tax recovery	**$**	**68,618**	**$**	**225,585**

Income taxes are subject to review and potential adjustment by tax authorities.

(Expressed in Canadian Dollars)

22. Brokerage Commissions

The gross sales through third-party dealerships were:

For the year ended October 31		2018		2017
Brokerage lease	$	14,036,510	$	23,095,358
Cost of brokerage lease		(12,954,701)		(21,327,202)
		1,081,809		1,768,156
Brokerage sale		13,502,137		17,620,283
Cost of brokerage sale		(12,777,688)		(16,616,648)
		724,449		1,003,635
Total brokerage commissions	$	1,806,258	$	2,771,791

23. Sales and Cost of Sales by Nature

Sales include the following major sales by nature:

For the year ended October 31		2018		2017
Finance lease vehicle sales	$	109,227	$	852,241
Interest and administrative income		743,628		570,733
Rental revenue		1,996,922		1,281,848
Registration fees		155,269		102,928
Total	$	3,005,046	$	2,807,750

Included within cost of sales for the year ended October 31, 2018 is amortization of property under operating lease of $1,853,167 (2017 - $1,200,417) (Note 11).

24. Expense by Nature

Sales and marketing expenses include the following major expenses by nature:

For the year ended October 31		2018		2017
Advertising and promotion	$	155,144	$	123,906
Commissions		967,031		1,281,508
Donations		15,828		15,348
Marketing		114,416		103,700
Meals and entertainment		58,699		46,853
Demo vehicle rental		145,378		139,373
Total	$	1,456,496	$	1,710,688

(Expressed in Canadian Dollars)

24. Expense by Nature (continued)

General and administrative expenses include the following major expenses by nature:

For the year ended October 31		2018		2017
Accounting and legal	$	**186,651**	$	124,903
Automobile		**7,257**		13,610
Bank charges		**6,290**		11,314
Consulting fees		**39,308**		24,304
Regulatory and transfer agent		**66,641**		-
Insurance		**41,271**		28,853
License and permit		**3,912**		3,750
Office and miscellaneous		**61,811**		52,154
Repairs and maintenance		**3,616**		5,759
Salaries and wages		**478,167**		260,736
Total	$	**894,924**	$	525,383

25. Capital Management

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments). The Company is subject to certain externally imposed capital requirements as described in Note 15. The Company did not change its capital management strategy in the year ended October 31, 2018.

26. Segmented Information

The Company is currently generating a substantial amount of its revenue through the sales of vehicles to one third party leasing company ("Broker Leases"), an arm's length third party, based on a mutual arrangement.

In 2018, the Company generated $1,081,809 of brokerage commission through third party leasing company (2017- $ 1,768,156) (Note 22), which represent 22% of total revenue (2017- 32%).

The Company operates in one business segment being retail sales, leases, and financing for high-end automotive vehicles, boats, and commercial equipment and out of one location being Richmond, BC.

27. Subsequent Events

On November 13, 2018, the Company announced a non-brokered financing up to $5,000,000 principal amount convertible debentures ("Debentures"). The Debentures will mature on the second anniversary of the date of issuance and bear interest at a rate of 5% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be converted into Common Shares, in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of $0.50 per Share.

On January 4, 2019, the Company closed the first tranche of its non-brokered private placement of unsecured convertible debentures in the principal amount of $2,000,000. The Debentures will mature on January 4, 2021. The Debentures and the Shares issuable upon the conversion of the Debentures will be subject to a statutory resale restriction expiring on May 5, 2019.

On November 7, 2018, 6,000 agents' options were exercised. The company received gross proceed of $1,500.