



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SOLUTION FINANCIAL INC.

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2020 AND 2019
(UNAUDITED- PREPARED BY MANAGEMENT)
(Expressed in Canadian dollars)

Unit 137 - 8680 Cambie Road
Richmond, BC
Canada
V6X 4K1
Solution.Financial

These unaudited interim condensed consolidated financial statements of Solution Financial Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SOLUTION FINANCIAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2020 AND 2019

(Expressed in Canadian dollars)

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SOLUTION FINANCIAL INC.

Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian Dollars – Unaudited)

	(Unaudited)	
	April 30, 2020	October 31, 2019
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 227,868	\$ 583,192
Accounts receivable	137,768	165,353
Income taxes receivable	408,776	118,111
Prepayment and deposits	65,895	71,732
Current portion of car loans receivable (Note 7)	15,270	30,470
Current portion of receivable under finance lease (Note 8)	268,581	226,432
Right-of-use assets (Note 5)	23,776	-
Inventory (Note 6)	1,249,745	980,140
	2,397,679	2,175,430
Right-of-use assets (Note 5)	13,868	-
Inventory (Note 6)	218,000	218,000
Car loans receivable (Note 7)	1,697	6,599
Receivable under finance leases (Note 8)	452,126	470,825
Property under operating leases (Note 9)	23,908,674	21,297,057
Property and equipment (Note 10)	315,953	314,898
	\$ 27,307,997	\$ 24,482,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 13)	\$ 8,155,781	\$ 5,757,033
Accounts payable and accrued liabilities	237,534	210,619
Deferred revenue (Note 15)	8,070	17,742
Lease liability (Note 5)	24,261	-
Customers' deposits and advances (Note 14)	460,922	333,671
Convertible debentures (Note 16)	3,971,304	1,255,585
Deferred tax liability	600,000	182,000
	13,457,872	7,756,650
Lease Liabilities (Note 5)	15,031	-
Customers' deposits (Note 14)	1,651,325	1,673,925
Deferred revenue (Note 15)	3,038,036	2,962,709
Convertible debentures (Note 16)	-	2,613,001
	18,162,264	15,006,285
Shareholders' equity		
Share capital (Note 17)	5,484,473	5,519,562
Warrants (Note 17)	-	634,492
Contributed surplus	1,057,041	675,880
Equity portion of convertible debentures (Note 16)	339,759	339,759
Retained earnings	2,264,460	2,306,831
	9,145,733	9,476,524
	\$ 27,307,997	\$ 24,482,809

Nature of Business (Note 1)

APPROVED ON BEHALF OF THE BOARD

"Bryan Pang" Director

"Sean Hodgins" Director

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

SOLUTION FINANCIAL INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Expressed in Canadian Dollars – Unaudited)

	For 3 months ended April 30, 2020	For 3 months ended April 30, 2019	For 6 months ended April 30, 2020	For 6 months ended April 30, 2019
Lease and brokerage sales				
Sales and lease income (Note 20)	\$ 2,653,631	\$ 2,221,566	\$ 5,521,789	\$ 4,169,407
Brokerage commissions (Note 19)	101,920	246,941	220,206	463,585
Total Sales	2,755,551	2,468,507	5,741,995	4,632,992
Cost of Sales (Note 20)	2,007,818	1,683,474	4,172,805	3,137,542
Gross profit	747,733	785,033	1,569,190	1,495,450
Expenses				
Sales and marketing (Note 21)	210,839	333,373	459,167	684,025
General and administration (Note 21)	285,490	312,298	492,313	516,157
Interest	189,680	82,465	367,586	157,560
Amortization	7,181	6,817	14,637	13,633
Share based compensation (Note 17)	4,617	24,092	41,911	48,726
	697,807	759,045	1,375,614	1,420,101
	49,926	25,988	193,576	75,349
Other items				
Other income	48,504	1,840	49,753	4,859
Income before tax	98,430	27,828	243,329	80,208
Income taxes	58,835	24,885	127,335	68,041
Net income and comprehensive income for the period	39,595	2,943	115,994	12,167
Basic and diluted earnings per common share	\$ 0.001	\$ 0.000	\$ 0.001	\$ 0.000
Weighted average number of common shares outstanding	78,881,681	79,097,831	79,092,658	79,097,765

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

SOLUTION FINANCIAL INC.

(Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
(Expressed in Canadian Dollars – Unaudited)

	Share capital Issued and outstanding			Equity component of			shareholders'
	Number	Common shares	Warrants	Contributed surplus	convertible debt	Retained earnings	equity
		\$	\$	\$	\$	\$	\$
Balance, October 31, 2018	79,091,831	5,431,156	634,492	607,430	246,066	2,204,094	9,123,238
Issuance of convertible debt	-	-	-	-	127,693	-	127,693
Exercise of agents' warrants	6,000	2,198	-	(698)	-	-	1,500
Share based compensation on options	-	-	-	48,726	-	-	48,726
Net and comprehensive income	-	-	-	-	-	12,167	12,167
Balance, April 30, 2019	79,097,831	5,433,354	634,492	655,458	373,759	2,216,261	9,313,324
Issuance of convertible debt	-	-	-	-	(34,000)	-	(34,000)
Exercise of agents' compensation options	139,800	51,220	-	(16,269)	-	-	34,951
Exercise of stock options	86,400	34,988	-	(13,388)	-	-	21,600
Share based compensation on options	-	-	-	50,079	-	-	50,079
Net and comprehensive income	-	-	-	-	-	169,781	169,781
Dividend	-	-	-	-	-	(79,211)	(79,211)
Balance, October 31, 2019	79,324,031	5,519,562	634,492	675,880	339,759	2,306,831	9,476,524
Exercise of agents' warrants	104,100	38,141	-	(12,116)	-	-	26,025
Share based compensation on options	-	-	-	41,911	-	-	41,911
Purchase of common shares for cancellation	(1,047,500)	(73,230)	-	(283,126)	-	-	(356,356)
Warrants expired	-	-	(634,492)	634,492	-	-	-
Net and comprehensive income	-	-	-	-	-	115,994	115,994
Dividend	-	-	-	-	-	(158,365)	(158,365)
Balance, April 30, 2020	78,380,631	5,484,473	-	1,057,041	339,759	2,264,460	9,145,733

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

SOLUTION FINANCIAL INC.

Condensed Consolidated Interim Statements of Cash Flows (Expressed in Canadian Dollars – Unaudited)

	For 6 months ended April 30, 2020	For 6 months ended April 30, 2019
Operating activities		
Net income	\$ 115,994	\$ 12,167
Items not affecting cash and cash equivalents:		
Amortization of property and equipment	14,637	13,633
Share-based compensation	41,911	48,726
Accretion expense on convertible debentures	104,145	74,649
Deferred Income taxes	418,000	-
Depreciation of property under operating lease	2,460,395	1,545,255
Depreciation of right-of-use assets	9,906	-
Change in non-cash working capital		
Trade receivables and due from related company	27,584	485,649
Prepayment and deposits	5,837	80,220
Inventory	(247,389)	(113,347)
Car loans receivables	20,102	51,710
Lease payment receivables	(23,450)	(90,002)
Trade and other payables	26,915	(71,886)
Income taxes payable	(290,665)	105,458
Customers' deposits	82,435	207,300
Deferred revenue	65,655	687,865
	2,832,012	3,037,397
Investing activities		
Acquisition of property and equipment	(15,692)	(11,110)
Acquisition of property under operating lease (net)	(5,072,012)	(5,635,537)
Interest payment on lease liabilities	(1,426)	-
	(5,089,130)	(5,646,647)
Financing activities		
Proceeds (repayments) from bank indebtedness	2,398,748	(88,618)
Purchase of common shares for cancellation	(356,356)	-
Convertible debentures	-	2,689,161
Agents' compensation options exercises	26,025	1,500
Payment of lease liabilities	(8,258)	-
Payment of dividends	(158,365)	-
	1,901,794	2,602,043
Net increase (decrease) in cash and cash equivalents	(355,324)	(7,207)
Cash and cash equivalents, beginning of period	583,192	447,639
Cash and cash equivalents, end of period	\$ 227,868	\$ 440,432

Supplemental cash flow information (Note 12)

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

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended April 30, 2020 and 2019 (Expressed in Canadian dollars- Unaudited)

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.

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.

On June 27, 2018, its common shares resumed trading on the TSX Ventures Exchange (“TSX-V”) under the symbol “SFI”.

2. Basis of Presentation

Statement of Compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and these unaudited interim condensed financial statements should be read in conjunction with the Company’s audited financial statements for the year ended October 31, 2019.

Functional and Presentation Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. From inception, the functional currency of the Company has been the Canadian dollar. This is also the presentation currency of the Company.

These financial statements were approved by the Company’s Board of Directors and authorized for issue on June 26, 2020.

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements For the three and six months ended April 30, 2020 and 2019 (Expressed in Canadian dollars- Unaudited)

3. Critical Accounting Estimates and Use of Judgement

The preparation of these condensed interim 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:

Covid-19 estimation uncertainty

During the three months ended April 30, 2020, the global financial markets were negatively impacted by the novel Coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization on March 11, 2020. This has led to significant global economic uncertainty, and the current outbreak of COVID-19 could have a material adverse effect on the Company's operations and the operations of the Company's suppliers and customers. The Company has taken what it believes to be appropriate safety precautions at its operations to safeguard the health of its employees and there have been no outbreaks to date at any of the Company's locations. The extent to which COVID-19 impacts the Company's operations will depend on future developments, which continue to be highly uncertain and cannot be predicted with confidence. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

Determination of the Company's allowance for credit losses

Judgment is 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

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended April 30, 2020 and 2019

(Expressed in Canadian dollars- Unaudited)

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

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.

Significant judgements made as part of the preparation of these financial statements include the following:

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 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.

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 that 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.

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Notes to Condensed Consolidated Interim Financial Statements
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3. Critical Accounting Estimates and Use of Judgement (continued)

Share Capital

Earnings (Loss) per Share

Basic earnings (loss) per share ("EPS") is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

4. 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, convertible debentures 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

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian dollars- Unaudited)

4. 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 April 30, 2020 and October 31, 2019:

April 30, 2020			
	Level 1	Level 2	Level 3
Cash	\$215,568	\$ -	\$ -
Cash equivalents	\$12,300	\$ -	\$ -

October 31, 2019			
	Level 1	Level 2	Level 3
Cash	\$563,553	\$ -	\$ -
Cash equivalents	\$19,639	\$ -	\$ -

(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.

Covid-19 risk

The spread of COVID-19 is expected to have a material adverse effect on global and regional economies and continues to negatively impact stock markets. The adverse effects on the economy and the stock market could adversely impact the Company's ability to raise capital, or its ability to pursue other strategic initiatives.

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, term deposits, 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 \$81,558 per year.

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian dollars- Unaudited)

4. Financial Instruments and Risk Management (continued)

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 a major schedule 1 Canadian Financial Institution (Note 13).

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.

5. New Accounting Standards and Interpretations Adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after October 31, 2019 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 been adopted effective November 1, 2019:

(i) 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.

IFRS 16 supersedes IAS 17, Leases ("IAS 17"), IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company entered a lease contract for office rental on November 14, 2019. Therefore, IFRS 16 did not have a retrospective impact and no transition adjustments were required.

As a result of initially applying IFRS 16, the Company recognized a lease liability of \$47,549 at November 14, 2019. This valuation was determined based upon the Company's monthly payment of \$2,200 until the lease expiry by November 30, 2021 for its office premises in Calgary, Alberta. Interest expense of \$1,426 was recognized on this lease for six months ended April 30, 2020.

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2020 and 2019
(Expressed in Canadian dollars- Unaudited)

5. New Accounting Standards and Interpretations Adopted (continued)

The following table details the cost and accumulated depreciation of the Company's Right of Assets:

	As at November 1, 2019	Additions	Depreciation	As at April 30, 2020
	\$	\$	\$	\$
ROU assets	-	47,549	9,906	37,644

Lease Liability

	April 30 2020	October 31 2019
Balance, beginning of period	\$ -	\$ -
Lease liability on transition to IFRS 16	47,549	-
Interest payable on lease liabilities	\$1,426	-
Repayment during this period	(9,684)	-
Balance, end of period	39,292	-
Less current portion	(24,261)	-
Long-term portion	\$ 15,031	\$ -

6. Inventory

Inventory at April 30, 2020 and October 31, 2019 consist of vehicles held for sale. The inventory is carried at the lower of cost or net realizable value and as at April 30, 2020 and October 31, 2019, the Company has not recorded any reserves for inventory write downs.

7. Car loans receivable

Car loans consist of loan agreements at interest rates ranging from 11% to 18% 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. As a result of the adoption of IFRS 9 Financial Instruments, the Company records a provision for expected credit losses. Using the expected credit loss model these car loans receivable were classified as Stage 1 'performing' at both April 30, 2020 and October 31, 2019.

	30-Apr-20			31-Oct-19		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	\$	\$	\$	\$	\$	\$
Maturity						
Within 1 year	16,069	(799)	15,270	32,691	(2,221)	30,470
In 1 to 3 years	1,705	(8)	1,697	6,822	(223)	6,599
	17,774	(807)	16,967	39,513	(2,444)	37,069

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

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended April 30, 2020 and 2019
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8. 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. As a result of the adoption of IFRS 9 Financial Instruments, the Company records a provision for expected credit losses for receivables under finance lease. Using the expected credit loss model these receivables under finance lease were classified as Stage 1 'performing' at both April 30, 2020 and October 31, 2019.

The contractual maturity of the portfolio outstanding of continuing operations as at April 30, 2020 and October 31, 2019, assuming no prepayments, is as follows:

	30-Apr-20			31-Oct-19		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	\$	\$	\$	\$	\$	\$
Maturity						
Within 1 year	353,879	(85,298)	268,581	308,889	(82,457)	226,432
In 1 to 3 years	439,649	(58,803)	380,846	460,333	(65,432)	394,901
After 3 years	76,919	(5,639)	71,280	81,680	(5,756)	75,924
	870,447	(149,740)	720,707	850,902	(153,645)	697,257

Included in the above table, the residual interest of assets as at April 30, 2020 are \$95,200 (October 31, 2019 - \$90,700). As of April 30, 2020, the Company has recognized \$68,691 (October 31, 2019 - \$63,880). This recognized portion is included in the net investments column in the above table of the amounts receivable under finance lease.

The Company has a history with limited payment defaults or 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.

SOLUTION FINANCIAL INC.

Notes to Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian dollars- Unaudited)

9. 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 six months and year Ended	
	30-Apr-20	31-Oct-19
	\$	\$
COST		
At the beginning of the period	24,941,758	14,461,033
Additions	7,554,571	15,567,274
Disposals	(3,478,696)	(5,086,549)
At the the end of the period	29,017,633	24,941,758
ACCUMULATED DEPRECIATION		
At the beginning of the period	3,644,701	2,191,924
Depreciation charge for the period	2,460,395	3,472,856
Disposals	(996,137)	(2,020,079)
At the the end of the period	5,108,959	3,644,701
Net carrying amount	23,908,674	21,297,057

The above depreciation charge for the period is included within the Company's cost of sales in the statements of comprehensive income (Note 20).

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

	30-Apr-20	31-Oct-19
Within 1 year	5,020,396	4,527,858
In 1 to 3 years	3,905,313	4,628,736
After 3 years	113,563	282,995
\$	9,039,272	\$ 9,439,589

SOLUTION FINANCIAL INC.

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10. Property and equipment

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Total
Cost						
Balance, October 31, 2018	\$ 161,883	\$ 94,025	\$ 118,915	\$ 6,086	\$ 31,640	\$ 412,549
Additions	-	-	-	750	10,360	11,110
Balance, April 30, 2019	\$ 161,883	\$ 94,025	\$ 118,915	\$ 6,836	\$ 42,000	\$ 423,659
Accumulated Amortization						
Balance, October 31, 2018	-	\$ 37,197	\$ 54,874	\$ 3,026	-	\$ 95,097
Additions	-	1,137	6,404	842	5,250	13,633
Balance, April 30, 2019	\$ -	\$ 38,334	\$ 61,278	\$ 3,868	\$ 5,250	\$ 108,730
Net Book Value						
Balance, April 30, 2019	\$ 161,883	\$ 55,691	\$ 57,637	\$ 2,968	\$ 36,750	\$ 314,929

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Total
Cost						
Balance, October 31, 2019	\$ 161,883	\$ 94,025	\$ 118,915	\$ 8,229	\$ 59,062	\$ 442,114
Additions	-	-	6,883	1,199	7,610	15,692
Balance, April 30, 2020	\$ 161,883	\$ 94,025	\$ 125,798	\$ 9,428	\$ 66,672	\$ 457,806
Accumulated Amortization						
Balance, October 31, 2019	-	\$ 39,470	\$ 67,682	\$ 5,298	\$ 14,766	\$ 127,216
Additions	-	1,160	5,123	971	7,383	14,637
Balance, April 30, 2020	\$ -	\$ 40,630	\$ 72,805	\$ 6,269	\$ 22,149	\$ 141,853
Net Book Value						
Balance, April 30, 2020	\$ 161,883	\$ 53,395	\$ 52,993	\$ 3,159	\$ 44,523	\$ 315,953

11. Related party transactions

The Company uses an office leased by Solution Lease Club, a Company controlled by the CEO of the Company for administration and promotional purposes. Solution Lease Club's office is at Unit 6, 11220 Voyageur Way, Richmond. The Company pays Solution Lease Club a \$100 fee for each sales and lease transaction for property usage. During the three and six months ended April 30, 2020, the Company paid \$7,500 and \$15,900 to Solution Lease Club (2019- \$13,800 and \$27,900).

During the three and six months ended April 30, 2020, remuneration of directors and other members of key management personnel are \$39,114 and \$109,290 (2019 – \$94,167 and \$209,362).

During the three and six months ended April 30, 2020, the Company paid a total of \$31,325 and \$42,239 to law firms where a partner is a director of the Company (2019 – \$8,154 and \$64,967).

12. Supplemental Cash Flow Information

Significant non-cash transactions during the six months period ended April 30, 2020 and 2019

April 30,	2020	2019
Recognition of equity portion on convertible debt on issuance	\$ -	\$ 33,199

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13. Bank indebtedness

On January 13, 2020 the Company amended its Credit Loan Facility with an \$2,500,000 increase to \$10,000,000. The Credit Loan Facility bears interest at prime plus 1.2% per annum.

The loan agreement allows the Company to draw on funds as needed and is secured by a personal guarantee of the Company's CEO and certain assets of the Company.

As at April 30, 2020, the total outstanding balance on the loan agreement is \$8,155,781 (October 31, 2019 - \$5,757,033). As part of the bank covenants, the Company is required to maintain a cash flow coverage ratio of not less than 1.25:1 and a debt to tangible net worth ratio not greater than 2.25:1.

14. Customers' deposits

Customers' deposits are refundable security deposits received by the Company at lease inception. They are applied to the residual balance if a buyout option is exercised or will be refunded at the maturity of the lease upon return of the vehicle. As at April 30, 2020, the Company has deposits of \$455,050 on leases coming due in the next year (October 31, 2019 - \$355,887) and \$1,651,325 deposits coming due in more than a year (October 31, 2019 - \$1,673,925).

15. Deferred revenue

Deferred revenue are lease down payments 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.

16. 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.

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. Transaction costs of \$5,257 were recognized.

For the six months ended April 30, 2020, accretion expense of \$66,908 and interest expense of \$27,381 were recognized.

For the six months ended April 30, 2019, accretion expense of \$57,906 and interest expense of \$27,305 were recognized.

On January 7, 2019, the Company closed the first tranche of its previously announced non-brokered financing of unsecured convertible debentures ("Debentures") in the principal amount of \$2,000,000.

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16. Convertible Debenture (continued)

The Debentures will mature on January 4, 2021 ("Maturity Date") and bear interest at a rate of 5.0% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be convertible into common shares 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 \$0.50 per share.

On issuance, the Company recognized the fair value of the liability component of \$1,895,506 based on the terms of the Debentures and a discount rate of 7.93%. The residual amount of \$94,494 was allocated to the equity portion. Transaction costs of \$10,000 were recognized.

For the six months ended April 30, 2020, accretion expense of \$26,288 and interest expense of \$49,775 were recognized.

For the six months ended April 30, 2019, accretion expense of \$15,972 and interest expense of \$31,781 were recognized.

On April 15, 2019, the Company closed a non-brokered private placement of unsecured convertible debentures ("Debentures") in the principal amount of \$705,000. The Debentures will mature on April 15, 2021 ("Maturity Date") and bear interest at a rate of 5.0% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be convertible into common shares 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 \$0.50 per share.

On issuance, the Company recognized the fair value of the liability component of \$665,963 based on the terms of the Debentures and a discount rate of 8.11%. The residual amount of \$33,199 was allocated to the equity portion. Transaction costs of \$5,839 were recognized.

For the six months ended April 30, 2020, accretion expense of \$9,444 and interest expense of \$16,180 were recognized.

For the six months ended April 30, 2019, accretion expense of \$769 and interest expense of \$1,445 were recognized.

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17. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the six months ended April 30, 2020 the Company completed the following transactions:

- (i) The Company issued 104,100 common shares for cash proceeds of \$26,025 pursuant to the exercise of agents' compensation options.
- (ii) The Company purchased and cancelled 1,047,500 of its common shares on the open market at an average price of \$0.34 for total cost of \$352,995, pursuant to a normal course issuer bid (the "NCIB"). Under the NCIB, a total of up to 3,966,202 common shares may be purchased through the facilities of the TSXV, and any such purchases will be at market prices. The NCIB will commence on or after December 16, 2019 and will end on December 16, 2020 or on such earlier date as the Company may complete its purchase pursuant to the NCIB or as it may otherwise determine.
- (iii) The Company paid dividends of \$158,365 or \$0.002 per share.

During the six months ended April 30, 2019 the Company completed the following transactions:

- (i) The Company issued 6,000 common shares for cash proceeds of \$1,500 pursuant to the exercise of agents' compensation options.

Unit Valuation and broker warrants

- (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 \$0.21 and the relative fair value of each half warrant was \$0.04. 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%

- (ii) Broker Warrant Valuation

The valuation of the broker warrants 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:

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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 April 30, 2020, 220,310 (October 31, 2019- 293,750) 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 qualifying transaction ("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 April 30, 2020, 37,857,119 (October 31, 2019- 43,265,279) 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.

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, October 31, 2018	4,769,900	\$ 0.25
Exercised-Agent's options	(6,000)	\$ 0.25
Outstanding, April 30, 2019	4,763,900	\$ 0.25
Exercised-Agent's options	(139,800)	\$ 0.25
Exercised-Employees' options	(86,400)	\$ 0.25
Outstanding, October 31, 2019	4,537,700	\$ 0.25
Exercised-Agent's options	(104,100)	\$ 0.25
Expired- Agent's options	(30,000)	\$ 0.25
Granted-Employees' options	250,000	\$ 0.37
Outstanding, April 30, 2020	4,653,600	\$ 0.26
Exercisable, April 30, 2020	4,403,600	\$ 0.26

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Stock option activities during the six months ended April 30, 2020:

- (i) The Company issued 104,100 common shares for cash proceeds of \$26,025 pursuant to the exercise of agents' compensation options.
- (ii) 30,000 agents' compensation options expired on December 22, 2019.
- (iii) The Company granted an aggregate of 250,000 fully vested stock options to a member of the of the Board of Directors, each such option being exercisable into one common share at a price of \$0.37 per share.

Stock option activity during the six months ended April 30, 2019:

- (i) The Company issued 6,000 common shares for cash proceeds of \$1,500 pursuant to the exercise of agents' compensation options.

Warrant transactions are summarized as follows:

	Warrants	
	Number	Weighted Average Exercise Price
Outstanding, October 31, 2018	9,545,900	\$ 0.40
Warrants issued on exercise of Agents' options	3,000	\$ 0.40
Outstanding, April 30, 2019	9,548,900	\$ 0.40
Warrants issued on exercise of Agents' options	69,900	\$ 0.40
Outstanding, October 31, 2019	9,618,800	\$ 0.40
Warrants issued on exercise of Agents' options	52,050	\$ 0.40
Warrants expired	(9,670,850)	\$ 0.40
Outstanding, April 30, 2020	-	\$ -
Exercisable, April 30, 2020	-	\$ -

Warrant activities during the six months ended April 30, 2020:

- (i) 52,050 warrants were issued from the exercise of 104,100 agents' compensation options.
- (ii) 9,670,850 warrants expired on December 22, 2019.

Warrant activity during the six months ended April 30, 2019:

- (i) 3,000 warrants were issued from the exercise of 6,000 agents' compensation options.

As at April 30, 2020, the following were outstanding:

	Expiry Date	Number of Shares	Exercise Price	Weighted average
Options	June 25, 2021	4,403,600	\$ 0.25	1.2 years
	November 6, 2022	250,000	\$ 0.37	2.5 years
		4,653,600	\$ 0.25	1.3 years

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Share-based compensation

During the six months period ended April 30, 2020, the company recognized \$41,911 as share-based compensation for options granted to directors, officers, and employees.

The Company applies the fair value method in accounting for its stock options at the time of grant 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-\$0.37; and expected volatility of 50%-100%. Volatility is based on a range of comparable companies operating in the same industry, adjusted for the Company's limited history.

18. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

For the six months ended Apr 30,	2020	2019
Net income available to common shareholders for basic and diluted earnings per share	\$ 115,994	\$ 9,224
Weighted average number of common share outstanding - basic	79,092,658	79,097,701
Effect of dilutive securities - share-based payments	1,364,812	1,623,300
Weighted average number of common shares outstanding- diluted	80,457,470	80,721,001
Earnings per share - reported:		
Basic	\$ 0.001	\$ 0.000
Diluted	\$ 0.001	\$ 0.000

19. Brokerage Commissions

The gross sales through third-party dealerships were:

	For 3 months ended April 30, 2020	For 3 months ended April 30, 2019	For 6 months ended April 30, 2020	For 6 months ended April 30, 2019
Brokerage lease	\$ -	\$ 1,667,160	\$ 4,668	\$ 5,093,779
Cost of brokerage lease	-	(1,536,776)	-	(4,761,543)
	-	130,384	4,668	332,235
Brokerage sale	1,983,924	1,762,973	4,009,339	3,671,540
Cost of brokerage sale	(1,882,004)	(1,646,416)	(3,793,801)	(3,540,190)
	101,920	116,557	215,538	131,350
Total brokerage commissions	\$ 101,920	\$ 246,941	\$ 220,206	\$ 463,586

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20. Sales and Cost of Sales by Nature

Sales include the following major sales by nature:

	For 3 months ended April 30, 2020	For 3 months ended April 30, 2019	For 6 months ended April 30, 2020	For 6 months ended April 30, 2019
Vehicle sales	\$ 641,065	\$ 877,812	\$ 1,678,210	\$ 1,613,780
Finance lease vehicle sales	112,922	103,877	139,910	160,482
Interest and administrative income	543,721	335,595	1,053,694	620,786
Rental revenue	1,314,315	850,546	2,562,298	1,654,314
Registration fees	41,608	53,736	87,677	120,045
Total	\$ 2,653,631	\$ 2,221,566	\$ 5,521,789	\$ 4,169,407

Included within cost of sales for the six months period ended April 30, 2020 is amortization of property under operating lease of \$2,460,395 (2019 - \$1,545,255)

21. Expense by Nature

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

	For 3 months ended April 30, 2020	For 3 months ended April 30, 2019	For 6 months ended April 30, 2020	For 6 months ended April 30, 2019
Advertising and promotion	\$ 8,719	\$ 20,356	\$ 30,395	\$ 45,451
Commissions	143,677	193,898	304,358	417,490
Donations	5,000	3,392	5,000	7,039
Marketing	15,171	52,106	36,025	67,338
Meals and entertainment	2,851	7,545	6,908	31,012
Demo vehicle rental	35,421	56,076	76,481	115,695
Total	\$ 210,839	\$ 333,373	\$ 459,167	\$ 684,025

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

	For 3 months ended April 30, 2020	For 3 months ended April 30, 2019	For 6 months ended April 30, 2020	For 6 months ended April 30, 2019
Accounting and legal	\$ 65,918	\$ 68,549	\$ 106,452	\$ 108,385
Consulting fees	37,581	49,181	45,377	62,812
Regulatory and transfer agent	33,108	30,767	41,567	36,353
Insurance	763	7,357	26,693	24,848
License and permit	8,712	6,306	2,409	1,785
Office and miscellaneous	24,078	13,568	59,745	35,106
Repairs and maintenance	550	600	1,200	1,211
Salaries and wages	114,780	135,970	208,870	245,657
Total	\$ 285,490	\$ 312,298	\$ 492,313	\$ 516,157

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22. 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 13. The Company did not change its capital management strategy in the six months ended April 30, 2020 and 2019.

23. Segmented information

The Company is currently generating some of its revenue through the sales of vehicles to one third party leasing company ("Broker Leases"), based on a mutual arrangement.

For the three months period ending April 30, 2020, the Company generated \$4,668 of brokerage commission through this leasing company (2019- \$201,851) (Note 19), which represent 0.16% of total revenue (2019 - 9%).

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.

24. Comparative Information

The Company has recognized its end of lease sales within the sales and cost of sales for the quarter ended April 30, 2020. In the three and six months ended April 30, 2019, these end of lease sales had been recognized within brokerage commission sales, which are presented on a net basis within the Company's statement of comprehensive income (loss). For comparative purposes the April 30, 2019, end of lease sales have been reclassified to conform to the current year presentation. There is no effect on total assets and liabilities. In addition, there is no effect from this reclassification on gross profit or net income (loss) for the three and six months ended April 30, 2019.