CANADIAN ROYALTY FUNDING CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canadian Royalty Funding Corporation

Opinion

We have audited the financial statements of Canadian Royalty Funding Corporation (the "Company") for the year ended December 31, 2019, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Royalty Funding Corporation as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statement (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Hilborn LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 8, 2020

CANADIAN ROYALTY FUNDING CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		2019		2018
ASSETS				
Cash and cash equivalents *(note 7(c))*	$	**15,661**	$	14,785
Amounts receivable *(note 7(c))*		**26,568**		33,546
Investments at fair value *(notes 2 and 7(c))*		**2,770,622**		2,727,930
		2,812,851		2,776,261
LIABILITIES				
Accounts payable and accrued liabilities *(note 7(c))*		**68,665**		54,418
Debentures *(notes 3, 7(b) and 7(c))*		**2,827,944**		3,353,445
Subordinated loan *(notes 4 and 7(c))*		**-**		260,000
		2,896,609		3,667,863
SHAREHOLDERS' EQUITY				
Share capital *(note 6)*		**1,006,650**		100
Deficit		**(1,090,408)**		(891,702)
		(83,758)		(891,602)
	$	**2,812,851**	$	2,776,261

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

S Khalidy Nabaa , Director

Angela Stupo, Director

CANADIAN ROYALTY FUNDING CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2019

		2019		2018
Revenues				
Distribution income *(note 7(c))*	$	**310,759**	$	642,874
		310,759		642,874
Expenses				
Interest expenses *(notes 7(b) and 7(c))*		**366,617**		400,179
Accretion expenses		**61,499**		59,864
Administration		**67,603**		54,998
Professional fees		**49,305**		26,475
Transfer agent fees		**7,133**		6,710
Fair value adjustments to Funding Agreement *(note 7(c))*		**(42,692)**		519,813
		509,465		1,068,039
Loss before income taxes		**(198,706)**		(425,165)
Income tax expense *(note 4)* - current		**-**		-
- deferred		**-**		-
		-		-
Net loss and total comprehensive loss for the year	$	**(198,706)**	$	(425,165)

The accompanying notes are an integral part of these financial statements

CANADIAN ROYALTY FUNDING CORPORATION

STATEMENT OF CHANGES IN DEFICIT

YEAR ENDED DECEMBER 31, 2019

	Share Capital	Warrants	Deficit	Total
Balance at January 1, 2018	$ 100	$ -	$ (466,537)	$ (466,437)
Net loss and total comprehensive loss for the year	-	-	(425,165)	(425,165)
Balance at December 31, 2018	100	-	(891,702)	(891,602)
Share issuance *(note 6)*	**1,006,550**	-	-	**1,006,550**
Net loss and total comprehensive loss for the year	-	-	**(198,706)**	**(198,706)**
Balance at December 31, 2019	**$ 1,006,650**	**$** -	**$ (1,090,408)**	**$ (83,758)**

The accompanying notes are an integral part of these financial statements

CANADIAN ROYALTY FUNDING CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
Operating activities		
Net loss and total comprehensive loss for the year	$ (198,706)	$ (425,165)
Items not affecting cash		
Accretion expense	61,499	59,864
Fair value adjustments to Funding Agreement	(42,692)	519,813
Conversion of interest on debentures and subloan to share capital	8,524	-
	(171,375)	154,512
Net change in non-cash working capital items		
Amounts receivables	6,978	79,363
Accounts payable and accrued liabilities	15,273	31,818
Cash used in operating activities	22,251	111,181
Financing activities		
Repurchases of debentures	-	(554,000)
Subordinated loan from patent	150,000	350,000
Subordinated loan repaid	-	(90,000)
	150,000	(294,000)
Net change in cash during the year	876	(28,307)
Cash and cash equivalents - beginning of year	14,785	43,092
Cash and cash equivalents - end of year	$ 15,661	$ 14,785

The accompanying notes are an integral part of these financial statements

The Canadian Royalty Funding Corporation ("the Company" or "CRFC") was incorporated on April 8, 2015, under the Business Corporations Act (Ontario). The Company's ultimate parent is Caldwell Financial Ltd. ("CFL"). The Company's head office is located at 1710-150 King Street West, Toronto, Ontario, Canada.

The Company was established to invest in a diversified portfolio of revenue streams with the objective of providing a combination of high dividends and capital appreciation potential. The primary business of the Company is to finance the expenditures associated with the distribution of securities of investment funds ("Fund Offering Expenses") in exchange for fees from such investment funds.

These financial statements were approved by the Board of Directors of the Company on June 8, 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. These standards are in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to publicly accountable enterprises and include the following significant policies:

Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for selected financial instruments, which have been measured at fair value as set out in the relevant accounting policies.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are converted at the exchange rate at the year end date. Transactions in foreign currencies are recorded at the exchange rates prevailing at the dates of respective transactions.

Realized and unrealized foreign exchange gains and losses are presented in the Statement of Operations.

Revenue Recognition

Distribution income and redemption fees arising from the Funding Agreement are recorded when the amount can be measured reliably and collection is reasonably assured under the terms of the funding agreement. See *note 2* for details of the terms of the agreement.

Gains and losses on investments at fair value include realized gains and losses on securities sold during the year and unrealized changes in fair value of investments held at the end of the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Company initially measures its financial assets and liabilities at fair value. Upon initial recognition attributable transaction costs, except for those related to the issuance of debentures, are recognized in the statement of operations as incurred. Transaction costs related to the issuance of the debentures are included in the debenture balance.

The Company subsequently measures all its financial assets and liabilities at amortized cost except for investments at fair value.

Financial assets and liabilities measured at amortized cost include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, debentures and subordinated loan.

The Company measures the expected credit loss ("ECL") on all financial assets using the simplified approach to measuring ECL, which uses a lifetime expected loss allowance.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Cash Equivalents

Cash and cash equivalents consist of cash on deposit, cash in a high interest savings account and cash in an investment savings account.

Investments at fair value

Investments at fair value consist of Funding Agreement.

The Funding Agreement with an investment fund, for which reliable quotations are not readily available, is recorded at fair value as at the year end date based on management's best estimates. The primary valuation technique used by management is the discounted cash flow method. The key parameters used in calculation consist of discount rate, growth rate and the estimated life of the underlying fund.

Changes in fair value are recognized in the statement of operations in the year in which the changes occur.

Debentures

Debentures are initially recorded at fair value, which is the principal amount net of the transactions costs related to the issuance of the debentures, and subsequently measured at amortized cost using the effective interest rate method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and Deferred Income Taxes

Current income tax asset or liability for the current and prior years is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the year end date.

Deferred income tax asset or liability is recognized on temporary differences between the tax basis of an asset or liability and its carrying amount on the statement of financial position. Deferred income tax asset or liability is measured using the income tax rates and laws that have been enacted or substantively enacted at the year end date, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred income tax asset is recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Use of Estimates and Judgments

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

Areas subject to assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in future periods include valuation of Funding Agreement and deferred income tax assets and liabilities.

Adoption of IFRS 16

The Company has applied IFRS 16 *Leases* to the fiscal year beginning on January 1, 2019. Application of IFRS 16 has no significant impact on the opening balances of the statement of financial position as at January 1, 2019 or the comparative figures of the statements of operations, changes in deficit and cash flows.

2. INVESTMENTS AT FAIR VALUE

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2. INVESTMENTS AT FAIR VALUE (continued)

Details of investments at fair value are as follows:

2019	*Units*	*Level 1*	*Level 2*	*Level 3*	*Total*
Funding Agreement	-	$ -	$ -	$ 2,770,622	$ 2,770,622

2018	*Units*	*Level 1*	*Level 2*	*Level 3*	*Total*
Funding Agreement	-	$ -	$ -	$ 2,727,930	$ 2,727,930

Investment in Funding Agreement

The Company has entered into a funding agreement with Caldwell U.S. Dividend Advantage Fund (the Fund"). Under the initial funding agreement, the Company facilitated the establishment of the Fund by financing the expenditures associated with the distribution of securities of the Fund. In return, the Company was entitled to receive distribution income calculated at an annual rate of 1.23% of the net asset value of the Fund over the life of the Fund. The Company was also entitled to receive all the redemption fees collected by the Fund until its cost of the investment in the funding agreement (the "Funding Agreement") was fully recovered.

On September 28, 2018, the unitholders of the Fund approved certain changes to the Fund including, mainly, conversion of the Fund from a close-end investment fund to an open-end mutual fund, redesignation of all units held by unitholders of the Fund as "Series F Units" of the Fund and creation of Series A Units of the Fund.

On October 17, 2019, further amendments were made, mainly, to change the calculation of the distribution income. Under the new distribution structure, until June 30, 2035 or the date the debentures referred in *Note 3* are fully redeemed, the Company is entitled to receive distribution income equal to 100% of the net management fees payable by the Fund to the Manager up to a maximum of $600,000 per annum, calculated at the amounts received by the Manager from the Fund less payments of all the services, trailer and sub-advisory fees related to the Fund. Management fees are calculated at 1.75% of the net asset value for Series A units of the Fund and 0.75% for Series F units of the Fund. After June 30, 2035 or the date the debentures referred in *Note 3* were fully redeemed, the Company is entitled to receive distribution income equal to 25% of the net management fees payable by the Fund to the Manager.

As at the year end, the fair value of the Funding Agreement is estimated at $2,771,000 ($2,728,000 - 2018). The Funding Agreement is valued using the discounted cash flow method, which is consistent with the approach adopted in the previous year with certain changes to the parameters used in calculation to reflect the current fee structure of the Fund and the changes in circumstances of the financial markets.

2. INVESTMENTS AT FAIR VALUE (continued)

Investment in Funding Agreement (continued)

Details of the inputs used in valuation technique and a quantitative sensitivity analysis are as below:

Significant Inputs	Rates of Input	Sensitivity Used	Effect on Fair Value
2019			
Discount rate	8.0%	1% increase	$(170,252)
Growth rate	4.6%	1% increase	166,219
Life of Fund	20 years	2 years deduction	(266,994)
2018			
Discount rate	10.5%	1% increase	$(152,869)
Growth rate	3.2%	1% increase	(162,948)
Life of Fund	20 years	2 years deduction	(194,729)

3. DEBENTURES

In order to finance the establishment of an investment fund, details disclosed in *Note 2*, the Company raised funds by way of issuance of debentures.

On April 13, 2015 the Company offered for issuance up to 16,000 subscription receipts for $1,000 each under an offering memorandum. Each subscription receipt represented the right to receive:

(i) $1,000 principal amount of convertible unsecured senior redeemable debentures; and

(ii) 250 warrants at no additional cost.

The debentures bear interest at an annual rate of 10%, payable quarterly in arrears in equal installments and have a maturity date of June 30, 2035. Each debenture is convertible to common shares of the Company at the option of the holder at a conversion price of $0.80 per common share at any time.

Each warrant entitles the holder to purchase one common share of the Company for $0.25 per share at any time before they expire. Each warrant will expire the earlier of:

(i) 18 months from the Company's common share listing date; and

(ii) June 30, 2020 whether or not the common shares are listed on a stock exchange.

On May 28, 2015 the offering closed and, 6,542 receipts were purchased by the investors and converted to convertible debentures and warrants for gross proceeds of $6,542,000. Included in the debenture balance were transactions costs of $640,544.

In addition, 402,625 warrants were issued to the brokers and 10,000,000 warrants were issued to the parent company, Caldwell Financial Ltd, with identical features as noted in the warrant terms above for $nil per unit.

The fair value of the warrants was determined to be $NIL on issuance.

3. DEBENTURES (continued)

On February 26, 2016, the Company repurchased from the registered debenture holders $1,800,000 par value of outstanding debentures for the price of $1,015.62 per $1,000 debenture representing par value plus accrued interest to date of settlement. All repurchased debentures were cancelled and will not be reissued.

On February 17, 2017, the Company repurchased from the registered debenture holders $488,000 par value of outstanding debentures for the price of $1,013.15 per $1,000 debenture representing par value plus accrued interest to date of settlement. All repurchased debentures were cancelled and will not be reissued.

On July 6, 2018, the Company repurchased from the registered debenture holders $554,000 par value of outstanding debentures for the price of $1,001.64 per $1,000 debenture representing par value plus accrued interest to date of settlement. All repurchased debentures were cancelled and will not be reissued.

On October 25, 2019, certain terms of debentures were amended. Under the amended terms, in the event that in any given quarter commencing the quarter ended December 31, 2019, the Company does not have cash to pay the full amount of the quarterly interest, the Company may pay off the interest shortfall by issuing and delivering to the debenture holders the common shares of the Company equivalent to the amount in shortfall calculated at $0.10 per common share. As at the date of the approval of these financial statements, the quarterly interest had been paid in full amount of cash.

On November 22, 2019, certain debenture holders converted the debentures in principal amount of $587,000 and unpaid interest of $8,161 into common shares of the Company at a conversion price of $0.10 per share.

During the year, the Company incurred interest expenses of $364,000 ($399,000 - 2018). In addition the Company recorded debenture accretion expense of $61,000 ($60,000 - 2018), which is included in the statement of operations.

As at December 31, 2019, on a non-discounted cash basis, the Company has annual interest payable of $311,000 ($370,000 - 2018) over the term of the debentures, due quarterly, and principal repayable of $3,113,000 ($3,700,000 - 2018), due on maturity, June 30, 2035.

Subsequent to the year end, the Company made an offer to registered debenture holders to repurchase a portion of the outstanding debentures. Details are disclosed in *Note 10.* .

4. SUBORDINATED LOAN

The Company received a subordinated loan from its parent, Caldwell Financial Ltd.

The loan is unsecured and the repayment of the loan and all amounts owed thereunder are subordinated to the claims of the other creditors of the Company.

The loan bears interest at 1% per annum, payable quarterly in arrears. The principal can be repaid in part or in whole at any time by the Company except that when the parent holds 50% or less of the voting shares of the Company, the principal and all accrued and unpaid interest become due.

During the year, the Company received additional subordinated loans from the parent in a total of $150,000.

In November 2019, the principal of $411,026 and the unpaid interest of $363 were converted into common shares of the Company at a conversion price of $0.10 per share.

4. SUBORDINATED LOAN (continued)

Interest incurred on the subordinated loan prior to the conversion was $3,117 ($1,555 - 2018) and included in the statement of operations.

5. INCOME TAX

A reconciliation of the income tax expense (recovery) and the accounting income (loss) multiplied by the Company's statutory tax rate is as follows:

		2019		*2018*
Accounting loss before tax	$	**(198,706)**	$	(425,165)
Income tax recovery at the Company's income tax rate of 26.5% (26.5% - 2018)		**(53,000)**		(113,000)
Deferred income tax asset not recognized		**53,000**		113,000
Income tax expense (recovery) reported in the statement of operations	$	**-**	$	-

The Company has incurred non-capital losses and other timing differences deductible (taxable) for tax purposes, as follows:

Losses expiring in 2035	$	349,000
Losses expiring in 2036		212,000
Losses expiring in 2037		154,000
Losses expiring in 2038		155,000
Losses expiring in 2039		489,000
Funding agreement and accretion cost		(264,000)
	$	1,095,000

The potential deferred income tax benefit that might arise from the utilization of these deductions has not been recorded in the accounts.

6. SHARE CAPITAL

Authorized and issued share capital are as follows:

		2019		*2018*
Authorized:				
Unlimited number of common shares				
Issued:				
10,065,497 common shares (40,000,000 - 2018)	$	**1,006,650**	$	100

During the year, the Articles of the Corporation were amended to consolidate the 40,000,000 issued and outstanding common shares into 1 common share.

In addition, the Company issued 10,065,496 common shares at $0.10 per share through conversion of the debentures in principal amount of $587,000 and unpaid interest of $8,161 and the subordinated loan in principal of $411,206 and unpaid interest of $363.

As at December 31, 2019, the total number of warrants issued was 12,038,125 at $Nil (12,038,125 at $Nil - 2018). Refer to *note 3* for the terms of warrants.

7. RELATED PARTY TRANSACTIONS

(a) Influence of A Director Over the Business Operation

A director of the Company, jointly with his close family members, directly owns 68% of the common shares of the parent and therefore has control over the Company. The director also holds a key management position within the Company, its parent and other related companies and exerts significant influence over the financial and operating policies of these entities.

(b) Director's Transactions

A director of the Company, jointly with his close family members, subscribed for debentures issued by the Company. As at December 31, 2018, the director and his close family held debentures having a face value of $184,000 and these debentures earned interest of $18,400 in the prior year.

During the year, the debentures including the principal amount of $184,000 and unpaid interest of $2,672 were converted into common shares of the Company. Prior to the conversion, these debentures earned interest of $16,392. Details of share conversion are disclosed in *note 6.*

(c) Other Related Party Transactions

The Company is related to Caldwell Financial Ltd. ("CFL"), which owns, directly and indirectly, the controlling interest of the Company. The Company is related to Caldwell Investment Management Ltd ("CIM") and Caldwell Securities Ltd. ("CSL") since all of these entities are under common control by CFL. The Company is related to Caldwell Investment Trust I ("CIT I"), of which CFL is the sole beneficiary, and CIT I owns a significant portion of the common shares of the Company.

The Company has invested in a Funding Agreement with Caldwell US Dividend Advantage Fund (the "Fund") and pursuant to the Funding Agreement (see note 2), receives distribution from the Fund through the fund manager, CIM.

The Company raised funds through issuance of debentures to CIT I and paid interest to CIT I. During the year, the debentures including principal amount of $378,000 and unpaid interest of $5,487 were converted into common shares of the Company. Refer to *note 6* for details.

The Company received capital by way of a subordinated loan and financing by way of debentures from CFL and the terms and conditions were described in *notes 3 and 4.* During the year, the subodinated loan in face value of $411,206 and debentures including principal amount of $25,000 and unpaid interest of $363 were conconverted into common shares of the Company. Refer to *note 6* for details.

7. RELATED PARTY TRANSACTIONS (continued)

(c) Other Related Party Transactions (continued)

Details of the related party transactions during the year and the balances held at the year end are as follows:

		2019		*2018*
Included in the Statement of Financial Position:				
Assets				
CSL trading account balance included in cash and cash equivalents	$	-	$	1,069
Amounts receivable		**26,568**		33,546
Funding Agreement included in investments at fair value		**2,770,622**		2,727,930
		2,797,190		2,762,545
Liabilities				
Interest payable to parent		-		1,555
Accounts payable		**48,399**		-
Debentures at face value		-		378,000
Subordinated loan from parent company		-		260,000
		48,399		639,555
Included in the Statement of Operations:				
Revenues				
Distribution income	$	**310,759**	$	642,874
Total revenues		**310,759**		642,874
Expenses				
Interest on debentures		**33,838**		46,630
Interest on subloan		**3,117**		1,555
Fair value adjustments to Funding Agreement		**(42,692)**		519,813
Total expenses	$	**(5,737)**	$	567,998

The Company shares the office premise leased by CIM and also utilizes the management services of CIM at no charges.

8. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

	2019	*2018*
Financial assets include the following:		
Cash and cash equivalents	**$ 15,661**	$ 14,785
Amounts receivable	**26,568**	33,546
Investments at fair value	**2,770,622**	2,727,930
	2,812,851	2,776,261
Financial liabilities include the following:		
Accounts payable and accrued liabilities	**68,666**	54,417
Debentures excluding unamortized accretion cost	**3,113,000**	3,700,000
Subordinated loan from parent company	**-**	260,000
	$ 3,181,666	$ 4,014,417

The Company's financial instruments consist of the foregoing assets and liabilities. It is management's opinion that the Company is not exposed to significant interest risk arising from these financial instruments.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its obligations to the Company. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, amounts receivable and investments at fair value.

Credit risk from investing activities other than investments in Funding Agreement is minimized by limiting investments to liquid securities and maintaining cash accounts in reputable financial institutions with high quality credit ratings. Risk associated with the investments in Funding Agreement is mitigated by closely monitoring the fund performance and the market trends by the Fund manager. Valuation of the investments is performed periodically and its fair value is adjusted accordingly.

The Company is not exposed to credit risk with respect to the amounts receivable as the amounts were subsequently collected by the Company.

At the reporting date the amount of $2,812,851 is the maximum exposure the Company has in respect to credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Financial instruments that potentially subject the Company to liquidity risk consist of accounts payable and accrued liabilities and debentures. The debentures bear an interest rate of 10% and payable annually with the principal repayable at maturity, which is June 30, 2035. Management continuously monitors actual and projected cash flows to ensure the Company will always have sufficient liquidity to meet its liabilities when due.

8. FINANCIAL INSTRUMENTS AND RISK EXPOSURE (continued)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings.

The Company is indirectly exposed to currency risk with respect to its Funding Agreement as the fair value of the Funding Agreement is largely determined by the net asset value of of the Caldwell US Dividend Advantage Fund. The fair value of the Funding Agreement will increase or decrease as with the changes in foreign exchange rates associated with the foreign currency denominated portfolio held by the underlying Fund.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Company's investments in interest bearing financial instruments.

The Company is not exposed to significant interest rate risk as its investments in interest bearing instruments are insignificant.

Market price risk

Market price risk is the potential loss the Company may incur as a result of changes in the fair value of securities held on hand.

The Company is not directly exposed to market price risk. The Company is indirectly exposed to market price risk with respect to its Funding Agreement. The fair value of the Funding Agreement will increase or decrease as with the changes in market prices of the portfolio held by the underlying Fund.

9. CONTINGENCIES, GUARANTEES AND INDEMNITIES

In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms, to counterparties in transactions such as service agreements, leases and purchases of goods. Under these agreements, the Company agrees to indemnify the counterpart against loss or liability arising from the acts or omissions of the Company in relation to the agreement. The nature of the indemnifications in these agreements prevents the Company from making a reasonable estimate of the maximum potential amount that the Company could be required to pay such counterparties.

9. CONTINGENCIES, GUARANTEES AND INDEMNITIES (continued)

The Company has indemnified its past, present and future directors and officers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions, in which they are sued as a result of their involvement with the Company, if they acted honestly and in good faith with a view to the best interest of the Company. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise. A provision is recorded when a loss is likely and the amount is determinable.

10. SUBSEQUENT EVENTS

(a) Repurchase of debentures and advance from parent

Subsequent to the year end, the Company entered into an agreement with two debenture holders to repurchase up to $258,000 par value of outstanding debentures for the price of $1,009.86 representing par value plus accrued interest to May 6, 2020. The repurchase was settled on May 6, 2020 and all repurchased debentures were cancelled and will not be reissued. The aggregate par value of debentures that remain issued and outstanding is $2,855,000.

(b) Advance from parent

To facilitate the repurchase of debentures on May, 6, 2020, the Company received an advance from the parent company in a total of $258,000.

(c) Impact of COVID-19

The global pandemic of the virus known as COVID-19 led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Company.

11. NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT APPLIED

Following is a listing of amendments, revisions and new International Financial Reporting Standards (IFRS) issued but not effective until annual periods beginning after January 1, 2019:

- The Conceptual Framework for Financial Reporting *(Revised in 2018; Amendments to References to the Conceptual Framework in IFRS Standards)*
- IFRS 3 Business Combinations (*Annual Improvements to IFRS Standards 2015–2017 Cycle*)
- IAS 1 Presentation of Financial Statements *(Definition of Material (Amendments to IAS 1)*)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors *(Definition of Material (Amendments to IAS 8)*
- IAS 28 Investments in Associates and Joint Ventures (*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28); incorporates *Effective Date of Amendments to IFRS 10 and IAS 28*)

The impact on the financial statements of adopting these standards is not signifcant.

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