

MARBLE FINANCIAL INC.

(formerly MLI Marble Lending Inc.)

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

(Expressed in Canadian Dollars)

Unaudited

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Group have been prepared by and are the responsibility of the Group's management.

The Group's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)

Condensed Consolidated Interim Statements of Financial Position

(Presented in Canadian Dollars) - unaudited

AS AT	June 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	\$ 277,608	\$ 755,262
Interest receivable (Note 6)	69,876	58,083
Loans receivable – current (Note 6)	974,292	718,128
Prepaid expenses	69,669	72,039
	1,391,445	1,603,512
Loans receivable (Note 6)	2,163,044	2,372,103
Office furniture, equipment, and right-of-use assets (Note 7)	382,045	473,114
Intangible assets (Note 8)	659,777	692,576
Total assets	\$ 4,596,311	\$ 5,141,305
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 469,703	\$ 420,525
Interest payable	113,988	21,457
Lease liabilities (Note 12)	165,246	166,568
Convertible debentures (Note 9)	396,667	-
Convertible debenture proceeds received (Note 9)	160,000	-
Loans payable (Notes 5 and 10)	53,496	25,164
Unearned revenue	278,323	18,619
Bonds – current (Note 11)	1,297,455	978,434
	2,934,878	1,630,767
Lease liabilities (Note 12)	209,714	290,850
Loans payable (Notes 5 and 10)	63,498	58,121
Bonds (Note 12)	3,961,935	4,321,521
Total liabilities	7,170,025	6,301,259
Shareholders' deficiency		
Share capital (Note 13)	6,157,651	6,153,526
Equity component of convertible debentures (Note 9)	23,781	-
Reserves (Note 13)	482,772	373,754
Deficit	(9,237,918)	(7,687,234)
Total shareholders' deficiency	(2,573,714)	(1,159,954)
Total liabilities and shareholders' deficiency	\$ 4,596,311	\$ 5,141,305

Nature of operations (Note 1)

Events after the reporting period (Note 19)

Approved on behalf of the Board of Directors on August 28, 2020

"Michele Marrandino" Director "Jason Scharfe" Director

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

MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Presented in Canadian Dollars) - unaudited

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest revenue	\$ 185,948	\$ 122,809	\$ 384,402	\$ 250,087
Interest expense	(125,011)	(135,583)	(256,593)	(270,943)
Net interest income	60,937	(12,774)	127,809	(20,856)
Other income	70,055	14,968	156,388	23,832
Total income	130,992	2,194	284,197	2,976
Bad debts and loss allowance (recovery)	20,878	(9,226)	32,102	(9,226)
Operating expenses				
Administration costs	146,874	27,658	248,379	188,598
Amortization (Notes 7 and 8)	63,599	10,729	128,003	11,232
Consulting fees (Note 14)	208,912	181,118	503,396	378,356
Investor relations	12,000	161,290	43,475	161,290
Lease accretion (Note 12)	9,705	-	20,422	-
Marketing	17,020	87,534	62,914	141,338
Salary and benefits (Note 14)	322,861	71,872	671,027	124,286
Share based payments (Notes 13 and 14)	45,917	38,159	113,143	126,430
Transfer agent and filing fees	7,579	30,465	12,020	30,465
Total operating expenses	834,467	608,825	1,802,779	1,161,995
Net loss and comprehensive loss	\$ (724,353)	\$ (597,405)	\$(1,550,684)	\$(1,149,793)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding – basic and diluted	55,758,181	53,667,899	55,754,472	45,918,004

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

MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
(Presented in Canadian Dollars) - unaudited

	Share Capital		Subscriptions received in advance	Stock option and warrant reserves	Equity component of convertible debentures	Deficit	Total
	Number of shares	Amount					
Balance, December 31, 2018	35,748,888	\$ 2,968,976	\$ 12,000	\$ 28,899	\$ -	\$ (4,535,588)	\$ (1,525,713)
Initial public offering shares issued	17,500,000	3,500,000	-	-	-	-	3,500,000
Shares issued for lending fees	150,000	30,000	-	-	-	-	30,000
Shares issued for private placement	80,000	12,000	(12,000)	-	-	-	-
Stock options exercised	200,000	14,780	-	(4,780)	-	-	10,000
Initial public offering costs - cash	-	(515,900)	-	-	-	-	(515,900)
Initial public offering costs - agents' options	-	(98,763)	-	98,763	-	-	-
Share-based payments	-	-	-	126,430	-	-	126,430
Net loss for the period	-	-	-	-	-	(1,149,793)	(1,149,793)
Balance, June 30, 2020	53,678,888	5,911,093	-	249,312	-	(5,685,381)	475,024
Shares issued for services	731,416	124,341	-	-	-	-	124,341
Shares issued on acquisition of Score-Up (Note 5)	590,459	118,092	-	-	-	-	118,092
Share issuance for 2016 subscriptions (Note 13)	750,000	-	-	-	-	-	-
Share-based payments	-	-	-	124,442	-	-	124,442
Net loss for the period	-	-	-	-	-	(2,001,853)	(2,001,853)
Balance, December 31, 2019	55,750,763	6,153,526	-	373,754	-	(7,687,234)	(1,159,954)
Shares issued under RSU plan	25,000	4,125	-	(4,125)	-	-	-
Equity component of convertible debentures	-	-	-	-	23,781	-	23,781
Share-based payments	-	-	-	113,143	-	-	113,143
Net loss for the period	-	-	-	-	-	(1,550,684)	(1,550,684)
Balance, June 30, 2020	55,775,763	\$ 6,157,651	\$ -	\$ 482,772	\$ 23,781	\$ (9,237,918)	\$ (2,573,714)

The accompany notes are an integral part of these condensed consolidated interim financial statements.

MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)

Condensed Consolidated Interim Statements of Cash Flows

(Presented in Canadian Dollars) – unaudited

For the six months ended June 30,	2020	2019
CASH FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,550,684)	\$ (1,149,793)
Items not affecting cash:		
Amortization	128,003	11,232
Bond transaction cost amortization	-	6,566
Accrued interest on bonds payable	35,901	36,180
Shares issued as lending fee	-	30,000
Lease accretion	20,408	-
Share based payments	113,143	126,430
Accretion on convertible debentures (Note 9)	20,448	-
Interest on loans payable	2,926	-
Changes in non-cash working capital items:		
Interest receivable	(11,793)	3,445
Other receivables	-	-
Loans receivable	(47,105)	401,676
Prepaid expenses	2,370	(210,762)
Unearned revenue	259,704	-
Accounts payable and accrued liabilities	49,178	(11,8676)
Interest payable	92,531	(1,428)
Other payable	-	(3,418)
Net cash (used in) generated by operating activities	(884,970)	(761,739)
CASH FROM INVESTING ACTIVITIES		
Development of intangible assets	-	(20,900)
Acquisition of property, equipment, and right-of-use assets	(4,135)	-
Net cash used in investing activities	(4,135)	(20,900)
CASH FROM FINANCING ACTIVITIES		
Common shares issued, net of share issuance costs	-	3,113,376
Stock options exercised	-	10,000
Convertible debentures issued	400,000	-
Proceeds on convertible debentures received in advance	160,000	-
Proceeds from loans received	40,000	-
Repayment of promissory notes	-	(200,000)
Payment of loans payable	(9,217)	-
Payment of lease liabilities	(102,866)	-
Redemption of bonds	(76,466)	(39,207)
Net cash generated by financing activities	411,451	2,884,169
Change in cash during the period	(477,654)	2,101,530
Cash, beginning of the period	755,262	1,457,298
Cash, end of the period	\$ 277,608	\$ 3,558,828
Interest received	\$ 327,285	\$ 226,655
Interest paid	\$ 127,350	\$ 230,022

Reconciliation of changes in liabilities arising from financing activities (Note 18)**Supplemental cash flow information** (Note 17)

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

MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended June 30, 2020 and 2019

(Presented in Canadian Dollars) – unaudited

1. NATURE OF OPERATIONS

Marble Financial Inc. (formerly MLI Marble Lending Inc.) (“Marble”, collectively with its subsidiaries, the “Group”) was incorporated as Phoenix N2N Capital Inc. under the Business Corporation Act (British Columbia) on July 7, 2015. On September 15, 2016, Marble was continued under the Canada Business Corporation Act and on December 16, 2015 changed its name from Phoenix N2N Capital Inc. to MLI Marble Lending Inc. On November 8, 2019, the Group changed its name from MLI Marble Lending Inc. to Marble Financial Inc. The head office of the Group is located at 1200-1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3. The Group’s shares are traded on the CSE under the symbol MRBL and the OTCQB under the symbol MRBLF. The Group’s consolidated financial statements include the financial statements of the following subsidiaries:

Company	Place of Incorporation	Effective Interest
TPFM The Phoenix Fund Management Ltd. (“ TPFM ”)	Canada	100%
TPF The Phoenix Fund Inc. (“ TPF ”)	Canada	100%
Score-Up Inc. (“ Score-Up ”)	Canada	100%
Credit Meds Corp. (“ Credit Meds ”)	Canada	100%

The Group’s primary business activity is to help Canadians in a consumer proposal to proactively rebuild their credit back to mainstream levels by providing an unsecured loan to pay out their consumer proposal. The Group has entered into numerous non-exclusive referral agreements with industry partners, enabling the Group to provide loans to individual clients referred to the Group. The Group’s acquisition of Score-up and Credit Meds enable future strategies to help underserved Canadians with software and data-driven artificial intelligence (“AI”) tools to improve their personal finance and creditworthiness. The proprietary technology platform and diagnostic software allows consumers to leverage artificial intelligence, data and statistics to visualize and control their finances and credit score on the road back to mainstream financial services.

As at June 30, 2020, the Group has shareholders’ deficiency of \$2,573,714 (December 31, 2019 – \$1,159,954) and an accumulated deficit of \$9,237,918 (December 31, 2019 – \$7,687,234) and therefore will need ongoing funding to continue its operations. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Group. If the Group is unable to obtain sufficient funding, the ability of the Group to meet its obligations as they come due and, accordingly, the appropriateness of the use of the going concern accounting principle will be in significant doubt. These condensed consolidated interim financial statements have been prepared on the basis of a going concern which assumes the Group will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not reflect the adjustments or reclassification which would be necessary if the Group were unable to continue its operations in the normal course of business.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Currently, it is not possible for the Group to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Group’s business or ability to raise funds. However, weak economic conditions may affect the financial condition and credit worthiness of some of the Group’s consumer debtors. Accordingly, for the periods ended December 31, 2019, March 31, 2020, and June 30, 2020 the Group has increased its expected allowance for bad debts as compared to the prior period.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended June 30, 2020 and 2019

(Presented in Canadian Dollars) – unaudited

2. BASIS OF PRESENTATION

Statement of compliance

The Group prepared these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting. These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on August 28, 2020. The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the Group’s annual consolidated financial statements for the year ended December 31, 2019.

Basis of measurement

These condensed consolidated interim financial statements are prepared on the historical cost basis, except for certain items recorded at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Group’s functional currency.

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of Marble and its controlled and wholly owned subsidiaries TPFM, TPF, Score-Up, and Credit Meds. Score-Up and Credit Meds have historically maintained a fiscal year-end of December 31 and retained that year-end post acquisition. Control is achieved where the Group has power over an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the investor’s returns. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation.

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to make estimates and judgments and to form assumptions that affect the reported amounts and other disclosures in these condensed consolidated interim financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these assumptions form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised and all future periods which are affected by the change in estimate. The principal areas where critical estimates and judgments have been applied are described below:

Impairment losses on loans receivable

The Group regularly reviews its loans receivable for potential impairment. In determining whether an impairment loss should be recorded in the consolidated statement of loss and comprehensive loss, the Group considers whether there is any observable data indicating that an increase in the credit risk or a decrease in the estimated future cash flows from a loan has occurred. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrower. Management uses estimates based on valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required. The estimates include future market interest rates.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended June 30, 2020 and 2019

(Presented in Canadian Dollars) – unaudited

3. USE OF ESTIMATES AND JUDGMENTS *(cont'd...)*

Impairment of intangible assets

Intangible assets which are available for use and have a definite useful life are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Group will test those intangible assets for impairment. The Group tests intangible assets with an indefinite useful life and intangible assets which are not yet ready for use on an annual basis. Significant judgment is required in determining the useful lives and recoverable amounts of intangible assets and assessing whether certain events or circumstances constitute objective evidence of impairment. Estimates of the recoverable amounts of the intangible assets rely on certain inputs, including future cash flows and discount rates. Future cash flows are based on revenue projections and allocated costs which are estimated based on forecast results and business initiatives. Discount rates are based on market interest rates.

Income taxes

Income tax expenses recorded in these condensed consolidated interim financial statements are not final until tax returns are filed and accepted by taxation authorities. Therefore, results of operations in future reporting periods may be affected by the difference between the income tax expense estimates and the final tax assessments. Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income. The assessment is based on enacted tax acts and estimates of future taxable income.

Business combinations

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended December 31, 2019, the Group completed the acquisitions of the physical and intangible assets of Score-Up and Credit Meds (Note 5) and concluded that each of the transactions did not qualify as business combinations under IFRS 3, “Business Combinations.”

4. ACQUISITION OF TPFM AND TPF

On July 1, 2016, Marble acquired 100% of the outstanding voting common shares of TPFM, 100% of the outstanding non-voting common shares of TPF and 40% of the outstanding voting preferred shares of TPF and recognized the transactions as business combinations. As consideration, Marble issued 10,000,000 common shares and paid \$700,000. On March 21, 2019, the Group acquired the remaining 60% of the outstanding voting preferred shares of TPF for a nominal amount which was included in comprehensive loss.

5. ACQUISITION OF SCORE-UP AND CREDIT MEDS

On August 1, 2019, the Group acquired 100% of the issued and outstanding shares of each of Score-Up Inc. (“Score-Up”) and Credit Meds Corp (“Credit Meds”), two privately held Canadian corporations. In consideration for the outstanding shares, the Group paid cash consideration of \$60,000 for the shares of Credit Meds and issued 590,459 common shares (Note 13) for the shares of Score-Up. Both transactions were accounted for as asset acquisitions.

5. ACQUISITION OF SCORE-UP AND CREDIT MEDS (cont'd...)

Score-Up

Score-Up is a proprietary software platform that employs scientific analytical mathematical software based on rigorous credit weight algorithms, analyzing an individual's credit data, financial information, and behavioral patterns to identify where the greatest positive impact can be achieved on a specific credit file. The software assesses an electronic version of the consumer's credit report and furnishes specific recommendations to improve credit scores to achieve the desired score needed for credit approval and wellness. The acquisition of the Score-Up platform will provide the Group, referring partners, and their clients the ability to implement specific action plans designed and tailored to achieve a consumer's unique credit and financial goals and lifestyle. The purchase price of \$118,092 has been allocated as follows:

Purchase price consideration	
Value of 590,459 common shares issued at \$0.20	\$ 118,092
Assets acquired and liabilities assumed	
Accounts receivable	4,252
Intangible assets	206,520
Right-of-use assets	26,668
Loans payable	(92,680)
Lease liabilities	(26,668)
	\$ 118,092

Accounts receivable includes HST receivable. Score-Up's intangible assets comprise its proprietary software platform and will be amortized over a 10-year term. The Group incurred additional fees of \$40,373 upon acquisition of Score-Up to develop the intangible asset, which have been included in prior period additions (Note 8). Right-of-use assets and lease liabilities comprise an office lease with a term of 15 months that has been discounted using an incremental borrowing rate of 10% per annum (Notes 7 and 12).

Loans payable assumed consists of two business development loans (the "BDC loans payable") in the amounts of \$26,000 and \$66,680. Each loan bears interest at 8.05% per annum. 60 monthly payments inclusive of principal and interest on the \$26,000 loan commenced on August 10, 2019, with the final payment due on October 10, 2024. The loan with remaining value of \$66,680 had an original principal of \$100,000 and has 40 remaining payments at the date of acquisition, with the final payment due on November 10, 2022. During the period ended June 30, 2020, the Group made aggregate payments on the loans in the amount of \$9,957 inclusive of interest of \$2,926. A continuity of the loans payable is as follows:

	June 30, 2020	December 31, 2019
Opening balance	\$ 83,285	\$ -
Loans assumed on acquisition of Score-Up	-	92,680
Payments	(9,957)	(12,406)
Interest	2,926	3,011
BDC loans payable (Note 10)	\$ 76,994	\$ 83,285

5. ACQUISITION OF SCORE-UP AND CREDIT MEDS (cont'd...)

Credit-Meds

Credit Meds is a front-end diagnostic tool that will allow the Group to assess the financial health of a consumer and provide the appropriate prescription and recommendations towards financial wellness and recovery. The purchase price of \$60,000 has been allocated as follows:

Purchase price consideration	
Cash	\$ 60,000
Assets acquired and liabilities assumed	
Intangible assets	60,000
	\$ 60,000

The intangible assets acquired include the intellectual property related to the financial health diagnostic tool which will be amortized over a 10-year term (Note 8). As at June 30, 2020, the asset is not yet in use and amortization has not commenced.

6. LOANS RECEIVABLE

The Group provides loans to consumer debtors who meet the Group's evaluation criteria and who will use the borrowed funds to settle debts under formal or informal debt restructuring plans agreed upon by the creditors of the consumer debtors. Previously, most of the Group's consumer debtors were identified in collaboration with 4 Pillars; to date in 2020 fiscal year, the majority of consumer debtors were identified in collaboration with other industry partners who have been disclosed during the period. The majority of the loans provided are unsecured. The loans receivable generally bear interest between 18.99% and 24.99% and mature between three and seven years.

Loans receivable

	June 30, 2020	December 31, 2019
Personal	\$ 3,489,081	\$ 3,369,313
Mortgages	3,430	14,984
Less: allowance for impairment losses	(285,299)	(235,983)
Total loans receivable, net of allowance for credit losses	3,207,212	3,148,314
Interest receivable	(69,876)	(58,083)
Loans receivable, current portion	(974,292)	(718,128)
Loans receivable – non-current portion	\$ 2,163,044	\$ 2,372,103

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended June 30, 2020 and 2019

(Presented in Canadian Dollars) – unaudited

6. LOANS RECEIVABLE (cont'd...)**Reconciliation of allowance for credit losses**

	June 30, 2020	December 31, 2019
Balance, beginning of the period	\$ 235,983	\$ 73,009
Loans receivable written-off	-	(92,839)
Change in provision for impairment losses	(6,189)	156,584
Recoveries of loans receivable previously written-off	55,505	99,229
Balance, end of the period	\$ 285,299	\$ 235,983
Individual loan allowance	\$ 40,135	\$ -
Collective loan allowance	245,164	235,983
	\$ 285,299	\$ 235,983

The Group makes estimates of expected loan impairment losses based on past experience regarding losses, and an ongoing assessment of the market and of individual loans. The allowance is maintained at a level that the Group considers adequate to absorb credit-related losses. The allowance for loan impairment losses of \$285,299 represents 8.04% of the Group's outstanding loan balance at June 30, 2020.

A loan receivable is considered individually impaired when a consumer debtor has not made a payment by the contractual due date and the consumer debtor has declared bankruptcy or applied for a consumer protection, or the Group has sent the loan receivable to an external collection agency for collections.

Loans receivable that are written-off are first recovered through a draw-down of the forbearance contingency, limited to the total funds available in the forbearance contingency. During the period ended June 30, 2020, the Group recognized payments on loans receivable of \$55,504 (2019 - \$49,154), related to its forbearance contingency. The full amount has been applied against the bad debt expense for the period.

Loans receivable past due but not impaired

A loan receivable is considered past due when a payment had not been received by the contractual due date. The following table presents the carrying values of loans that are past due but not classified as impaired because: (i) the Group is in continuous contact with the consumer debtor and the Group and the consumer debtor have established an appropriate repayment plan, or (ii) the loan receivable is secured and the fair value of the collateral is sufficient to cover the carrying value of the loan receivable.

Loans receivable that are past due but not impaired at June 30, 2020 and December 31, 2019 are as follows:

June 30, 2020	30-60 days	61-90 days	Over 90 days	Total
Personal	\$ 87,010	\$ 3,778	\$ 399,524	\$ 490,312
Total past due, but not impaired	\$ 87,010	\$ 3,778	\$ 399,524	\$ 490,312
December 31, 2019	30-60 days	61-90 days	Over 90 days	Total
Personal	\$ -	\$ -	\$ 281,601	\$ 281,601
Total past due, but not impaired	\$ -	\$ -	\$ 281,601	\$ 281,601

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6. LOANS RECEIVABLE (cont'd...)

Contractual maturities

	Under 1 year	1-5 years	Over 5 years	Total
Unsecured personal loans	\$ 1,149,948	\$ 2,201,187	\$ 137,946	\$ 3,489,081
Mortgages	1,646	1,610	174	3,430
Total loans receivable	1,151,594	2,202,797	138,120	3,492,511
Less: allowance for credit losses				(285,299)
Net loans receivable				\$ 3,207,212

7. OFFICE FURNITURE, EQUIPMENT, AND RIGHT-OF-USE ASSETS

	Leasehold Improvement	Right-of-use assets	Furniture	Computers	Total
Cost					
December 31, 2019	\$ 5,404	\$ -	\$ 15,812	\$ 13,335	\$ 34,551
Additions	-	510,637	15,414	8,715	534,766
December 31, 2019	5,404	510,637	31,226	22,050	569,317
Additions	-	-	4,135	-	4,135
June 30, 2020	\$ 5,404	\$ 510,637	\$ 35,361	\$ 22,050	\$ 573,452
Accumulated Amortization					
December 31, 2018	\$ 5,404	\$ -	\$ 9,818	\$ 12,726	\$ 27,948
Amortization	-	62,664	2,859	2,732	68,255
December 31, 2019	5,404	62,664	12,677	15,458	96,203
Amortization	-	91,329	2,062	1,813	95,204
June 30, 2020	\$ 5,404	\$ 153,993	\$ 14,739	\$ 17,271	\$ 191,407
Carrying values					
December 31, 2019	\$ -	\$ 447,973	\$ 18,549	\$ 6,592	\$ 473,114
June 30, 2020	\$ -	\$ 356,644	\$ 20,622	\$ 4,779	\$ 382,045

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended June 30, 2020 and 2019

(Presented in Canadian Dollars) – unaudited

8. INTANGIBLE ASSETS

	Internally generated software	Score-Up platform	Credit Meds software	Trademark	Total
Cost					
December 31, 2018	\$ 388,184	\$ -	\$ -	\$ 17,567	\$ 405,751
Internal development	20,900	-	-	-	20,900
Acquisition	-	246,893	60,000	-	306,893
December 31, 2019 and June 30, 2020	\$ 409,084	\$ 246,893	\$ 60,000	\$ 17,567	\$ 733,544
Accumulated Amortization					
December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	30,681	10,287	-	-	40,968
December 31, 2019	30,681	10,287	-	-	40,968
Amortization	20,454	12,345	-	-	32,799
June 30, 2020	\$ 51,135	\$ 22,632	\$ -	\$ -	\$ 73,767
Carrying values					
December 31, 2019	\$ 378,403	\$ 236,606	\$ 60,000	\$ 17,567	\$ 692,576
June 30, 2020	\$ 357,949	\$ 224,261	\$ 60,000	\$ 17,567	\$ 659,777

Trademarks are assessed as having an indefinite useful life because they do not expire and the Group expects to continue to benefit from their use.

9. CONVERTIBLE DEBENTURES

On March 16, 2020, the Group closed an offering of convertible debentures (the “Debentures”) in the amount of \$400,000. The Debentures have a one-year term and accrue interest at a simple rate of 12% per annum, payable quarterly. The principal amount of the Debentures and all accrued, but unpaid, interest are convertible at the option of the holder into common shares of the Group at a price of 0.30 per common share. If the Group’s common shares trade or close on the Exchange at \$0.45 or higher for a period of 10 consecutive trading days, the Group has the option to force the conversion of the Debentures and all accrued but unpaid interest into common shares of the Group at a price of \$0.30 per share. The Debentures and any conversion shares are subject to a statutory hold period expiring July 17, 2020. The Group allocated \$23,781 to the equity component of the convertible debentures. A continuity of the convertible debentures is as follows:

	June 30, 2020
Opening balance	\$ -
Additions	400,000
Equity component of additions	(23,781)
Accretion of convertible debentures	20,448
Closing balance	\$ 396,667

During the period ended June 30, 2020, the Group received an additional \$160,000 in proceeds towards convertible debentures that had not closed as at period end.

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10. LOANS PAYABLE

In addition to the two BDC loans assumed on the acquisition of Score-Up, the Company received an additional loan during the period ended June 30, 2020. As part of the Government of Canada’s response to the COVID-19 global pandemic, certain businesses are eligible to apply for the Canada Emergency Business Account (the “CEBA”). The CEBA provides companies with a \$40,000 interest free loan to be used to cover non-deferrable operating expenses during the period where operations had been temporarily reduced due to the economic impacts of the COVID-19 virus. During the period, the Company applied for the CEBA and received the \$40,000 loan. The CEBA remains interest free until December 31, 2022 and has no fixed repayment schedule. If \$30,000 is repaid on or before December 31, 2022, the remaining \$10,000 will be forgiven. If at December 31, 2022, any amount remains unpaid, the Company will enter into an extension agreement whereby it will accrue interest at a rate of 5% per annum, with a repayment schedule to be determined at that time.

The Company has made no repayments on the CEBA during the period ended June 30, 2020. The following is a summary of the Company’s loan payable balances:

	June 30, 2020	December 31, 2019
BDC loans payable (Note 5)	\$ 76,994	\$ 83,285
CEBA loan	40,000	-
Total loans payable	116,994	83,285
Loans payable – current	(53,496)	(25,164)
Loans payable – non-current	\$ 63,498	\$ 58,121

11. BONDS

	June 30, 2020	December 31, 2019
10% bonds – original offering (Note 11(a))	\$ 665,404	\$ 650,503
10% bonds – amended (Note 11(b))	3,563,159	3,555,585
10% bonds – new offering (Note 11(b))	250,000	250,000
9% bonds – new offering (Note 11(c))	735,827	776,288
8% bonds – new offering (Note 11(c))	45,000	67,579
Total bonds, net of associated transaction costs	5,259,390	5,299,955
Bonds payable – current	(1,297,455)	(978,434)
Bonds payable – non-current	\$ 3,961,935	\$ 4,321,521

a) 10% bonds – original offering

During previous years, the Group had issued an offering memoranda (the “Original Offering”) for unsecured bonds of up to a maximum of 15,000 bonds at a price of \$1,000 per bond, for expected total gross proceeds of \$15,000,000. The minimum Original Offering of 150 bonds at a price of \$1,000 per bond, for total gross proceeds of \$150,000 had been reached. The Original Offering was closed on July 15, 2016 when the New Offering commenced (Note 11(c)).

At the time of purchase, subscribers elected one of the following options with respect to the 10% interest payable on the bonds:

- a bond which entitled the holder to 10% simple interest per annum, payable quarterly at the equivalent quarterly rate of 2.5% within fifteen (15) business days of March 15, June 15, September 15 and December 15 of each year during the term of the bond; or

11. BONDS *(cont'd...)*

a) **10% bonds – original offering** *(cont'd...)*

- a bond which entitled the holder thereof to 10% compound interest calculated annually and payable on the date the bonds are redeemed by the Group in accordance with the terms of the Original Offering.

The Group or the bondholder could have provided written notice on or before August 31, 2018 (the “First 10% Redemption Notice”), of their intention to redeem some or all of the bonds, which would then have been redeemed on November 30, 2018 (the “First 10% Maturity Date”). In the absence of written notice from the bondholder on or before August 31, 2018, the bonds shall mature on November 30, 2023 (the “Second 10% Maturity Date”).

Subject to (i) an annual maximum redemption limit of 10% of the bonds outstanding as of the last day of the previous calendar year, and (ii) cash flow of the Group, any individual bondholder may request redemption of some or all of their bonds by providing 90 days prior written notice (the “Early Redemption Notice”). Bondholders who redeem some or all of their bonds prior to the First and/or Second 10% Maturity Dates are subject to the following redemption fees:

- Early Redemption Notice received prior to November 30, 2014 - a redemption fee equal to 5% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2014 and November 30, 2015 - a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2015 and November 30, 2016 - a redemption fee equal to 3% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2016 and November 30, 2017 - a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2017 and November 30, 2018 - a redemption fee equal to 1% of the principal amount of the bonds being redeemed by the Group, except where a Bondholder’s request is in accordance with the Redemption Notice specified above.
- Early Redemption Notice received between December 1, 2018 and November 30, 2019 - a redemption fee equal to 5% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2019 and November 30, 2020 - a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2020 and November 30, 2021 - a redemption fee equal to 3% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2021 and November 30, 2022 - a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received between December 1, 2022 and November 29, 2023 - a redemption fee equal to 1% of the principal amount of the bonds being redeemed by the Group.

Redemption fees are deducted by the Group from the redemption amount to be paid to the bondholder.

During the period ended June 30, 2020, the Corporation did not redeem any bonds under the Original Offering.

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11. BONDS (cont'd...)

b) 10% and 8% bonds – amendment

On November 15, 2018, the Group amended the terms of 10% bonds (Note 11(a)) with a total principal value of \$3.08 million and 8% bonds (Note 11(c)) with a total principal value of \$415,000. The maturity date of the bonds has been extended from November 30, 2018 to November 30, 2023, and principal repayments will be made in 16 equal instalments, payable on the 15th day of March, June, September and December of each year beginning on March 15, 2020. Interest on the outstanding principal of the 10% bonds shall accrue at 10% simple interest per annum and become due on a quarterly basis, beginning in December 15, 2018. On November 15, 2018, the Group further amended the repayment of interest to commence on March 15, 2019. Interest on the outstanding principal of the 8% bonds shall be paid on a monthly basis.

The amendments of the bond terms became effective on March 21, 2019 when the initial public offering was completed and the Corporation became a reporting issuer.

The Group further issued \$250,000 in bonds with the same terms as the amended bonds on June 26, 2018.

c) 8% and 9% bonds – new offering

On July 15, 2016, the Group issued a new offering memorandum (the “New Offering”) for the issue of a maximum of 50,000 unsecured bonds, at a price of \$1,000 per bond, for expected total gross proceeds of \$50,000,000 and comprising of 1 year 8% bonds and 3 year 9% bonds. The 8% bonds will be redeemed on the first anniversary of the date of issue to the bondholder (the “First 8% Maturity Date”) and the 9% bonds will be redeemed on the third anniversary of the date of issue to the bondholder (the “First 9% Maturity Date”).

At the time of purchase, the subscribers elected one of the following two options with respect to the 8% or 9% interest payable on the bonds:

- the bond will entitle the holder to 8% or 9% simple interest per annum, payable monthly at the equivalent monthly rate of 0.67% or 0.75%, respectively, within fifteen (15) business days of the end of each month, during the term of the bond; or
- the bond will entitle the holder thereof to 8% or 9% compound interest calculated annually and payable on the date the bond is redeemed by the Group in accordance with the terms of the New Offering.

The bondholder may provide written notice at least 90 days prior to the First 8% Maturity Date or the First 9% Maturity Date (the “First 8% or 9% Redemption Notice”), of their intention to redeem some or all of the bonds, which will then be redeemed on the First 8% Maturity Date or the First 9% Maturity date. In the absence of written notice from the bondholder at least 90 days prior to the First 8% Maturity Date or the First 9% Maturity Date, the bonds shall mature on the following dates:

- in the case of the 8% bonds, on the next occurring anniversary of the First 8% Maturity Date if at least 90 days prior to such anniversary a redemption notice has been delivered (the “Subsequent 8% Maturity Date”); and
- in the case of the 9% bonds, on the third anniversary of the First 9% Maturity Date (the “Second 9% Maturity Date”).

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11. BONDS (*cont'd...*)

c) 8% and 9% bonds – new offering (*cont'd...*)

On each Subsequent 8% Maturity Date and the Second 9% Maturity Date, the Group shall redeem all 8% bonds that have not been reinvested (that is, where the maturity date has not been extended) and all 9% bonds, respectively, outstanding on that date by payment of the principal amount of the bonds and all accrued and unpaid interest thereon. Subject to (i) an annual maximum redemption limit of 10% of the bonds outstanding as of the last day of the previous calendar year, and (ii) cash flow of the Group and of TPFM, any individual bondholder may request redemption of some or all of their bonds by providing 90 days prior written notice (the "Early Redemption Notice").

8% bondholders who redeem some or all of their bonds prior to the First and/or Subsequent 8% Maturity Date are subject to a redemption fee equal to 2.5% of the principal amount of the bonds being redeemed by the Group.

9% bondholders who redeem some or all of their bonds prior to the First and/or Second 9% Maturity Date are subject to the following redemption fees:

- Early Redemption Notice received prior to the first anniversary date the bond was issued – a redemption fee equal to 6% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the first anniversary, but prior to the second anniversary, of the date the bond was issued – a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the second anniversary, but prior to the third anniversary, of the date the bond was issued – a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group. Except where a bondholder's request is in accordance with the First 8% or 9% Redemption Notice specific above (for redemption of the First 9% Maturity Date).
- Early Redemption Notice received on or after the third anniversary, but prior to the fourth anniversary, of the date the bond was issued – a redemption fee equal to 6% of the principal amount of the bonds being redeemed by the Group.
- Early Redemption Notice received on or after the fourth anniversary, but prior to the fifth anniversary, of the date the bond was issued – a redemption fee equal to 4% of the principal amount of the bonds being redeemed by the Group.

c) 8% and 9% bonds – new offering (*cont'd...*)

- Early Redemption Notice received on or after the fifth anniversary, but prior to the sixth anniversary, of the date the bond was issued – a redemption fee equal to 2% of the principal amount of the bonds being redeemed by the Group.

Redemption fees are deducted by the Group from the redemption amount to be paid to the bondholder.

During the period ended June 30, 2020, the Corporation did not redeem any bonds under the Original Offering.

12. LEASE LIABILITIES

During the period ended December 31, 2019, the Group entered into a new head office lease and acquired a lease through the acquisition of Score-Up. The following summarizes the undiscounted minimum lease payments under the lease liabilities:

Fiscal year	Payment
2020	\$ 100,297
2021	187,693
2022	126,779
Amount representing future lease accretion	(39,809)
Lease liabilities, current portion	374,960 (165,246)
Lease liabilities, non-current portion	\$ 209,714

The following is a reconciliation of the changes in the lease liabilities:

	June 30, 2020	December 31, 2019
Opening balance	\$ 457,418	\$ -
Additions on adoption of IFRS 16	-	510,637
Lease accretion	20,408	16,048
Payments	(102,866)	(69,267)
Lease liabilities	\$ 374,960	\$ 457,418

13. SHARE CAPITAL

Authorized share capital

- An unlimited number of common shares without par value.
- An unlimited number of preferred shares without par value. As at June 30, 2020, no preferred shares have been issued.

As at June 30, 2020, 4,166,092 common shares were held in escrow (December 31, 2019 – 3,471,743)

Issued share capital

The Group did not have any share offerings during the period ended June 30, 2020.

During the year ended December 31, 2019, the Group had the following share issuances:

- On January 14, 2019 the Group completed a private placement of 80,000 units at a price of \$0.15 per unit. Each unit consists of one common share and one-half of one of a common share purchase warrant. Each full warrant entitles the holder to purchase one common share for a period of one year from issuance at price of \$0.30 per common share;
- On January 14, 2019, the Group issued 150,000 common shares with a fair value of \$0.20 per common share in satisfaction of bonus shares issuable on the \$150,000 promissory note;

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13. SHARE CAPITAL (*cont'd...*)

- c) The Group filed a prospectus with the securities regulatory authorities in the provinces of British Columbia, Alberta and Ontario for, subject to regulatory approval, the sale of a minimum of 15,000,000 Units (for gross proceeds of \$3,000,000) and of up to a maximum of 30,000,000 (for gross proceeds of \$6,000,000) at a price of \$0.20 per Unit, each Unit consisting of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of \$0.35 per share for a period of one year following the date of the closing of the offering. The Group has also granted the agent for the offering an option, exercisable in whole or in part at any time prior to the closing date, to sell up to an additional 4,500,000 Units on the same terms.

On March 20, 2019, the Group completed the initial public offering by selling 17,500,000 units for \$0.20 per unit raising \$3,500,000 gross proceeds. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant and \$0.35 can purchase one common share for a period of one year from issuance. In connection with the issuance, the Group paid \$515,900 in share issuance costs and granted a total of 1,575,000 agents' options, each exercisable for a period of one year at a price of \$0.20. The agents' options have an estimated fair value of \$98,763 using the Black-Scholes pricing model using a share price of \$0.20, expected life of one year, a volatility of 80%; a risk-free interest rate of 0.78% and the Group doesn't expect to pay dividends.

- d) In July 2019, the Group issued an aggregate of 731,416 common shares with a fair value of \$0.17 per common share for a total of \$124,341 in satisfaction of payment to various consultants for the provision of services. Included in the issuance was 195,000 common shares to the Group's current Chief Executive Officer for services valued at \$33,150 and 100,000 common shares to a former Director for services valued at \$17,000;
- e) On August 2, 2019, the Group issued 590,459 common shares with a fair value of \$0.20 per common share for a total of \$118,092 on the acquisition of 100% of the issued and outstanding shares of Score-Up (Note 5); and
- f) On November 6, 2019, the Group issued 750,000 common shares to two subscribers from a May 2016 private placement who, through a previous error, did not receive their shares. The issuance of the 750,000 common shares did not have an impact on the Group's share capital.

Stock options

The Group has a stock option plan under which it is authorized to grant options for the acquisition of its common shares to directors, employees and consultants up to a maximum of 10% of the issued and outstanding common shares of the Group at the time the plan was adopted. The exercise price shall not be less than the market price of the Group's shares as at the grant date. The options may be granted for a maximum term of five years. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period of four months from the grant date unless otherwise determined by the board of directors. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of twelve months.

During the period ended June 30, 2020, the Group granted 450,000 stock options (year ended December 31, 2019 – 6,400,000, which included 1,575,000 agents' options). The weighted average fair value of the options granted during the period ended June 30, 2020 was approximately \$0.09 per option. The fair value was estimated using the Black-Scholes option pricing model using the following weighted average inputs:

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13. SHARE CAPITAL (cont'd...)

Stock options (cont'd...)

	June 30, 2020	December 31, 2019
Risk-free interest rate	1.45%	0.97%
Expected volatility	80%	80%
Expected dividends	0%	0%
Expected life	2.5 years	2.5 years
Grant date share price	\$ 0.19	\$ 0.21

For the period ended June 30, 2020, the Group recognized \$113,143 (2019 - \$126,430) as share-based payments on the consolidated statements of loss and comprehensive loss for options granted and vested and will recognize the remaining expenses of \$104,898 over the remaining vesting period.

Stock option activity for the period ended June 30, 2020 is as follows:

	Number of stock options	Weighted Average Exercise Price
Balance, December 31, 2018	200,000	\$ 0.20
Granted	6,400,000	0.20
Exercised	(200,000)	0.05
Balance, December 31, 2019	6,400,000	0.20
Expired / Cancelled	(2,275,000)	0.20
Granted	450,000	0.20
Balance, June 30, 2020	4,575,000	\$ 0.20
Exercisable, June 30, 2020	1,906,250	\$ 0.20

The weighted average share price on the date of exercise for options exercised during the period ended June 30, 2020 was \$0.21. The weighted average remaining contractual life of the options is 3.95 years. Details of stock options outstanding are as follows:

Expiry Date	Exercise Price	Number Outstanding	Number Exercisable
March 20, 2024	\$ 0.20	3,050,000	1,525,000
September 24, 2024	\$ 0.25	500,000	125,000
November 1, 2024	\$ 0.21	225,000	56,250
December 3, 2024	\$ 0.21	250,000	62,500
December 30, 2024	\$ 0.20	100,000	20,000
January 28, 2025	\$ 0.20	450,000	112,500
		4,575,000	1,906,250

13. SHARE CAPITAL (cont'd...)

Warrants

Warrant activity for the period ended June 30, 2020 is as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2018	1,294,911	\$ 0.30
Granted	8,790,000	0.35
Expired / Cancelled	(1,294,911)	0.30
Balance, December 31, 2019	8,790,000	\$ 0.35
Expired / Cancelled	(8,790,000)	0.35
Balance, June 30, 2020	-	\$ -

Restricted Share Units

During the period ended June 30, 2020, the Group adopted a long-term restricted share unit plan (“RSU’s”). The RSU’s entitle directors, officers or employees to common shares of the Group upon vesting, based on vesting terms determined by the Group’s Board of Directors at the time of grant.

During the period ended June 30, 2020, the Group granted 100,000 restricted share units (each, an “RSU”) to a consultant. RSUs vest 25% on May 28, 2020, and 25% each three months thereafter. The Company valued the RSU’s at \$0.165 per RSU to be recognized over the life of the RSU’s. During the period ended June 30, 2020, the Group recognized \$9,833 as share-based payments related to RSU’s vested and issued the first tranche of 25,000 common shares pursuant to the RSU issuance.

14. RELATED PARTY TRANSACTIONS

Related parties of the Group include key management personnel, companies controlled by key management personnel and close family members of key management personnel. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group. Key management personnel are composed of the board of directors and executive leadership team.

Compensation

Salaries and other short-term employee benefits paid to the Group’s key management personnel were \$nil for the period ended June 30, 2020 (2019 - \$40,954).

Consulting fees

Consulting fees paid to the Group’s key management personnel and companies controlled by current and former key management personnel were \$186,486 for the period ended June 30, 2020 (2019 - \$167,276). As at June 30, 2020, accounts payable and accrued liabilities included \$62,455 (December 31, 2019 - \$nil) owing to key management personnel and companies controlled by key management personnel.

Share purchase option plan

Related parties are participating in the Group’s share purchase option plan. See Note 13 for information on the plan. Included in the net comprehensive loss for the period ended June 30, 2020 is \$24,100 (2019 - \$78,567) related to the fair value of options vested for key management personnel.

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15. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to pursue the lending of loans to consumer debtors and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Group considers its capital for this purpose to be its shareholders' deficiency and bonds.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares or debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Group does not pay out dividends.

16. RISK MANAGEMENT FRAMEWORK

The Group's risk management policies are established by the Board of Directors to set appropriate risk tolerance limits. Management's responsibility is to identify and analyze the risks faced by the Group and to monitor risks and adherence to limits and implement controls. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and changes in the performance of the loans receivable.

The Group issues various fixed rate bonds to bondholders and seeks to earn an interest rate margin by investing these funds in loans receivable from consumer debtors. The Group's principal business activity results in a consolidated statement of financial position that consists primarily of financial instruments. The primary types of financial risk which arise from the Group's activities are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to this risk through its cash held at a financial institution, interest receivable, loans receivable and other receivables. For these financial assets recognized on the consolidated statement of financial position, the maximum exposure to credit risk is their carrying amount.

The Group's cash is held at a reputable Canadian financial institution. The Group has not experienced any loss on these accounts, although the balances in the accounts may exceed the insurable limits. The Group considers credit risk from cash to be minimal.

The Group's interest receivable and loans receivable are receivable from its consumer debtors. The Group's primary business activity is to provide loans to high risk individual borrowers under consumer proposals. The Group attempts to mitigate the credit risk from its consumer debtors by performing a due diligence process on the consumer debtors prior to funding loans. Consumer debtors are referred to the Group by various industry partners, which screen potential consumer debtors for their ability and willingness to repay their obligations and avoid bankruptcy. In addition, the Group will perform additional due diligence work which includes, but is not limited to, verifying income, monthly expenditures, assets and liabilities of the consumer debtors. In addition, after the initial loan receivable is provided to the consumer debtor the Group will continuously monitor the loan receivable. Certain of the Group's loans receivable are secured by vehicles and general security agreements over all of the current and after-acquired assets of the consumer debtor.

Concentration of credit risk exists as the majority of the consumer debtors have comparable geographical and economic characteristics. Consumer debtors are primarily considered high risk individual borrowers and reside in Canada.

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16. RISK MANAGEMENT FRAMEWORK (cont'd...)**Liquidity risk**

Liquidity risk describes the risk that the Group will not be able to meet its current and future cash flow needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition. The Group manages liquidity risk through the management of its capital structure as outlined in Note 16.

Cash flows payable under financial liabilities by remaining contractual maturities at June 30, 2020 are:

	Less than 3 months	Between 3 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	\$ 469,703	\$ -	\$ -	\$ -	\$ -	\$ 469,703
Interest payable	113,988	-	-	-	-	113,988
Lease liabilities	45,018	120,214	178,150	31,579	-	374,961
Loans payable	13,374	40,122	63,498	-	-	116,994
Bonds	549,857	746,813	935,441	3,009,280	-	5,259,390
	\$1,191,939	\$ 907,149	\$1,195,089	\$3,040,859	\$ -	\$6,335,035

Market Risk

In the normal course of its operations, the Group engages in transactions that give rise to market risk. Market risk is the risk of uncertainty arising from possible market price movements and their impact on the future performance of the Group. Market price movements could adversely affect the value of the Group's financial assets and expected future cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return for a given level of risk.

The Group's financial instruments are all fixed-rate financial assets or financial liabilities. Therefore, the Group considers its exposure to interest rate risk to be minimal.

17. SUPPLEMENTAL CASH FLOW INFORMATION

For the period ended June 30, 2020, the Company recognized \$4,125 to share capital from reserves on the grant of shares under the Company's RSU plan.

For the period ended June 30, 2019, the Group had the following non-cash transactions:

- \$150,000 in share issuance costs was included in accounts payable and accrued liabilities; and
- \$98,763 related to the fair value of agents' options issued was recognized as share issuance costs.

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18. RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Liabilities arising from financing activities include bonds issued, interest included in bond payable, bond transaction costs capitalized, promissory notes, lease liabilities, and loans payable. A reconciliation of the changes in these liabilities are:

	June 30, 2020	December 31, 2019
Balance, beginning of the period	\$ 5,880,734	\$ 5,673,801
Changes from financing cash flows		
Promissory notes (net)	-	(200,000)
Proceeds from convertible debentures	400,000	-
Proceeds from convertible debentures received in advance	160,000	-
Lease payments	(102,866)	(69,267)
Loan payments made	(9,217)	(12,406)
Loan received	40,000	-
Redemption of bonds	(76,466)	(236,406)
Other changes		
Compound interest accrued to bond payable	35,901	72,118
Loan assumed on acquisition of Score-Up	-	92,680
Interest on loans payable	2,926	3,011
Additions to lease liabilities	-	510,637
Lease accretion	20,408	16,048
Equity component of convertible debentures issued	(23,781)	-
Accretion of convertible debenture	20,448	-
Unearned revenue	259,704	18,619
Interest payable	92,531	(1,232)
Amortization of bond transaction costs	-	13,131
Balance, end of the period	\$ 6,700,322	\$ 5,880,734

19. EVENTS AFTER THE REPORTING PERIOD

During the period ended June 30, 2020, the Group entered into a non-binding Letter Agreement (the “Agreement”) and Term Sheet (the “Term Sheet”) with Clear Haven Capital Management, LLC, on behalf of one or more funds or entities managed by it (the “Fund”), whereby the Fund will purchase the Group’s existing portfolio of loans and thereafter purchase up to \$100M of future loans originated through the Group’s Fast-Track loan program. Subject to closing of this transaction, the Group will continue to originate and adjudicate the Fast-Track program through its proprietary platform and will manage the portfolio for the Fund for an annual servicing fee. Marble has agreed to originate and adjudicate 100% of its Fast-Track credit rebuilding loan products to the Fund until the loan portfolio reaches CDN\$20M, thereafter Marble is obligated to sell 35% of its Fast-Track products to the Fund until CDN\$100M has been purchased by the Fund.

MARBLE FINANCIAL INC. (formerly MLI Marble Lending Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended June 30, 2020 and 2019

(Presented in Canadian Dollars) – unaudited

19. EVENTS AFTER THE REPORTING PERIOD *(cont'd...)*

The Term Sheet also provides for the Fund to purchase up to 5% equity stake in the Group, calculated based on the shares issued to and assuming the exercise of all warrants by, the Fund, via a private placement. This potential purchase will take place upon closing of the transaction and consist of units in Marble, each unit consisting of one common share and one common share purchase warrant. The common share will be priced at a 25% discount to Company's market price (as determined on the CSE) and the warrant will be exercisable into a common share at the market price without discount for a five-year term. The Fund will also be granted an anti-dilution ROFR, whereby they will have the ability to participate on any future equity offerings in order to maintain their 5% holdings in Marble.

Subsequent to the period ended June 30, 2020, the Company and the Fund continue their due diligence and the close of the Agreement remains in process.