Minco Capital Corp.

Financial Statements
Years ended December 31, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise stated)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MINCO CAPITAL CORP.

Opinion

We have audited the financial statements of Minco Capital Corp. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of income (loss) and comprehensive income (loss) for the years then ended;
- the statements of changes in shareholders’ equity for the years then ended;
- the statements of cash flows for the years then ended, and
- the 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 the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors’ 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of the information included in the Management's Discussion & Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 17, 2020

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Minco Capital Corp.

Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	December 31, 2019	December 31, 2018
Assets	**$**	**$**
Current assets		
Cash and cash equivalents (note 5)	2,899,097	1,682,147
Short-term investment (note 6)	20,000	20,000
Investments at fair value (note 7)	10,156,292	9,774,246
Receivables	2,106	66,921
Due from related parties (note 9)	48,336	1,349
Prepaid expenses and deposits	52,484	90,211
	13,178,315	11,634,874
Non-current assets		
Long-term deposit	8,765	26,295
Property and equipment	27,801	37,213
Right-of-use assets (note 3)	118,568	-
Total assets	13,333,449	11,698,382
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	39,833	72,621
Lease obligation, current (note 3)	38,234	-
	78,067	72,621
Lease obligation, non-current (note 3)	92,832	-
	170,899	72,621
Shareholders' equity		
Share capital (note 8)	40,412,683	41,976,886
Contributed surplus	10,182,186	10,097,345
Deficits	(37,432,319)	(40,448,470)
	13,162,550	11,625,761
Total liabilities and shareholders' equity	13,333,449	11,698,382

Approved by the Board of Directors

(signed) Malcolm Clay Director   (signed) Mike Doggett Director

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

Minco Capital Corp.

Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars, unless otherwise stated)

	2019	2018
	$	$
Dividend, fund distribution, and interest income	72,295	95,436
Realized gain from investments (note 7)	691,458	98,641
Net unrealized gain (loss) from investments (note 7)	1,737,397	(5,593,859)
	2,501,150	(5,399,782)
Operating expenses		
Accounting and audit	18,017	19,728
Amortization	44,982	5,048
Consulting (note 9)	67,547	66,838
Directors' fees (note 9)	56,500	55,500
Investor relations	9,519	10,717
Interest accredited	12,807	-
Legal and regulatory	61,766	84,296
Office and administration	48,995	132,720
Property and investment evaluation	83,462	80,997
Salaries and benefits (note 9)	267,471	266,680
Share-based compensation (note 8 and 9)	84,841	466,440
Travel	14,237	24,480
Total operating expenses	770,144	1,213,444
Operating income (loss)	1,731,006	(6,613,226)
Foreign exchange gain (loss)	(48,670)	162,646
Gain on write-off of accounts payable	-	51,632
Net income (loss) and comprehensive income (loss) for the year	1,682,336	(6,398,948)
Net income (loss) per share (note 14)		
Basic	0.03	(0.13)
Diluted	0.03	(0.13)
Weighted average number of common shares outstanding (note 14)		
Basic	50,565,467	50,733,381
Diluted	50,565,467	50,733,381

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

Minco Capital Corp.

Statements of Changes in Shareholders' Equity

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars, unless otherwise stated)

	Number of shares	Treasury shares	Share capital	Contributed surplus	Deficits	Total
			$	$	$	$
Balance – January 1, 2018	50,733,381	-	41,976,886	9,630,905	(34,049,522)	17,558,269
Net loss for the year		-			(6,398,948)	(6,398,948)
Share-based compensation	-	-	-	466,440	-	466,440
Balance – December 31, 2018	50,733,381	-	41,976,886	10,097,345	(40,448,470)	11,625,761
Balance – January 1, 2019	50,733,381	-	41,976,886	10,097,345	(40,448,470)	11,625,761
Impact of adopting IFRS 16 on January 1, 2019 (note 3)		-			(5,948)	(5,948)
Balance – January 1, 2019	50,733,381	-	41,976,886	10,097,345	(40,454,418)	11,619,813
Net income for the year	-	-	-	-	1,682,336	1,682,336
Shares cancelled (note 8)	(708,500)	-	(586,214)	-	502,101	(84,113)
Treasury shares (note 8)	(1,182,000)	1,182,000	(977,989)	-	837,662	(140,327)
Share-based compensation (note 8)	-	-	-	84,841	-	84,841
Balance – December 31, 2019	48,842,881	1,182,000	40,412,683	10,182,186	(37,432,319)	13,162,550

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

Minco Capital Corp.
Statements of Cash Flows
Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars, unless otherwise stated)

	2019	2018
Cash flow provided by (used in)	$	$
Operating activities		
Net income (loss) for the year	1,682,336	(6,398,948)
Items not affecting cash and cash equivalent:		
Amortization	44,982	5,048
Foreign exchange loss (gain)	61,857	(284,706)
Gain on write-off of accounts payable	-	(51,632)
Net unrealized loss (gain) from investments	(1,747,210)	5,630,245
Realized gain from investments	(691,458)	(98,641)
Share-based compensation	84,841	466,440
Purchase of short-term investment	(20,000)	(384,820)
Redemption of short-term investment	20,000	636,275
Purchase of investments	(641,466)	(3,434,708)
Disposition of investments	2,688,275	1,779,294
Changes in items of working capital:		
Receivables	64,815	(41,208)
Prepaid expenses and deposits	37,727	30,710
Long-term security deposit	17,530	-
Accounts payable and accrued liabilities	(32,788)	(62,382)
Due from related parties	(46,987)	37,596
Net cash generated from (used in) operating activities	1,522,454	(2,171,437)
Financing activities		
Purchase of shares for cancellation	(224,440)	-
Repayment of lease obligation	(29,020)	-
Net cash used in financing activities	(253,460)	-
Investing activity		
Purchase of property and equipment	-	(37,064)
Net cash used in investing activity	-	(37,064)
Effect of exchange rate changes on cash and cash equivalents	(52,044)	248,320
Increase (decrease) in cash and cash equivalents	1,216,950	(1,960,181)
Cash and cash equivalents- Beginning of year	1,682,147	3,642,328
Cash and cash equivalents- End of year	2,899,097	1,682,147
Cash and cash equivalents consist of the following:		
Cash	48,995	73,309
Cash equivalents	2,850,102	1,608,838
	2,899,097	1,682,147
Supplemental information		
Foreign exchange gain included in unrealized losses from investments	9,813	(36,386)

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

1. General information

Minco Capital Corp. ("Minco Capital" or the "Company") is an investment Company whose objective is to generate income and achieve long term capital appreciation by investing in public and private companies and assets.

The Company was incorporated in 1982 under the laws of British Columbia, Canada as Cap Rock Energy Ltd. The Company changed its name to Minco Capital Corp on February 25, 2019. The registered office of the Company is 2060 - 1055 West Georgia Street, British Columbia, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol MMM, and on the OTC Market in the USA ("OTCQB") under the symbol MGHCF.

On October 16, 2018 the Company announced its intention to voluntarily file a Form 15 with the United States Securities and Exchange Commission (the "SEC") to terminate the registration of its common shares under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Form 15 was filed with the SEC on October 19, 2018, which immediately suspended the Company's reporting requirements under the Exchange Act. Termination became effective 90 days after the date of filing. The Company's common shares continue to trade on the TSX-V and the OTCQB.

2. Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has determined that it meets the definition of an investment entity under IFRS 10.

These financial statements were approved by the board of directors for issue March 17, 2020.

Effective January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provision of the standard.

The financial statements have been prepared under the historical cost convention, except for financial instruments carried at fair value through profit or loss ("FVTPL").

3. Summary of significant accounting policies

Adoption of accounting standard

On January 1, 2019, the Company adopted the following accounting pronouncements retrospectively with no restatement of comparative periods:

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* ("IFRS 16") effective January 1, 2019. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period

of time in exchange for consideration.The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

3. Summary of significant accounting policies (continued)

Adoption of new accounting standard (continued)

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets. The election is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in net income in the year in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease obligation” on the statements of financial position.

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of significant accounting policies (continued)

Adoption of new accounting standard (continued)

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The comparative figures for the 2018 reporting year have not been restated and are accounted for under IAS 17 *Leases* ("IAS 17"), and IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* as permitted under the specific transitional provisions in the standard.

The Company applied the exemption not to recognize ROU asset and lease obligations for leases with less than 12 months of lease term and leases for low-value assets when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Company has a shared office lease for its headquarters in Vancouver, British Columbia which was classified as an operating lease under IAS 17. Upon transition to IFRS 16, these lease obligations were measured at the present value of the lease payments and discounted using an incremental borrowing rate of 8% as at the inception of the lease. As a result, the Company, as a lessee, has recognized $190,773 as a lease obligation. A ROU asset of the same amount was recognized as a Right-of-use Asset. As at January 1, 2019 the operating lease obligation had been reduced to $171,285 by lease payments prior to that date, and the ROU asset amortized to $165,337, resulting in a corresponding reduction to deficit of $5,948.

The following table summarizes the difference between the operating lease commitments disclosed immediately preceding the date of initial application and lease liability recognized on the statement of financial position at the date of initial application:

Operating lease liability	$	230,468
Effect of discounting at incremental borrowing rate		(39,695)
Lease obligation upon recognition		**190,773**
Accredited interest up to December 31, 2018		10,175
Lease payments up to December 31, 2018		(29,663)
Lease obligation recognized as of January 1, 2019	**$**	**171,285**

The continuity of the ROU asset and Lease obligation for the year ended December 31, 2019 is as follows:

	$
Lease obligation recognized as at January 1, 2019	171,285
Change in 2019 *(i)*	(11,199)
Interest accredited	12,807
Lease payment made	(41,827)
Lease obligation, December 31, 2019	131,066
Current	38,234
Non-current	92,832

The associated right-of-use asset was measured on a retrospective basis as if the new rules had always been applied. As at December 31, 2019, the Company's recognized right-of-use assets was comprised of a shared office lease in Vancouver, British Columbia.

(Expressed in Canadian dollars, unless otherwise stated)

3. Summary of significant accounting policies (continued)

Adoption of new accounting standard (continued)

The continuity from January 1, 2019 is as follow:

	$
Right-of-use assets, January 1, 2019	165,337
Change in 2019 *(i)*	(11,199)
Amortization	(35,570)
Right-of-use assets, December 31, 2019	118,568

(i) Commencing January 1, 2019, an annual amount of $3,200 was shared by HempNova Lifetech Corp. (Note 9)

Financial instruments

Financial assets

(a) Initial recognition and measurement

A financial asset is measured initially at fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company’s business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

The Company’s cash and cash equivalents, short-term invesments, receivables and due from related parties are amortized cost financial insturments.

(i) Financial assets measured at FVTPL

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss. The Company’s investments are FVTPL financial instruments.

(ii) Fair value through other comprehensive income ("FVOCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

(b) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities is classified as amortized cost financial liabilities.

(ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any liabilites classified as financial liabilities measured at fair value through profit or loss.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and held at banks and short-term investments with an original maturity of 90 days or less, which are readily convertible into a known amount of cash.

Short-term investment

Short-term investment consists of term deposits with maturity dates more than 90 days.

Property and equipment

Property and equipment is recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded using a straight-line basis over the shorter of their estimated useful lives and economic lives as follows:

Office furniture	5 years
Computer equipment	5 years
Leashold improvements	5 years

The residual value, useful lives and methods of amortization of property and equipment are reviewed at each reporting date and adjusted prospectively if appropriate.

3. Summary of significant accounting policies (continued)

Foreign currency translation

(i) Functional and presentation currency

The functional currency and presentation currency of the Company is Canadian dollar.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in profit or loss.

Share-based compensation

The Company grants stock options to directors, officers, employees and service providers. Each tranche in an award is considered a separate award with its own vesting period. The Company applies the fair-value method of accounting for share-based compensation and the fair value is calculated using the Black-Scholes option pricing model.

Share-based payments for employees and others providing similar services are determined based on the grant date fair value. Share based payments for non-employees are determined based on the fair value of the goods/services received or options granted measured at the date on which the Company obtains such goods/services.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Redemption of common shares

Redemption of common shares are recorded as a reduction in share capital at the original share purchase value. The amount of any premium or discount on redemption of the common shares is recorded against deficit.

Earnings (loss) per share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs net losses in a fiscal year, basic and diluted loss per share is the same.

3. Summary of significant accounting policies (continued)

Income tax

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable in the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements:

Determination of investment entity status

The Company considered all the available facts and concluded that the Company met all three criteria set forth in IFRS 10.27 to meet the definition of an investment entity as defined in IFRS 10 from time to time:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

4. Critical accounting estimates and judgments (continued)

In addition, management considers the Company has all of the typical characteristics of an investment entity set forth in IFRS 10.28:

- it has more than one investment;
- it has more than one investor;
- it has investors that are not related parties of the entity; and
- it has ownership interests in the form of equity.

Fair value of investments measured at FVTPL

The Company's investments are recorded in the Statements of Financial Position at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistently and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities.

The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets. The fair value of the other financial instruments is determined using the valuation techniques described in Note 12.

Fair value of equity instruments

The fair value of equity instruments are subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjecitve input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

(Expressed in Canadian dollars, unless otherwise stated)

4. Critical accounting estimates and judgments (continued)

Leases

Management uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location. Management applies judgement in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options.

5. Cash and cash equivalents

As at December 31, 2019, the Company had cash on hand of $48,995 (December 31, 2018 - $73,309) and cash equivalents of $2,850,102 (December 31, 2018 - $1,608,838).

6. Short-term investment

As at December 31, 2019, short-term investments consisted of $20,000 (December 31, 2018 - $20,000) cashable guaranteed investment certificates. The yield on this investment is 1.45% per annum (2018 – 0.9%).

7. Investments at fair value

The Company has the following investments as at December 31, 2019:

	Number of Shares/Units Held	Fair value
Equities of public resource companies:		$
Top ten resource companies by fair value		
-Minco Silver Corp.	11,000,000	7,810,000
-Hudson Resources Inc.	2,142,857	471,429
-Continental Gold Inc.	70,025	374,632
-Labrador Iron Ore Royalty	10,000	246,200
-Amerigo Resources	309,000	182,310
-Amarillo Gold	715,000	150,150
-Aberdeen Stand Phy Platinum	1,200	141,829
-Neo Performance Materials Inc.	11,000	135,850
-Global X Lithium & Battery ETF	3,500	124,378
-Almaden Minerals Ltd.	100,000	76,688
Others	various	293,889
Equities of a private company (EL Olivar Imperial)	400,000	-
Debentures:		
-Convertible debenture: IBC Advanced Alloys 8.25%	100	95,137
Equity, total		**10,102,492**
Share warrants, various		**53,800**
Total		**10,156,292**

(Expressed in Canadian dollars, unless otherwise stated)

7. Investments at fair value (continued)

The Company has the following investments as at December 31, 2018:

	Number of Shares/Units Held	Fair value
Equities of public resource companies:		$
Top ten resource companies by fair value		
-Minco Silver Corp.	11,000,000	4,895,000
-Hudson Resources Inc.	2,142,857	792,857
-Equinox Gold Corp.	324,600	331,092
-RoxGold Inc.	406,800	329,508
-Continental Gold Inc.	120,025	270,056
-Amarillo Gold	715,000	193,050
-Amerigo Resources	209,000	186,010
-NEO Performance Materials Inc.	11,000	169,400
-FMC Inc.	1,600	161,320
-Global X Lithium & Battery ETF	3,500	128,730
Others	various	783,960
Equities of public dividend-paying non-resource companies and funds	various	642,640
Equities of a private company (EL Olivar Imperial)	400,000	545,293
Debentures:		
-Convertible debenture: IBC Advanced Alloys 8.25%	100	99,000
Equity, total		**9,527,916**
Share warrants, various		**246,330**
Total		**9,774,246**

(Expressed in Canadian dollars, unless otherwise stated)

7. Investments at fair value (continued)

The continuity of the Company's investments is as follows:

	December 31, 2018	Additions	Proceeds from dispositions	Realized Gains	Unrealized gain (losses)	December 31, 2019
Investment in public entities:	$	$	$	$	$	$
- Shares and partnership units (i)	8,760,539	641,466	(2,688,275)	691,458	2,460,338	9,865,526
- Share purchase warrants (ii)	246,330	-	-	-	(192,530)	53,800
Investment in share -EL Olivar Imperial (iii)	545,293	-	-	-	(545,293)	-
Investment in others: Platinum	123,084	-	-	-	18,745	141,829
Investment in convertible debenture:						
- IBC Advanced Alloys Corp.	99,000	-	-	-	(3,863)	95,137
Total	9,774,246	641,466	(2,688,275)	691,458	1,737,397	10,156,292

	December 31, 2017	Additions	Proceeds from dispositions	Realized Gains	Unrealized gain (losses)	December 31, 2018
Investment in public entities:	$	$	$	$	$	$
- Shares and partnership units (i)	12,866,912	3,101,308	(1,779,294)	98,641	(5,527,028)	8,760,539
- Share purchase warrants (ii)	245,000	103,600	-	-	(102,270)	246,330
Investment in share -EL Olivar Imperial (iii)	502,138	-	-	-	43,155	545,293
Investment in others: Platinum	-	129,800	-	-	(6,716)	123,084
Investment in convertible debenture:						
- IBC Advanced Alloys Corp.	-	100,000	-	-	(1,000)	99,000
Total	13,614,050	3,434,708	(1,779,294)	98,641	(5,593,859)	9,774,246

During the year ended December 31, 2019, the Company acquired common shares of public companies for a total cost of $641,466. The Company disposed of equity of public companies for proceeds of $2,688,275 and a realized gain of $691,458.

(i) On December 31, 2019, the Company held 11,000,000 common shares of Minco Silver Corporation ("Minco Silver"), which was approximately 18% of Minco Silver's number of outstanding shares (December 31, 2018 - 11,000,000 common shares or approximately 18% ownership).

(ii). The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets. The Company applies the Black Scholes option pricing model to value public company's share purchase warrants at the reporting date.

(iii). On December 22, 2016, the Company acquired 400,000 units ("Unit') of EL Olivar Imperial SAC ("EL Olivar"), a privately held Peruvian corporation, at US$1.00 per unit through a private placement. Each Unit consisted of one Class A voting preferred share and 1.5 Class A share purchase warrants (the "EL Warrant"), with each full warrant entitling the holder to purchase one

7. Investments at fair value (continued)

additional Class A voting share at a price of US$1.00. The Company received written notification of the warrant exercise from EL Olivar on February 28, 2019. After completing a review, the Company elected not to exercise the warrants and the warrants expired.

As part of the consideration for the investment in EL Olivar, Minco Capital was entitled to receive an annual cash dividend in U.S. dollars equal to 6% of the total invested amount, calculated from the closing date of investment (December 22, 2016) and payable starting on June 22, 2018. However, due to delays in permitting and project construction, no dividends have been paid. The Company has not accrued the dividend receivable (US$60,000) given that EL Olivar has not started its operations and the timing and structure of the initial dividend payment is uncertain. As of the date of this report, EL Olivar was in the process of completing technical and engineering work for installation of the plant equipment and had hired a project management team to oversee detailed engineering, civil works and plant construction.

One director of the Company is also a director, an officer, and a significant shareholder of EL Olivar.

During the year ended December 31, 2019, the Company impaired its investment in El Olivar due to the fact the El Olivar needs to raise significant money to complete the development of its project and the uncertainty of its ability to raise these funds in a timely manner. Accordingly, the investment was impaired by US$400,000 or $545,293 to $nil in accordance with Level 3 of the fair value hierarchy.

(iv) Details of the Company's net gain (loss) on investments are as follows:

	2019	2018
	$	$
Net realized gain on investments	201,967	162,774
Reversal of unrealized loss (gain) previously recorded	489,491	(64,133)
Realized gain	691,458	98,641
Change in unrealized gain (loss) on investments	2,282,690	(5,593,859)
Impairment of privately held shares	(545,293)	-
Net gain (loss) from investments	2,428,855	(5,495,218)

(Expressed in Canadian dollars, unless otherwise stated)

8. Share capital

(a) Common shares

Authorized: 100,000,000 common shares without par value

During the year ended December 31, 2019, the Company commenced a normal course issuer bid ("NCIB") to purchase the common shares of the Company for cancellation, during the 12- month period starting February 1, 2019, up to 2,538,244 or 5% of the current issued and outstanding common shares of the Company. The program ended on January 31, 2020.

As at December 31, 2019, the Company acquired 1,890,500 common shares of the Company with an original cost of $1,564,203 for a total cost of $224,440. The difference in price paid and original cost was recorded as a credit to retained earnings. As at December 31, 2019 the Company has cancelled 708,500 of those shares and held a total of 1,182,000 shares in treasury stock for cancellation (2018 – nil).

(b) Stock options

The Company has implemented a fixed stock option plan whereby it has reserved 10,152,976 shares for issuance. The Company's board of directors may grant such options to its directors, officers, employees and consultants for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options are granted. These options are equity-settled.

During the year ended December 31, 2019, the Company did not grant stock options.

The Company's outstanding option's continuity is as follow:

	Number outstanding	Weighted average exercise price $
January 1, 2018	5,378,334	0.28
Granted	3,580,000	0.17
Forfeited	(95,000)	0.23
Expired	(1,090,000)	0.46
Balance, December 31, 2018	7,773,334	0.21
Expired	(845,000)	0.26
Balance, December 31, 2019	6,928,334	0.20

The Company charged $84,841 and $466,440 share-based compensation for the year ended December 31, 2019 and 2018, respectively.

(Expressed in Canadian dollars, unless otherwise stated)

8. Share capital (continued)

(b) Stock options (continued)

A summary of the Company's outstanding options as at December 31, 2019 is as follows:

Options outstanding				Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$			$		$
0.17	3,560,000	3.09	0.17	3,560,000	0.17
0.18 – 0.19	475,000	2.41	0.19	475,000	0.19
0.20 – 0.24	2,893,334	1.66	0.24	2,893,334	0.24
	6,928,334	2.44	0.20	6,928,334	0.20

A summary of the Company's outstanding options as at December 31, 2018 is as follows:

Options outstanding				Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$			$		$
0.17 – 0.19	4,035,000	4.01	0.17	1,528,331	0.17
0.20 – 0.24	2,893,334	2.66	0.24	2,893,334	0.24
0.25 – 0.26	845,000	0.05	0.21	845,000	0.26
	7,773,334	3.07	0.21	5,266,665	0.22

The Company uses the Black-Scholes option pricing model to determine the fair value of the options with the following assumptions:

	2019	**2018**
Risk-free interest rate	1.68%	2.07%
Dividend yield	0%	0%
Volatility	90%	97%
Forfeiture rate	14%	19%
Estimated expected lives	5 years	5 years

Option pricing models require the use of subjective estimates and assumptions including the expected stock price volatility. The stock price volatility is calculated based on the Company's historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

(Expressed in Canadian dollars, unless otherwise stated)

9. Related party transactions

Related parties consist of companies with shared key management or directors of the Company. Due from related parties consists of:

- $19,153 due from Minco Silver (December 31, 2018 – $1,054 due to Minco Silver), in relation to shared office expenses reimbursement.
- $17,375 due from MBM (December 31, 2018 - $2,403), in relation to shared office expenses reimbursement.
- $3,808 due from HempNova (December 31, 2018 - $Nil), in relation to shared office expenses reimbursement.
- $8,000 due from Sinocan Capital Limited (December 31, 2018 - $Nil), in relation to shared office expenses reimbursement.

The amounts due from related parties are unsecured, non-interest bearing and payable on demand.

Key management compensation

Key management includes the Company's directors and senior management. This compensation is included in operating expenses.

For the years ended December 31, 2019 and 2018, compensation to key management are as follows:

	2019 **$**	**2018** **$**
Cash remuneration	329,735	328,725
Share-based compensation	84,841	416,311
Total	414,576	745,036

10. Income tax

No income taxes were recorded due to sufficient accumulated losses.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to the loss before income taxes. These differences result from the following items:

	2019 **$**	**2018** **$**
Net income (loss)	1,682,336	(6,398,948)
	27%	27%
Income tax expense (recovery) at statutory rates	454,231	(1,727,716)
Non-taxable (deductible) expenses	(432,553)	1,636,417
Difference/change in tax rates	-	58,825
Under (over) provided in prior years	17,206	(322,523)
Deferred income tax asset not recognized	-	354,997
Application of loss carried forward	(38,884)	-
Provision for tax expenses	-	-

(Expressed in Canadian dollars, unless otherwise stated)

10. Income tax (continued)

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of unrecognized deferred income tax assets and liabilities at December 31, 2019 and 2018 are as follows:

	2019 **$**	**2018** **$**
Deferred income tax assets (liabilities) not recognized		
Non-capital loss	4,970,903	4,935,109
Resource expenditures	479,719	534,069
Capital assets	16,841	20,494
Investments	(687,200)	(386,570)
Capital loss	1,000,210	1,000,210
	5,780,473	6,103,312

No deferred income tax asset has been recognized as realization is not considered probable due to the uncertainty of future taxable income.

The Canadian non-capital loss carry forwards expire as follows:

	$
2025	1,156,750
2026	1,442,234
2028	1,582,716
2029	1,270,045
2030	1,285,615
2031	1,933,078
2032	2,131,656
2033	1,535,838
2034	1,324,803
2035	1,201,864
2036	1,558,996
2037	1,422,850
2038	654,007
2039	(89,699)
	18,410,753

11. Commitments

The Company has commitments in respect of office leases requiring minimum payments (including a share of operating costs) of $149,700 as follows:

	$
2020	43,287
2021	44,470
2022 - 2023	61,943
	149,700

The above lease commitment is related to a Vancouver office that is shared by Minco Silver, Minco Base Metal Corporation, and HempNova (note 9).

(Expressed in Canadian dollars, unless otherwise stated)

12. Financial instruments and fair value

The following table summarizes the carrying value of financial assets and liabilities at December 31, 2019 and 2018:

December 31,	**2019**	**2018**
	$	**$**
Fair value through profit and loss		
Investments at fair value	10,156,292	9,774,246
Amortized cost		
Cash and cash equivalent	2,899,097	1,682,147
Short-term investment	20,000	20,000
Receivables	2,106	66,921
Due from related parties	48,336	1,349
Accounts payable and accrued liabilities	39,833	72,621

Fair value measurement

As at December 31, 2019 and 2018, financial instruments that are not measured at fair value on the statements of financial position are represented by cash and cash equivalents, short-term investment, receivables, due from related parties, account payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

Financial assets and liabilities that are recognized on the statements of financial position at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

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

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial assets measured at fair values through profit or loss are as follows:

December 31, 2019	Level 1	Level 2	Level 3
	$	$	$
Investments at fair value	10,007,355	148 ,937	-

December 31, 2018	Level 1	Level 2	Level 3
	$	$	$
Investments at fair value	8,883,623	345,330	-

(Expressed in Canadian dollars, unless otherwise stated)

12. Financial instruments and fair value (continued)

Fair value of investments classified as level 2 are reconciled as follows:

	December 31, 2018	Additions/ dispositions	December 31, 2019	Unrealized loss recognized in profit or loss
	$	$	$	$
Share purchase warrants:	246,330	-	53,800	(192,530)
Convertible debenture:	99,000	-	95,137	(3,863)
	345,330	-	148,937	(196,393)

	December 31, 2017	Additions/ dispositions	December 31, 2018	Unrealized loss recognized in profit or loss
	$	$	$	$
Share purchase warrants:	245,000	103,600	246,330	(102,270)
Convertible debenture:	-	100,000	99,000	(1,000)
	245,000	203,600	345,330	(103,270)

The fair value of the Company’s investment in EL Olivar as at December 31, 2019 was impaired by US$400,000 or $545,293 to a fair value of $Nil from December 31, 2018 (US$400,000 or $545,293).

The principal business of EL Olivar is to construct and operate a processing manufacturing plant of gold mining ores and tailings in Peru. A change in the strength of Peru’s currency relative to the Canadian dollar, a change in the price of gold, and the completion of construction and operation of the processing plant will impact the fair value of this investment. The project is fully permitted and construction is underway.

Financial risk factors

The Company’s activities expose it to a variety of financial risks including market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. Risk evaluation, management and mitigation activities are carried out by the Company’s management.

Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by these counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair value contracts with individual counterparties which are recorded in the financial statements. The Company considers the following financial assets to be exposed to credit risk:

12. Financial instruments and fair value (continued)

- Cash and cash equivalents– In order to manage credit and liquidity risk the Company places its cash in two major financial institutions in Canada (subject to deposit insurance up to $100,000).
- Short-term investment – The Company places all of its short-term investment, mainly term deposits, with a major financial institution in Canada.

Market price risk

Price risk is the risk that the fair value of an investment measured at FVTPL will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk). The Company's investments at fair value at public entities are subject to price risk.

The Company's private market investments are also subject to price risk as they are impacted by many general and specific market variables.

A 15% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and unrealized gain/loss in the amount of approximately $1.5 million.

Foreign exchange risk

The Company's functional currency is the Canadian dollar. The foreign currency risk is related to US dollar funds and investments denominated in US dollars held in the entity. Therefore the Company's net earnings are impacted by fluctuations in the valuation of the US dollar in relation to the Canadian dollar.

As at December 31, 2019, the Company had cash and cash equivalents of $1.21 million and investments at fair value of $0.45 million that were demoninated in US dollar. A 10% change in the currency exchange rate (US dollar to Canadian dollar) will affect the Company's result of operations by approximately $0.17 million. The Company does not have any currency hedges for its foreign exchange exposure.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are cash and cash equivalents and short-term investments.

The Company holds short-term investments such as guaranteed investment certificates at fixed interest rates. As a result, the Company is not exposed to significant interest rate risk.

13. Capital management

The Company's objectives in the managing liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide the financial capacity to meet its strategic objectives. The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued share capital, contributed surplus, accumulated and other comprehensive income and accumulated deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt and/or acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions.

14. Net income (loss) per share

For the year ended December 31, 2019, the Company's net income of $1,682,336 (2018 – net loss of $6,398,948) resulted in basic net income per share of $0.03 (2018 – net loss per share of $0.013). For the year ended December 31, 2019, the Company had no dilutive options and warrants, resulting in diluted net income per share of $0.03.

15. Subsequent events

Subsequent to the period ending December 31, 2019, the Company:

1) Acquired 486,000 of its own common shares under the NCIB program for a total cost of $51,953.

2) Cancelled a total of 1,468,000 of its own shares acquired under the NCIB between November 16, 2019 and January 29, 2020.

3) Applied to the TSX Venture for a renewal of the NCIB for a term of one year ending February 9, 2021. Under the NCIB program, the Company may acquire up to 2,427,844 shares, representing 5% of the current issued and outstanding shares.

4) COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's investments. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements. As of March 17, 2020, the Company's investment value has declined approximately of 50% since year-end. Should the stock prices remain at or below currently prevailing levels for an extended period, this could have a further significant adverse impact on the Company's financial position and results of operations for future periods.