CAPITAL NOW INC.

Financial Statements

Year Ended December 31, 2017

Management's Responsibility for Financial Reporting

To the Shareholders of Capital Now Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for private enterprises. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Sihota Taylor Chartered Professional Accountants is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

"C. Gerry Wawzonek"
Director

"Natalie K. Wawzonek"
Director

April 25, 2018

SIHOTA TAYLOR
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capital Now Inc.

We have audited the accompanying financial statements of Capital Now Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of profit and loss, deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital Now Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Sihota Taylor

Calgary, Alberta
April 25, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

CAPITAL NOW INC.
Statement of Financial Position
As at December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	**$ 895,779**	$ 485,954
Prepaid expenses	**103,026**	36,211
Assets held for resale *(Note 3)*	**150,000**	150,000
Income taxes recoverable	**-**	112,190
Factored accounts receivable *(Note 4)*	**6,821,135**	4,315,371
	7,969,940	5,099,726
EQUIPMENT *(Note 5)*	**62,565**	15,060
	$ 8,032,505	$ 5,114,786
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 66,950**	$ 82,055
Line of credit *(Note 6)*	**279,847**	-
Income taxes payable	**71,150**	-
Client funds held in reserve *(Note 7)*	**1,349,181**	938,366
Participation obligations owing *(Note 8)*	**-**	463,876
Client funds held in escrow *(Note 9)*	**342,171**	169,418
Due to shareholder *(Note 10)*	**4,406**	4,169
Current portion of investor loans payable *(Note 11)*	**1,316,697**	1,160,027
	3,430,402	2,817,911
INVESTOR LOANS PAYABLE *(Note 11)*	**1,648,110**	948,472
DUE TO RELATED PARTY *(Note 12)*	**3,732,353**	2,247,640
	8,810,865	6,014,023
SHAREHOLDERS' DEFICIENCY		
SHARE CAPITAL *(Note 13)*	**100**	100
DEFICIT	**(778,460)**	(899,337)
	(778,360)	(899,237)
	$ 8,032,505	$ 5,114,786

Approved on behalf of the Board of Directors by:

"C. Gerry Wawzonek" *Director*

"Natalie K. Wawzonek" *Director*

CAPITAL NOW INC.

Statement of Deficit

Year Ended December 31, 2017

		2017		2016
(DEFICIT) RETAINED EARNINGS - BEGINNING OF YEAR	**$**	**(899,337)**	$	200,051
NET EARNINGS (LOSS) FOR THE YEAR		**520,877**		(697,388)
		(378,460)		(497,337)
DIVIDENDS DECLARED		**(400,000)**		(402,000)
DEFICIT - END OF YEAR	**$**	**(778,460)**	$	(899,337)

CAPITAL NOW INC.

Statement of Profit and Loss

Year Ended December 31, 2017

	2017	2016
REVENUE		
Factoring discount revenue	**$ 2,820,852**	$ 1,157,241
Recovery of bad debts	**2,250**	5,753
	2,823,102	1,162,994
COST OF CAPITAL		
Commission expense	**29,896**	37,709
Interest on client funds held in escrow *(Note 9)*	**25,884**	9,106
Interest on investor loans payable	**303,209**	245,456
Interest on related party loan *(Note 12)*	**248,306**	83,690
Loan commitment fee *(Note 12)*	**531,160**	524,395
	1,138,455	900,356
GROSS MARGIN	**1,684,647**	262,638
EXPENSES		
Advertising and promotion	**44,934**	28,733
Amortization	**13,659**	6,647
Automotive	**12,145**	2,537
Bad debt	**113,394**	442,377
Bank charges and interest	**22,351**	18,063
Health plan	**18,810**	16,581
Insurance	**4,086**	2,412
Meals and entertainment	**16,257**	14,122
Office	**30,871**	19,684
Recovery of assets	**35,023**	-
Participation fee *(Note 8)*	**5,555**	38,537
Postage	**2,296**	2,334
Professional fees	**135,597**	122,994
Referral fees	**68,633**	40,459
Registry and credit bureau	**11,967**	9,973
Rent	**18,000**	15,400
Software and computer related	**73,091**	53,951
Sub-contracts	**307,954**	125,375
Telephone and internet	**15,954**	12,805
Training and education	**59,657**	40,187
Travel	**49,229**	49,139
	1,059,463	1,062,310
EARNINGS (LOSS) FROM OPERATIONS	**625,184**	(799,672)
OTHER EXPENSES		
Foreign exchange loss	**7,415**	9,884
EARNINGS (LOSS) BEFORE INCOME TAXES	**617,769**	(809,556)
INCOME TAXES (RECOVERED) *(Note 14)*	**96,892**	(112,168)
NET EARNINGS (LOSS)	**$ 520,877**	$ (697,388)

CAPITAL NOW INC.
Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Net earnings (loss)	$ 520,877	$ (697,388)
Item not affecting cash:		
Amortization	13,659	6,647
	534,536	(690,741)
Changes in non-cash working capital:		
Prepaid expenses	(66,815)	1,358
Factored accounts receivable	(2,505,764)	(1,966,066)
Accounts payable and accrued liabilities	(15,106)	20,242
Income taxes payable	183,340	(142,733)
Client funds held in reserve	410,815	573,825
Client funds held in escrow	172,753	83,823
	(1,820,777)	(1,429,551)
Cash flow used by operating activities	(1,286,241)	(2,120,292)
INVESTING ACTIVITY		
Purchase of equipment	(61,163)	(4,437)
FINANCING ACTIVITIES		
Dividends paid	(400,000)	(402,000)
Advances from related party	1,484,713	1,647,514
Advances from (to) shareholders	237	(6,198)
Advances on investor loans payable	856,308	326,181
Advances on participation obligations owing	(463,876)	463,876
Advance on line of credit	279,847	-
Cash flow from financing activities	1,757,229	2,029,373
INCREASE (DECREASE) IN CASH	409,825	(95,356)
Cash - beginning of year	485,954	581,310
CASH - END OF YEAR	$ 895,779	$ 485,954

1. DESCRIPTION OF BUSINESS

Capital Now Inc. (the "Company") was incorporated under the Business Corporations Act of Alberta on December 28, 2000. The Company is a provider of accounts receivable factoring services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises set out in Part II of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash

Cash consists of balances with banks.

Revenue recognition

Factoring discount revenue is calculated by reference to the contractual discount rate stipulated in the purchase agreement of the factored accounts receivable and recognized as income upon collection of the factored accounts receivable.

At year-end, discount revenue is accrued on outstanding factored accounts receivables and recognized in income to the extent that management believes that collection of the factored accounts receivable is likely.

Factoring discount revenue ceases to be accrued when management first becomes aware of conditions indicating that the factored accounts receivable will not be collected through normal collection procedures.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Factored accounts receivable

Factored accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Factored accounts receivables are initially measured at the face value of the purchased accounts receivable. The Company holds as a reserve 25% of the face value of the factored accounts receivable and from this amount deducts discount revenue earned in accordance with the Company's revenue recognition policy, with the balance payable to the client upon collection of the receivable.

Factored accounts receivables are purchased with recourse, in which the Company may force the client to repurchase any receivable that is not paid within 90 days of issue. When factored accounts receivables are repurchased (Note 4 - factored accounts receivables in collection) they are measured and reported in the statement of financial position at the amount advanced on the purchase of the accounts receivable plus discount fees accrued in accordance with the Company's revenue recognition policy.

Assets held for resale

Assets held for resale are valued at the lower of cost and net realizable value. These assets have been acquired as a result of clients forfeiting security taken in various factoring transactions. Cost is determined based on the original cost of the factored accounts receivable for which the asset was security, plus the cost to obtain title to the asset and prepare it for sale. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Financial asset impairment

The Company assesses impairment of all its financial assets measured at cost or amortized cost. The Company groups similar assets together for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; or no asset is individually significant.

Management considers whether the issuer is having significant financial difficulty; or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Company determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows. If so, the Company reduces the carrying amount of any impaired financial assets, directly or by use of an allowance, to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and, the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year earnings.

The Company reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of profit and loss in the year the reversal occurs.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Motor vehicle	30%	declining balance method
Computer equipment	55%	declining balance method
Office equipment	20%	declining balance method

The Company regularly reviews its equipment to eliminate obsolete items and to recognize impairment losses, if any.

In the year of acquisition, amortization is taken at one-half of the above rates.

Income taxes

The Company uses the income taxes payable method of accounting for income taxes. Under this method, the Company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by the taxation authorities.

Foreign currency translation

The Company uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary items are translated at the exchange rate in effect at the transaction date. Items appearing in the current year statement of operations are translated at average year exchange rates. Exchange gains and losses are included in the statement of profit and loss.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. ASSETS HELD FOR RESALE

The Company obtained title to equipment securing a defaulted loan in 2011. The carrying amount of the equipment is the best estimate of the expected net realizable value on sale. The equipment is currently being marketed for sale and will be sold as market conditions permit.

4. FACTORED ACCOUNTS RECEIVABLE

Factored accounts receivable consists of:

	2017	2016
Factored accounts receivables in good standing	**$ 6,724,927**	$ 4,197,857
Factored accounts receivables in collection	**872,577**	782,739
Allowance for doubtful accounts	**(776,369)**	(665,225)
	$ 6,821,135	$ 4,315,371

The allowance for doubtful accounts is cumulative and consists of all amounts in collection that management has charged to bad debt expense in the current year as well as in prior years.

Management is taking all necessary action to recover the amounts in collection.

5. EQUIPMENT

	Cost	Accumulated amortization	**2017 Net book value**	2016 Net book value
Computer equipment	$ 24,457	$ 18,126	**$ 6,331**	$ 5,045
Motor vehicle	35,700	5,355	**30,345**	-
Office equipment	40,542	14,653	**25,889**	10,015
	$ 100,699	$ 38,134	**$ 62,565**	$ 15,060

6. LINE OF CREDIT

The credit facility available to the Company consists of a $1,500,000 demand revolving operating line of credit bearing interest at the bank's prime rate plus 1.5% per annum or 4.2%, whichever rate is greater. The credit facility is shared with YHI (Note 12) and is secured by a general security agreement over the assets of the Company and those of YHI and by a personal guarantee provided by the shareholders of the Company.

At December 31, 2017 $279,847 (2016 - $Nil) of the operating line of credit was utilized.

The credit facility is subject to a covenant whereby a total cash flow coverage ratio of 1.25:1 is to be maintained. The credit facility is subject to a second covenant whereby a current ratio of 1.50:1 is to be maintained. The Company was not in violation of either covenant at December 31, 2017.

7. CLIENT FUNDS HELD IN RESERVE

The Company holds as a reserve 25% of the face value of accounts receivables purchased. Factoring discount revenue earned is deducted from the reserve balance payable to the client. The reserve balance is non-interest bearing and is paid upon collection of the factored accounts receivable.

8. PARTICIPATION OBLIGATIONS OWING

The Company entered into an agreement with another party to fund certain factored accounts receivables purchased in 2016. Under the terms of the agreement, the funding party registered a general security agreement over all the assets of the Company and was entitled to participate in the discounts earned on the factored accounts receivables. During the year ended December 31, 2017, the full amount of participation obligations owing was repaid, the agreement was terminated and the general security agreement was cancelled.

9. CLIENT FUNDS HELD IN ESCROW

The Company holds 1% of all accounts receivables purchased from a client, up to 10% of the client's credit limit, in escrow. The intent of these funds is to assist the client with funding future costs of any kind.

The Company recognized $25,884 (2016 - $9,106) in interest expense related to client funds held in escrow.

The escrow balance is repaid to clients at the sole discretion of the Company or at the end of the client relationship.

10. DUE TO SHAREHOLDER

Amounts owing to shareholders are unsecured, non-interest bearing, and have no fixed terms of repayment.

11. INVESTOR LOANS PAYABLE

	2017	2016
Investor loans bearing interest between 10% - 15% per annum for periods ranging from 12 to 36 months in length, of which $1,025,991 (2016 - $382,580) may be demanded with 90 days notice. Interest is paid monthly unless interest payments have been specifically deferred at the request of the investor.	**$ 2,964,807**	$ 2,108,499
Amounts payable within one year	**(1,316,697)**	(1,160,027)
	$ 1,648,110	$ 948,472

Principal repayment terms are approximately:

2018	$ 1,316,697
2019	479,216
2020	818,894
2021	350,000
	$ 2,964,807

The loans are secured by promissory notes and an entitlement to register a general security agreement against all the assets of the Company.

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11. INVESTOR LOANS PAYABLE *(continued)*

Included in investor loans payable is $309,594 (2016 - $285,400) to be repaid in US dollars with a Canadian equivalent of $389,922 (2016 - $383,210)

12. RELATED PARTY TRANSACTIONS

The Company is related to Yesterpay Holdings Inc. ("YHI") by common officers, directors and shareholders.

Pursuant to a loan agreement (the "Agreement") entered into between the Company and YHI on October 31, 2014, YHI has agreed to lend up to $15,000,000 to the Company. The terms of the Agreement are as follows:

i) the interest rate on the loans ranges from 6.5% to 8.5% per annum, paid monthly or compounded monthly, depending on the terms of the advance;

ii) the loan of $299,000 received in 2014 matured in 2017. The balance owing on this loan, including accrued interest, as at December 31, 2017 is $Nil (2016 - $349,803);

iii) the loan of $260,000 received in 2015 matures in 2018. The balance owing on this loan, including accrued interest, as at December 31, 2017 is $286,428 (2016 - $273,033);

iv) the loan of $1,500,100 received in 2016 matures in 2019. The balance owing on this loan, including accrued interest, as at December 31, 2017 is $1,509,246 (2016 - $1,501,766);

v) $35,000 was repaid to YHI during the year for an advance made in 2016 in the same amount;

vi) the loan of $1,864,172 received in the year matures as follows with the balance owing, including accrued interest, as at December 31, 2017 of:

$305,900 maturing in 2018

$224,800 maturing in 2019

$1,350,797 maturing in 2020

vii) the advance of $55,182 (2016 - $88,038) with respect to the loan commitment fee is due upon the termination of the Agreement; and,

viii) the loans are secured by way of a general security agreement securing all present and after-acquired personal property of the Company in favour of YHI.

Furthermore, the Agreement states that the Company is required to pay YHI, as a loan commitment fee, a sum equal to all reasonable charges, fees, commissions and costs incurred by YHI in connection with any offering of securities undertaken by YHI to raise funds for the purposes of loaning money to the Company. Amounts owing to YHI that relate to the loan commitment fee are non-interest bearing.

The Company recognized $531,160 (2016 - $524,395) as a loan commitment fee expense and $248,306 (2016 - $83,690) in interest expense with respect to the Agreement.

The related party transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. SHARE CAPITAL

Authorized:

Unlimited	Class A common voting shares
Unlimited	Class B common voting shares
Unlimited	Class C common non-voting shares
Unlimited	Class D common non-voting shares
Unlimited	Class E common non-voting shares
Unlimited	Class F common non-voting shares
Unlimited	Class G preferred non-voting shares

	2017	2016
Issued:		
100 Class A common voting shares	**$ 100**	$ 100

14. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 12.50% (2016 - 14.00%) to the income for the year and is reconciled as follows:

	2017	2016
Earnings before income taxes	**$ 617,769**	$ (809,556)

	2017	2016
Income tax expense at the combined basic federal and provincial tax rate:	**$ 77,221**	$ (113,338)
Increase (decrease) resulting from:		
Capital cost allowance claimed in excess of amortization	**116**	(51)
Non-deductible expenses	**1,085**	1,221
Taxable income in excess of small business deduction	**18,470**	-
Effective tax expense	**$ 96,892**	$ (112,168)

15. FINANCIAL INSTRUMENTS RISKS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. It is management's opinion that the Company is not exposed to significant credit, interest, currency, liquidity or other price risks arising from its financial instruments except as otherwise disclosed. The following analysis provides information about the Company's risk exposure and concentration of risk as of December 31, 2017.

Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company’s credit risk relates to factored accounts receivables acquired in the normal course of business.

The Company assesses the financial strength of its clients on an ongoing basis using a system of credit approval processes and policies that it believes is sufficient to reduce its credit risk to an appropriate level for its business model. Furthermore, it is management's opinion that no individual client has factored accounts receivable in an amount that would result in a significant concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating, investing and financing activities. The Company is exposed to interest rate risk primarily through its related party and investor loans.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into investor loans for which repayment is required at various maturity dates, but that may be demanded upon 90 days notice. Furthermore, the Company has entered into a loan agreement with a related party. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk primarily on its investor loans that are repayable in US dollars.