

**ADDED CAPITAL INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

## Notice to Reader

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

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

The Company's independent auditor has not performed a review of these consolidated interim financial statements in accordance with the International Financial Reporting Standards established by the International Accounting Standards Board for a review of interim financial statements by an entity's auditor.

Signed: "***Vic Alboini***"  
Chief Executive Officer

Signed: "***Andrew Hilton***"  
Chief Financial Officer

Toronto, Ontario  
February 16, 2017

**ADDED CAPITAL INC.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**As at**

	<u>December 31, 2016</u>	<u>March 31, 2016</u>
<b>ASSETS</b>		
CURRENT		
Cash	\$ 408	\$ 7,122
Accounts receivable	293	-
Securities owned (Note 3)	-	9,970
TOTAL CURRENT ASSETS	<u>701</u>	<u>17,092</u>
NON CURRENT ASSETS		
Property and equipment (Note 5)	<u>12,914</u>	<u>12,914</u>
TOTAL NON CURRENT ASSETS	<u>12,914</u>	<u>12,914</u>
TOTAL ASSETS	<u>\$ 13,615</u>	<u>\$ 30,006</u>
<b>LIABILITIES</b>		
CURRENT		
Short-term loans payable (Notes 6 and 12)	\$ 930,913	\$ 1,165,251
Accounts payable and accrued liabilities (Note 12)	1,108,972	1,318,685
Provisions (Note 10)	<u>171,726</u>	<u>171,726</u>
TOTAL LIABILITIES	<u>2,211,611</u>	<u>2,655,662</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 7(a))	4,016,634	3,789,669
Warrants (Note 7(f))	312,952	210,809
Contributed surplus (Note 7(g))	1,796,361	1,784,650
Deficit	<u>(8,323,943)</u>	<u>(8,410,784)</u>
TOTAL SHAREHOLDERS' DEFICIENCY	<u>(2,197,996)</u>	<u>(2,625,656)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	<u>\$ 13,615</u>	<u>\$ 30,006</u>
GOING CONCERN (Note 1)		
PROVISIONS AND CONTINGENCIES (Note 10)		

APPROVED BY THE BOARD

*"Peter Reimer"*

\_\_\_\_\_  
Director

*"Vic Alboini"*

\_\_\_\_\_  
Director

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

**ADDED CAPITAL INC.**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**For the three and nine months ended December 31, 2016 and 2015**

	Three months ended		Nine months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
REVENUES				
Financial advisory (Note 12)	\$ 38,133	\$ 120,000	\$ 165,283	\$ 287,867
Other	315	253	1,037	841
(Loss) gain on investments	-	(87)	20,954	(7,475)
<b>TOTAL REVENUES</b>	<b>38,448</b>	<b>120,166</b>	<b>187,274</b>	<b>281,233</b>
OPERATING EXPENSES				
General and administrative	64,967	91,223	211,119	197,544
Share-based compensation (Note 7 (b))	-	-	9,092	-
Interest expense	3,140	5,182	13,268	16,793
<b>TOTAL OPERATING EXPENSES</b>	<b>68,107</b>	<b>96,405</b>	<b>233,479</b>	<b>214,337</b>
Income (loss) before the undernoted	(29,659)	23,761	(46,205)	66,896
Gain on settlement of debt (Notes 6, 7 and 12)	22,338	57,145	133,046	161,106
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(7,321)</b>	<b>80,906</b>	<b>86,841</b>	<b>228,002</b>
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ (7,321)</b>	<b>\$ 80,906</b>	<b>\$ 86,841</b>	<b>\$ 228,002</b>
<b>EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS</b> – Basic and diluted (Note 7(e))	<b>\$ (0.00)</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>
<b>EARNINGS (LOSS) PER SHARE</b> – Basic and diluted (Note 7 (e))	<b>\$ (0.00)</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b> – Basic and diluted	<b>11,253,042</b>	<b>8,199,623</b>	<b>10,132,106</b>	<b>7,207,384</b>

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

**ADDED CAPITAL INC.**  
**Consolidated Statements of Changes in Shareholders' Deficiency**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**For the nine months ended December 31, 2016 and 2015**

	Common Shares #	Common Shares \$	Warrants \$	Contributed Surplus \$	Deficit \$	Shareholders' (Deficiency) \$
<b>Balance, March 31, 2015</b>	<b>6,692,077</b>	<b>3,767,056</b>	<b>210,809</b>	<b>1,780,826</b>	<b>(8,921,641)</b>	<b>(3,162,950)</b>
Employee equity incentive / purchase plans	-	-	-	2,952	-	2,952
Shares issued in exchange for debt	1,507,546	75,377	-	-	-	75,377
Net income and comprehensive income	-	-	-	-	228,002	228,002
<b>Balance, December 31, 2015</b>	<b>8,199,623</b>	<b>3,842,433</b>	<b>210,809</b>	<b>1,783,778</b>	<b>(8,693,639)</b>	<b>(2,856,619)</b>
<b>Balance, March 31, 2016</b>	<b>8,199,623</b>	<b>3,789,669</b>	<b>210,809</b>	<b>1,784,650</b>	<b>(8,410,784)</b>	<b>(2,625,656)</b>
Employee equity incentive / purchase plans	-	-	-	2,619	-	2,619
Shares issued in exchange for debt	4,428,310	110,708	-	-	-	110,708
Private placement	4,400,000	116,257	102,143	-	-	218,400
Share-based compensation	-	-	-	9,092	-	9,092
Net income and comprehensive income	-	-	-	-	86,841	86,841
<b>Balance, December 31, 2016</b>	<b>17,027,933</b>	<b>4,016,634</b>	<b>312,952</b>	<b>1,796,361</b>	<b>(8,323,943)</b>	<b>(2,197,996)</b>

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

**ADDED CAPITAL INC.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**For the nine months ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	\$ 86,841	\$ 228,002
Items not affecting cash		
(Gain) on settlement of debt	(133,046)	(161,106)
Share-based compensation	9,092	-
Equity incentive / employee share purchase plans	2,619	2,952
	<u>(34,494)</u>	<u>69,848</u>
Movements in working capital:		
Securities owned	9,971	49,178
Accounts receivable	(293)	69,915
Derivatives	-	(11,869)
Accounts payable and accrued liabilities	117,849	(158,852)
Cash flows from operating activities	<u>93,033</u>	<u>18,220</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from financings	220,000	-
Shares issue costs	(1,600)	-
Repayment of short term loans	(389,876)	(212,154)
Increase in short term loans	71,729	180,000
Cash flows (used in) financing activities	<u>(99,747)</u>	<u>(32,154)</u>
<b>CHANGE IN CASH</b>	<b>(6,714)</b>	<b>(13,934)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>7,122</b>	<b>19,343</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 408</b>	<b>\$ 5,409</b>

SUPPLEMENTARY INFORMATION (Note 13)

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Added Capital Inc. ("Added" or the "Company") carries on a merchant banking business and a mergers and acquisitions advisory business. Prior to December 31, 2012, the Company carried on a traditional brokerage and investment banking business through Northern Securities Inc. ("NSI"), which was a member firm of the Investment Industry Regulatory Organization of Canada ("IIROC"). The Company is governed by the Business Corporations Act (Ontario) and its common shares are listed on the TSX Venture Exchange under the symbol "AAD". The address of its registered office is Commerce Court North, 25 King Street West, Suite 1450, Toronto, Ontario, Canada, M5L 1E8.

### **Going concern**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Certain matters existing as at December 31, 2016, including a working capital deficiency, substantial loans, and NSI's discontinued operations represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

As at December 31, 2016, the Company's working capital deficiency is \$2,210,910. The Company also has substantial loans that have not been repaid (Note 6).

NSI assigned its client accounts to other brokerage firms pursuant to a consent order, agreed upon with IIROC, issued by an IIROC Hearing Panel on December 14, 2012. On March 19, 2013, NSI and IIROC entered into a settlement agreement which provided for the suspension of NSI as an IIROC member. The suspension from IIROC and assignment of client accounts to other brokerage firms resulted in NSI's business being recorded as discontinued.

The Company is in the process of restructuring its debt and has obtained shareholder approval to provide lenders with an option of receiving cash or shares to restructure the loans owing to them. Despite the restructuring items that have taken place, the Company continues to have a need for further restructuring, profit from operations or additional financing. There is no assurance that these items will take place or be available to the Company. Management has considered expectations for future profitability and believes that the Company will continue in operation for the foreseeable future and will be able to restructure or satisfy its liabilities and commitments in the normal course of business, and accordingly, it is appropriate to prepare these financial statements on a going concern basis. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net income and the statement of financial position classifications used. Such adjustments could be material.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Statement of compliance*

These interim financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting.

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. These financial statements are presented on a historical cost basis unless an item is reported at fair value, and is presented on an accrual basis, except for cash flow information.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 16, 2017.

### *Principles of consolidation*

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. These consolidated financial statements include the accounts of the Company and all its subsidiaries with its principal subsidiary being NSI. Intercompany accounts and balances are eliminated upon consolidation.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### *Investments in associated companies*

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value. The Company's proportion of dividends paid by the associated company reduces the carrying value of the investment.

### *Cash and cash equivalents*

The Company considers all highly liquid debt instruments with an original maturity date of three months or less to be cash equivalents. As at December 31, 2016 and March 31, 2016, the Company does not have any cash equivalents.

### *Financial instruments – recognition and measurement*

All financial instruments are classified into one of five categories: fair value through profit and loss, held to maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as "fair value through profit and loss", directly attributable transaction costs.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value with changes in fair value recognized through profit or loss;
- Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in profit or loss; or
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Cash and accounts receivable are classified as loans and receivables. Securities owned and derivatives are classified as fair value through profit and loss. Short-term loans payable and accounts payable and accrued liabilities are classified as other financial liabilities.

### *Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses recorded. Depreciation is provided using the following annual rates and methods:

Furniture and fixtures	20% declining balance
Leasehold improvements	20% declining balance
Computer equipment	30% - 50% declining balance
Works of art	Not amortized

### *Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, such as property and equipment, to determine whether there is an indication of an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the assets is increased to the revised estimate of its recoverable amount to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been previously recognized.

### *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

#### (a) Securities trading transactions

Securities transactions, commissions and related clearing expenses are recorded on a trade date basis when the services are performed.

#### (b) Financial advisory fees

Financial advisory fees consists of management and advisory fees. Revenue from mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed and collection of funds is reasonable assured under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

#### (c) Interest income

Interest income is recorded when earned.

#### (d) Broker warrants

Broker warrants received by the Company in respect of underwriting activities are initially measured at fair value using the Black-Scholes model. Broker warrants are classified as fair value through profit and loss and subsequent changes in fair value are recorded as revenue.

### *Derivatives*

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Changes in the fair value of separable embedded derivatives are recognized immediately in the consolidated statements of operations. The Company's sharing of profits based on financial instrument price is considered an embedded derivative.

### *Income taxes*

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the same statement in which the related item is recognized.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustments to tax payable in respect to previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and enacted and substantively enacted law by the reporting date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and related to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

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.

### *Provisions*

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### *Share-based payments*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

### *Earnings (loss) per share*

Basic earnings (loss) per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding. Diluted earnings (loss) per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

### *Significant judgments, estimates and assumptions*

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### (a) Valuation of financial instruments

The financial instruments of the Company are measured at fair value or amortized cost. Fair value is determined on the basis of closing market prices on the reporting date from independent sources, if available. If there is no available market price, fair value is determined using the Black-Scholes model. The inputs to the Black-Scholes model are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair value. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value when observable data is not available.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (b) Income and other taxes

Accruals for tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Deferred tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Deferred tax assets and liabilities are recorded using substantively enacted future tax rates. Accordingly, the actual income and other tax liabilities and deferred tax assets may differ significantly from that estimated and recorded.

### (c) Impairment

The carrying value of property and equipment is reviewed each reporting period to determine whether there is an indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in net income. The assessment of recoverable amount requires the use of estimates and assumptions for discount rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of the assets could impact the impairment analysis.

### (d) Provisions and contingencies

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management's best estimates of timing, and quantum of future outflows. See Note 10.

### (e) Going concern

For further information regarding going concern refer to Note 1.

### *Future accounting policies*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

**ADDED CAPITAL INC.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**December 31, 2016 and 2015**

**3. SECURITIES OWNED**

Securities owned consist of the following:

	December 31, 2016	March 31, 2016
Common shares	\$ -	\$ 9,970
Total	\$ -	\$ 9,970

For the nine months ended December 31, 2016 the Company had a realized gain of \$23,693 (2015 – loss of \$13,557), an unrealized loss of \$2,739 (2015 – gain of \$10,921) and a valuation loss on broker warrants of \$Nil (2015 - \$4,839) for a net gain on investments of \$20,954 (2015 – loss of \$7,475).

**4. FINANCIAL INSTRUMENTS**

The fair value hierarchy presented distinguishes between the inputs used in determining the fair value of the Company's various financial instruments. The hierarchy levels are defined as:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

	Carrying Value		Estimated Fair Value					
	Dec. 31, 2016	March 31, 2016	December 31, 2016			March 31, 2016		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Securities owned	\$ -	\$ 9,970	\$ -	\$ -	\$ -	\$ 9,970	\$ -	\$ -

There was no Level 3 financial instruments activity for the three and nine months ended December 31, 2016 and 2015:

**5. PROPERTY AND EQUIPMENT**

	Art	Total
<u>Cost</u>		
Balance, March 31, 2016 and December 31, 2016	\$ 12,914	\$ 12,914
<u>Accumulated Depreciation</u>		
Balance, March 31, 2016 and December 31, 2016	\$ -	\$ -
<u>Net Book Value</u>		
March 31, 2016 and December 31, 2016	\$ 12,914	\$ 12,914

Depreciation on property and equipment, including impairment charges, for the nine months ended December 31, 2016 was \$Nil (2015 – \$Nil).

**6. SHORT-TERM LOANS PAYABLE**

The Company had an available credit facility with a bank ("Bank") in the amount of \$300,000 at prime plus 3%, secured by a general security agreement covering all assets of the Company. As at December 31, 2016, the balance owing under the credit facility was \$Nil (March 31, 2016 – \$Nil). In May, 2015 the Company settled the original debt of \$300,000 plus accrued interest that was owing to the Bank at the mutual satisfaction of both parties. Vic Alboini, Chairman and Chief Executive Officer of the Company ("Alboini") advanced \$213,462 to Added to facilitate the settlement and the Company recorded a gain on settlement of debt in the amount of \$103,961.

As at December 31, 2016, the Company has an unsecured term loan outstanding in the amount of \$200,000 (March 31, 2016 – \$200,000) owing to an arm's length lender. The loan bore interest at a rate of 12%, matured on March 31, 2013, and is unsecured. The lender agreed to waive all historical and future interest on the loan. There is no current repayment date on the loan.

As at December 31, 2016, the Company had a secured loan outstanding in the amount of \$Nil (March 31, 2016 – \$130,000) owing to an arm's length lender. The loan initially had an interest rate of 12%, which was reduced to 10% effective October 1, 2013, and the maturity date was extended from April 9, 2013 to April 9, 2014. In June, 2016 the outstanding interest of \$83,809 was added to the principal then outstanding of \$130,000 resulting in a new balance of \$213,809. Additionally, the interest rate was reduced to 8% and the loan was extended to June 8, 2017. In December, 2016 the Company settled the loan plus interest outstanding for a cash payment of \$200,000, recording a gain on settlement of \$22,338. The loan was secured by a guarantee provided by Alboini and the guarantee is secured by certain collateral provided by Alboini.

As at December 31, 2016, the Company had unsecured loans outstanding with a former director of the Company in the amount of \$400,000 and an unsecured demand loan outstanding in the amount of \$100,000 (March 31, 2016 – \$400,000 and \$100,000, respectively). The demand loan became payable in full on June 12, 2013. The lender agreed to waive all historic and future interest on the loans. There is no current repayment date on the loans.

The Company had unsecured loans outstanding in the amount of \$230,913 as at December 31, 2016 (March 31, 2016 – \$305,251) owing to Alboini and Stature Inc. ("Stature"), a company wholly-owned by Alboini. Alboini and Stature agreed to waive all historic and future interest on the loans. There is no current repayment date on the loans.

As at December 31, 2016 the Company has unsecured demand loans in the amount of \$Nil (March 31, 2016 - \$30,000) owing to an arm's length lender. The loan was advanced for the purpose of financing the purchase of a listed security. The lender was entitled to interest at the rate of 2% plus a shared portion of gains on the listed security. During the year ended March 31, 2016, the listed security was sold at a loss and the loan was repaid in full in June, 2016.

**7. CAPITAL STOCK**

(a) *Share capital*

Authorized	
Unlimited number of common shares with no par value	
2,000,000 voting, convertible, redeemable, preference shares	
Issued and outstanding	
17,027,933 common shares	\$4,016,634

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**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**December 31, 2016 and 2015**

**7. CAPITAL STOCK (CONTINUED)**

Share capital activity for the nine months ended December 31, 2016 and 2015, is summarized as follows:

	Common Shares #	Amount \$
Balance, March 31, 2015	6,692,077	3,767,056
Shares issued in exchange for debt (d)	1,507,546	75,377
Balance, December 31, 2015	8,199,623	3,842,433
Balance March 31, 2016	8,199,623	3,789,669
Shares issued in exchange for debt (d)	4,428,310	110,708
Units issued through private placements (d)	4,400,000	117,857
Share issue costs	-	(1,600)
Balance, December 31, 2016	17,027,933	4,016,634

(b) *Stock options*

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 1,702,793 common shares. On August 24, 2016 the Company granted to directors, officers and employees incentive stock options to purchase an aggregate of 400,000 common shares of the company at an exercise price of \$0.05 per share expiring on August 24, 2021 and vesting immediately. During the nine months ended December 31, 2016, \$9,092 was recorded as share-based compensation (2015 - \$Nil). The options were valued using the Black-Scholes pricing model with a volatility of 164% and a risk free rate of 0.66%.

The following table reflects the continuity of options for the nine months ended December 31, 2016:

Expiry Date	Exercise Price	Number of Common Shares				Closing Balance
		Opening Balance	Options Granted	Options Exercised	Options Expired	
November 11, 2019	\$0.05	440,000	-	-	(100,000)	340,000
August 24, 2021	\$0.05	-	400,000	-	-	400,000
		440,000	400,000	-	(100,000)	740,000

The following table reflects the continuity of options for the nine months ended December 31, 2015:

Expiry Date	Exercise Price	Number of Common Shares				Closing Balance
		Opening Balance	Options Granted	Options Exercised	Options Expired	
November 11, 2019	\$0.05	570,000	-	-	-	570,000
		570,000	-	-	-	570,000

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2016 are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable	
		Number of Options	Average Remaining Contractual Life (Years)
November 11, 2019	\$0.05	340,000	2.86
August 24, 2021	\$0.05	400,000	4.65
		740,000	3.82

**7. CAPITAL STOCK (CONTINUED)**

(c) *Employee share purchase plan*

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan ("ESPP"). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of \$8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period or such other period determined by the Board of Directors.

There were no purchases under the ESPP for the nine months ended December 31, 2016 and 2015. The Company intends to satisfy its historic ESPP obligation of 188,094 shares which include matching shares by acquiring shares in the market on behalf of participants in the ESPP.

(d) *Financings*

On September 28, 2015, pursuant to shares for debt agreements with certain creditors of the Company (collectively the "Creditors") dated as of September 25, 2015, (collectively, the "Agreements") the Company issued common shares of the Company in lieu of cash to extinguish the amounts owed to the Creditors. The number of common shares issued in lieu of cash pursuant to the Agreements was 1,507,546 common shares, calculated by dividing the aggregate amount owed to the Creditors (approximately CDN\$75,377) by \$0.05, the minimum issue price. The total common shares issued includes 900,000 shares to Alboini, for services rendered to the Company.

On September 16, 2016, the Company issued an additional 4,428,310 common shares of the Company in lieu of cash to extinguish \$221,416 owed to Creditors. The total common shares issued includes 3,978,310 shares to Alboini and Directors of the Company, for services rendered to the Company as well as expenses outstanding. The Company recorded a gain of \$110,708 on settlement.

On December 12, 2016, the Company raised gross proceeds of \$220,000 by issuing 4,400,000 units ("Units") at a price of \$0.05 per Unit including 4,000,000 Units to the Chairman and Chief Executive Officer of the Company. Each Unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.05 until December 12, 2021. Of the total proceeds, \$117,857 was ascribed to capital stock and \$102,143 was ascribed to warrants (Note 9(f)). The warrants were valued using the Black-Scholes pricing model with an expected volatility of 137.6%, expected dividend yield of 0%, an expected life of 5 years and a risk free rate of 1.11%.

(e) *Earnings per share data*

The weighted average number of common shares outstanding, used in computing basic and diluted earnings per common share for the periods ended December 31, 2016 and 2015 were:

	Three months	Nine months
December 31, 2015	8,199,623	7,207,384
December 31, 2016	11,253,042	10,132,106

The effect of outstanding common share purchase options and warrants on the net income for the periods presented is not reflected as to do so would be anti-dilutive.

**ADDED CAPITAL INC.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**  
**December 31, 2016 and 2015**

**7. CAPITAL STOCK (CONTINUED)**

(f) *Warrants:*

	Warrants #	Amount \$
Balance, March 31, 2015 and December 31, 2015	2,260,000	210,809
Balance, March 31, 2016	2,260,000	210,809
Issued through private placements	4,400,000	102,143
Balance, December 31, 2016	6,660,000	312,952

As at December 31, 2016, 6,600,000 warrants exercisable at \$0.05 remained outstanding of which 1,880,000 expire on August 20, 2019, 380,000 expire on September 11, 2019 and 4,400,000 expire on December 12, 2021.

(g) *Contributed surplus:*

Contributed surplus activity for the nine months ended December 31, 2016 and 2015 is summarized as follows:

Balance, March 31, 2015	\$ 1,780,826
Employee share purchase plan	2,952
Balance, December 31, 2015	1,783,778
Balance, March 31, 2016	1,784,650
Share-based compensation	9,092
Employee share purchase plan	2,619
Balance, December 31, 2016	\$ 1,796,361

**8. CAPITAL MANAGEMENT**

The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times.

The Company's capital structure includes the following:

	December 31, 2016	March 31, 2016
Short-term loans payable	\$ 930,913	\$ 1,165,251
Shareholders' deficiency comprised of:		
Share capital	4,016,634	3,789,669
Warrants	312,952	210,809
Contributed surplus	1,796,361	1,784,650
Deficit	(8,323,943)	(8,410,784)
	(\$ 1,267,083)	(\$ 1,460,405)

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.



## **8. CAPITAL MANAGEMENT (CONTINUED)**

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors who seek to participate in investment opportunities; and (iv) raising capital through the issuance of securities.

The Company's subsidiary, NSI, was required to maintain a certain level of regulatory capital under the IIROC rules. IIROC Dealer Member Rule 17.1 sets a minimum capital requirement for each firm based on its size and business model to ensure that the investment dealer not only has capital available to cover known risks but also excess capital to cover unforeseen risks. IIROC's minimum capital requirements are aimed at ensuring that investment dealers do not assume excessive leverage or engage in business practices which expose them to too much risk. This capital was provided by the Company and is eliminated upon consolidation as a loan between the parent and subsidiary. As at December 31, 2016, the amount of this loan was \$8,600,000 (March 31, 2016 - \$8,600,000).

To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended December 31, 2016 and 2015.

The Company is also subject to capital requirements imposed by the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of December 31, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

## **9. INCOME TAXES**

No income taxes have been recorded in the interim periods ended December 31, 2016 and 2015 because there are adequate tax losses available to offset taxable income. The estimated taxable temporary difference valuation allowance will be adjusted in the period in which it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

For further information on the Company's actual losses for tax purposes, refer to the March 31, 2016 audited financial statements.

## **10. PROVISIONS AND CONTINGENCIES**

- a) In November 2012, an IIROC Hearing Panel imposed a fine of \$300,000 and costs of \$150,000 against NSI for alleged compliance deficiencies and therefore the Company had previously recorded a provision of \$450,000. The IIROC Hearing Panel also imposed sanctions on certain senior executives of NSI. The Ontario Securities Commission ("OSC") held a hearing and review of the Hearing Panel's decision in February 2013 and in December 2013 decided that "the IIROC Panel should have provided reasons on the merits prior to the sanctions and costs hearing in order to permit the Applicants to effectively make submissions." The OSC decided that "the conduct of the sanctions and costs hearing was procedurally unfair to (NSI and Alboini)," constituted an error in law and the OSC "set aside the IIROC Panel's sanctions and costs imposed on the (NSI and Alboini)." The OSC also dismissed the alleged compliance failures of NSI. As a result of the OSC decision, the provision of \$450,000 was reversed during the fiscal year ended March 31, 2014.

In June, 2014 the OSC held a new sanction hearing and imposed a fine of \$50,000 plus costs of \$10,000 on NSI. Accordingly a provision of \$60,000 was recorded as at March 31, 2015. The OSC reprimanded and suspended Alboini from registration for one year, a reduction from the two-year IIROC panel suspension. The OSC also required Alboini to disgorge commissions of \$244,985, which was similar to the disgorgement required by the IIROC panel. An appeal of the OSC decision to the Divisional Court was dismissed in June, 2015. In connection with the appeal, the Divisional Court imposed costs of \$20,000. In October, 2015 the Ontario Court of Appeal denied NSI and Alboini's leave to appeal the Ontario Divisional Court decision. The existing provision of \$80,000 was transferred to accounts payable and accrued liabilities and is included in the balance as at December 31, 2016.

- b) There were no changes to the provisions during the nine month period ended December 31, 2016.
- c) The Company recorded a provision of \$171,726 as at December 31, 2016 (March 31, 2016 - \$171,726) relating to a penalty assessed by the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"). The penalty relates to the findings of non-compliance during a Compliance Examination that took place on November 2, 2012. The Company has submitted an appeal of the penalty, which FINTRAC has stated was made after the period in which an appeal is permitted. The Company maintains it has properly appealed FINTRAC's decision.
- d) The Company is party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

## **11. RISK MANAGEMENT**

### *Fair value of financial assets and financial liabilities*

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. The fair values of the Company's financial assets and financial liabilities approximate their carrying amounts due to their imminent or short-term maturity.

### *Market risk*

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (losses) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels. As at December 31, 2016, based on a 1% change in the fair value of the Company's securities, the estimated sensitivity of the Company's net income was \$Nil (March 31, 2016 – (\$99)), based on a decrease and \$Nil (March 31, 2016 – \$99), based on an increase.

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company holds minimal fixed income securities and does not hedge its exposure to interest rates since the risk is very low. As of December 31, 2016, the Company no longer has interest-bearing loans. As at December 31, 2016, based on a 1% change in interest rates, the estimated sensitivity of the Company's net income was \$Nil (March 31, 2016 – (\$1,600)), based on an increase and \$Nil (March 31, 2016 - \$1,600) based on a decrease.

### *Foreign exchange risk*

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

### *Liquidity risk*

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The Company generates cash flow primarily from its commission and fee based businesses as well as its investments.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meet its current obligations. See Note 1.

The Company has loans outstanding of \$930,913 as at December 31, 2016 (March 31, 2016 - \$1,165,251).

## **12. RELATED PARTY TRANSACTIONS**

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

- a) The Company entered into a management services agreement with Jaguar in April, 2014. The agreement was terminated effective December, 2016. For the nine months ended December 31, 2016, the Company earned \$133,334 (December 31, 2015 - \$150,000).
- b) During the nine months ended December 31, 2016 Alboini and Stature received net loan repayments of \$74,337 from the Company (December 31, 2015 – provided net advances of \$181,308), resulting in a balance of \$230,913 owing to them as at December 31, 2016 (March 31, 2016 - \$305,251). During the year ended March 31, 2014, Alboini and Stature waived all historical and future interest on their total loans to the Company. There is no current repayment date on the loans.

**12. RELATED PARTY TRANSACTIONS (CONTINUED)**

- c) As at December 31, 2016, the Company had \$500,000 (March 31, 2016 - \$500,000) in loans payable to a former director of the Company.
- d) Financial advisory revenue includes \$Nil (December 31, 2015 - \$31,667) earned from a Company with a common Chief Financial Officer.
- e) Accounts payable and accrued liabilities includes an advance from Jaguar of \$Nil at December 31, 2016 (March 31, 2016 - \$18,833).
- f) Accounts payable and accrued liabilities includes \$101,200 in fees due to officers and current and former directors as at December 31, 2016 (March 31, 2016 - \$177,354). In September, 2016 the Company issued 3,978,310 shares to Alboini and directors of the Company to settle accounts payable of \$198,916. In September, 2015 the Company issued 900,000 common shares to Alboini, to extinguish \$45,000 in debt owing for services rendered to the Company.

*Compensation to key management personnel*

Compensation paid or payable during the nine months ended December 31, 2016 and 2015 to persons and corporation in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

	2016	2015
Fees and benefits	\$ 134,563	\$ 124,041
Share-based compensation	9,092	-
Total	\$ 143,655	\$ 124,041

**13. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS**

	December 31, 2016	December 31, 2015
Interest paid	\$ 1,255	\$ 35
Reclassification of accounts payable to short-term loans payable	\$ 83,809	\$ -
Common shares issued in exchange for debt	\$ 221,416	\$ 75,377

**14. OPERATING SEGMENT INFORMATION**

The management of the Company is responsible for the entire operations of the Company and considers the business to have a single operating segment. Certain operations within the single operating segment were discontinued during 2013 and presented as discontinued operations where applicable within the consolidated statement of operations and comprehensive income.

The internal reporting provided to the management of the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments in the nine month periods ended December 31, 2016 and 2015.