GRAND PEAK CAPITAL CORP.

Consolidated Financial Statements

For the Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grand Peak Capital Corp.

We have audited the accompanying consolidated financial statements of Grand Peak Capital Corp., which comprise of the consolidated statements of financial position as at September 30, 2017 and 2016, and the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grand Peak Capital Corp. as at September 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 29, 2018

GRAND PEAK CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note		September 30, 2017		September 30, 2016
ASSETS					
Current Assets					
Cash		$	750,087	$	50,323
Accounts receivable	10		298,392		61,520
Sales tax receivable			17,527		3,104
Loans and interest receivable	6		160,254		1,238,538
Investments held-for-trading	3		1,080,110		360,800
			2,306,370		1,714,285
Non-Current Assets					
Marketable securities	4		2,868,585		2,286,006
TOTAL ASSETS		$	5,174,955	$	4,000,291
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade payables and accrued liabilities	7	$	95,034	$	96,334
Deferred revenue			3,150		-
Loans and interest payable	8		130,205		978,762
Due to related parties			40,000		42,000
TOTAL LIABILITIES			268,389		1,117,096
SHAREHOLDERS' EQUITY					
Share capital	9		9,610,604		9,610,604
Reserves	9		1,795,448		672,627
Deficit			(6,499,486)		(7,400,036)
TOTAL SHAREHOLDERS' EQUITY			4,906,566		2,883,195
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	5,174,955	$	4,000,291

Nature of operations	1
Subsequent events	13

On behalf of the Board

_____ *"Tajinder Johal"* _____
Tajinder Johal, Director

_____ *"Jatinder Bains"* _____
Jatinder Bains, Director

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

GRAND PEAK CAPITAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED SEPTEMBER 30,
(Expressed in Canadian dollars)

	Note		2017		2016
Revenue					
Consulting fee income	10		274,140		20,600
Management fee income	10		233,611		44,000
Administration fee income	10		27,500		-
			535,251		64,600
Expenses					
Bank charges and interest		$	15,320	$	4,511
Consulting fees	10		6,500		6,500
Office and miscellaneous			29,898		492
Mining taxes			-		9,244
Professional fees			34,938		30,616
Rent			12,000		31,232
Transfer agent and regulatory fees			21,217		18,675
Wages and benefits			93,928		18,219
			(213,801)		(119,489)
Other Items					
Interest and royalty income			19,024		3,776
Realized gain on marketable securities			464,120		126,674
Unrealized gain on investments held-for-trading	3		719,310		360,800
Impairment of marketable securities	4		(621,174)		-
Gain on Vianey option agreement	5		-		100,000
Foreign exchange gain loss			(2,180)		(880)
			579,100		590,370
Net Income for the Year			900,550		535,481
Other Comprehensive Income					
Unrealized gain on marketable securities, net			651,217		635,870
Impairment of marketable securities	4		621,174		-
Unrealized loss recognized in net income			(149,570)		-
Comprehensive Income for the Year		$	2,023,371	$	1,171,351
Basic and diluted earnings per share		$	0.04	$	0.03
Weighted Average Number of Common Shares Outstanding - basic and diluted			24,988,680		17,747,612

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

GRAND PEAK CAPITAL CORP.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars, except share number)

		Issued Common Shares		Reserves			
	Note	Number of Shares	Amount	Share Based Payment	Investment Revaluation	Deficit	Total
Balance at September 30, 2015		14,953,680	$ 9,108,854	$ 1,505,448	$ 36,757	$ (9,440,965)	$ 1,210,094
Shares issued for exercise of warrants	9	10,035,000	501,750	-	-	-	501,750
Reallocation of expired options		-	-	(1,505,448)	-	1,505,448	-
Comprehensive income							
Net income for the year		-	-	-	-	535,481	535,481
Unrealized gain on marketable securities		-	-	-	635,870	-	635,870
Balance at September 30, 2016		24,988,680	9,610,604	-	672,627	(7,400,036)	2,883,195
Comprehensive income							
Net income for the year		-	-	-	-	900,550	900,550
Unrealized losses recognized in net income		-	-	-	(149,570)	-	(149,570)
Impairment of marketable securities		-	-	-	621,174	-	621,174
Unrealized gain on marketable securities		-	-	-	651,217	-	651,217
Balance at September 30, 2017		24,988,680	$ 9,610,604	$ -	$ 1,795,448	$ (6,499,486)	$ 4,906,566

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

GRAND PEAK CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,
(Expressed in Canadian dollars)

	2017	2016
Operating Activities		
Net income	$ 900,550	$ 535,481
Adjustment for non-cash items		
Realized gain on marketable securities	(464,120)	(126,674)
Unrealized gain on fair value of investments	(719,310)	(360,800)
Impairment of marketable securities	621,174	-
Interest income	(16,145)	(1,538)
Interest expense	13,599	3,762
Interest received	13,820	-
Interest paid	(12,156)	-
Changes in non-cash working capital items		
Accounts receivable	(236,872)	(61,520)
Sales tax receivable	(14,424)	2,442
Trade payables and accrued liabilities	(1,299)	86,534
Deferred revenue	3,150	-
Due to related parties	(2,000)	42,000
Net cash flow provided by operating activities	85,967	119,687
Investing Activities		
Proceeds from sale of marketable securities	766,798	334,853
Acquisition of marketable securities	(383,610)	(672,027)
Loan repayments	1,237,000	-
Loans advanced	(156,391)	(1,237,000)
Net cash flow provided by investing activities	1,463,797	(1,574,174)
Financing Activities		
Exercise of warrants	-	501,750
Repayment of short-term loan	(850,000)	975,000
Net cash flows from financing activities	(850,000)	1,476,750
Change in cash during the year	699,764	22,263
Cash, beginning of year	50,323	28,060
Cash, end of year	$ 750,087	$ 50,323

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

1. NATURE OF OPERATIONS

Grand Peak Capital Corp. (the "Company") is incorporated under the Business Corporations Act of British Columbia and its principal business activity is investing in small capital resource sector public companies. The Company is listed on the Canadian Securities Exchange (the "CSE") and trades under the symbol "GPK". The head office, principal address and records office of the Company are located at 4770-72nd Street, Delta, BC, V4K 3N3.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These consolidated financial statements for the year ended September 30, 2017 were reviewed and authorized for issue by the Board of Directors on January 29, 2018.

Basis of Preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments measured at their fair value as explained in the accounting policies below. The financial statements are presented in Canadian dollars, unless otherwise noted.

Basis of Consolidation

These consolidated financial statements included the accounts of the Company and its wholly owned subsidiary. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions are eliminated upon consolidation.

Entity	Incorporation	Ownership Percentage
Grand Peak Mexican Holding Inc.	Canada	100%
Grand Peak Mexico S.A. de C.V.	Mexico	100%

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the carrying values of the investments and the measurement of deferred tax liability.

Significant Judgements

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments;
- whether there is objective evidence that financial assets classified as available-for-sale are impaired and the unrealized losses need reclassification to net loss; and
- the determination of the functional currency of the parent company and its subsidiaries

Earnings per share

Basic earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted earnings per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional currency and foreign currency translation
The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency.

<u>Transactions and balances:</u>
Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Financial Instruments
The Company classifies its financial instruments in the following categories:

a. fair value through profit or loss;
b. loans and receivables;
c. held-to-maturity;
d. available-for-sale financial assets; and
e. financial liabilities.

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for the impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue Recognition

Management fee, Consulting fee and Administration fee is recognized when:

- the amount of revenue can be measured reliably;
- it is probably that the economic benefits associated with the revenue will flow to the Company;
- the stage of completion at the end of the reporting period can be measured reliably; and
- the costs incurred for and to complete the revenue can be measured reliably.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standard issued but not yet applied

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2017, and have not been applied in preparing these financial statements.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. 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 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new 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 with early adoption permitted.

The Company intends to adopt the standards when they become effective. The Company has not yet determined the impact of these standards on its financial statements, but does not anticipate that the impact will be significant. The Company may elect to designate its investments in marketable securities at fair value through profit or loss on adoption of IFRS 9.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

3. INVESTMENTS HELD-FOR-TRADING

As at September 30, 2017, the Company's held-for-trading investments comprise of share purchase warrants of Canadian public companies which are measured at fair value. The fair values of the warrants are as follows:

	September 30, 2017	September 30, 2016
	$	$
Opening balance	360,800	4,000
Change in fair value	719,310	360,800
Warrants expired	-	(4,000)
	1,080,110	360,800

The fair value of the warrants was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	September 30, 2017	September 30, 2016
Expected life of warrants (years)	2.45 – 4.08	4.55 – 4.88
Annualized volatility	83% - 269%	100% - 220%
Risk-free interest rate	1.66%	0.60%
Dividend rate	0%	0%

4. MARKETABLE SECURITIES

As at September 30, 2017, the Company's marketable securities comprise of investments in common shares of Canadian public companies. The Company designates its investment in common shares as available-for-sale. The cost and fair values of the shares at September 30, 2017 and 2016 are as follows:

	September 30, 2017	September 30, 2016
	$	$
Cost	5,000,239	6,233,601
Fair value	2,868,585	2,286,006

During the year ended September 30, 2017, the Company determined that certain of its marketable securities were impaired and recognized an impairment charge of $621,174.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

During the year ended September 30, 2016, the Company entered into an option agreement to option it's Vianey mining concessions, previously acquired and located in Guerrero State, Mexico, to an arms-length party (the "Optionee") for aggregate proceeds of $300,000. The Company received the first $100,000 cash payment in July 2016, which it recognized as income, in the year ended September 30, 2016.

No further amounts were received and the option agreement was terminated.

6. LOANS RECEIVABLE

On September 15, 2016, the Company advanced $1,225,000 to a company formerly with a common director. The loan bore interest at 3% per annum, was unsecured and due on demand. In January 2017, the Company received $1,238,781, consisting of the outstanding principal balance and accrued interest receivable. As at September 30, 2017, the note receivable has been received in full and is no longer outstanding.

On September 23, 2016, the Company advanced $12,000 to a company formerly under common management. This loan bore interest at 3% per annum, was unsecured and due on demand. In November 2016, the Company received $12,038, consisting of the outstanding principal balance and accrued interest receivable. As at September 30, 2017, the note receivable has been received in full and is no longer outstanding.

On November 14, 2016, the Company advanced $6,391 to a company formerly under common management. This loan bears interest at 3% per annum, is unsecured and due on demand.

On June 28, 2017, the Company advanced $150,000 to a company formerly with common management. This loan bears interest at 10% per annum, is unsecured and due on demand.

As at September 30, 2017, accrued interest totalled $3,863 (2016 - $1,538).

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2017	September 30, 2016
	$	$
Trade payable	79,934	81,234
Accrued liabilities	15,100	15,100
	95,034	96,334

8. LOANS PAYABLE

On August 10, 2016, the Company entered into a loan agreement with a company with common directors for principal of $850,000. The loan bore interest at 3% per annum, was unsecured and due on demand. At September 30, 2016, the balance outstanding included accrued interest payable of $3,563. In January 2017, the Company paid a total of $862,156, consisting of the outstanding principal balance and accrued interest. As at September 30, 2017, the loan payable has been repaid in full and is no longer outstanding.

During the year ended September 30, 2016, the Company entered into a loan agreement with a company related to a former director of the Company (the "Creditor") for a principal of $125,000 with a repayment date on or before September 15, 2017. The loan bears interest at 4% per annum, and the Company used certain investments as collateral for the loan. As at September 30, 2017, the balance outstanding including accrued interest was $130,205 (2016 - $125,199). During the year ended September 30, 2017, the Company recorded interest expense of $5,000 (2016 - $199).

Subsequent to year end, on December 22, 2017, the Company repaid the loan and the accrued interest was waived. As at September 30, 2017, the investments had a carrying value of $33,333.

9. SHARE CAPITAL

Authorized Share Capital
Unlimited number of common shares without par value

Share issuances
As at September 30, 2017 and 2016, 24,988,680 common shares were outstanding.

10,035,000 share purchase warrants were exercised by the holders during the year ended September 30, 2016 for consideration of $501,750.

Stock Options
The Company has adopted a stock option plan whereby the Company may from time-to-time in accordance with the CSE requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

There were no options outstanding at September 30, 2017 or 2016.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

Warrants

A continuity of the Company's warrants is as follows:

	Warrants	Weighted average exercise price	Weighted average number of years to expiry
		$	
Balance, September 30, 2015	10,035,000	0.05	4.53
Warrants exercised	(10,035,000)	0.05	4.53
Balance, September 30, 2016 and 2017	-	-	-

Reserves

Share-Based Payment Reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Investment Revaluation Reserve

The investment revaluation reserve records unrealized gains and losses arising on available- for-sale financial assets, except for impairment losses.

10. RELATED PARTY TRANSACTIONS

Transactions with key management and directors

During the year ended September 30, 2017, the Company did not have any transaction with key management and directors; however, for the year ended September 30, 2016, the Company paid directors of the Company $3,300 for consulting fees.

Revenue

In August 2016, the Company entered into a revenue collection agreement with a company formerly with a common director to collect management and rental income on behalf of the Company formerly with a common director. During the year ended September 30, 2017, the Company collected $nil (2016 - $34,650) of management and rental income on behalf of the Company formerly with a common director. In return, the Company was paid $nil (2016 - $3,000) for service fee. As at September 30, 2017, the outstanding balance of $34,650 (2016 - $34,650) from various tenants is included in accounts receivable.

10. RELATED PARTY TRANSACTIONS (continued)

During the year ended September 30, 2017, the Company earned management income of $163,500 (2016 - $24,000), consulting income of $8,500 (2016 - $19,600) and administration income of $20,000 (2016 - $nil) from companies formerly with common directors or management.

As at September 30, 2017, an outstanding balance of $110,916 (2016 -$9,450) of management and consulting income from companies formerly with common directors or management is included in accounts receivable.

Amounts due to and from related parties are non-interest bearing, unsecured, with no terms of repayment.

11. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk
Market risk is the risk that the fair value of from the Company's investment in marketable securities will significantly fluctuate because of changes in market prices. The Company is exposed to market risk, or equity price risk in trading its investment and unfavourable market conditions could result in dispositions of investments at depressed prices. Additionally, the Company marks its investments to market in accordance with accounting policies at each reporting period. This process could result in significant write-downs of the Company's investment over one or more reporting periods, particularly during periods of declining equity markets.

Market risk includes price risk, interest rate risk and currency risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments.

The maximum exposure to market risk is the carrying amount of the Company's financial assets.

Interest Rate Risk
Interest risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have exposure to interest rate risk.

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its accounts receivable. During the year ended September 30, 2017, the Company recorded a bad debt expense of $79,000 (2016 - $nil), which was offset against revenue. At September 30, 2017, there is a further $62,541 of receivables that are more than 90 days past due that have not been allowed for.

The Company's other exposure to credit risk is on its cash held in bank accounts. Cash is deposited in bank accounts held with a major bank in Canada. As all of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit financial institutions as determined by rating agencies. The Company's maximum exposure to credit risk is the carrying amount of its financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holding of cash.

Capital Management

The Company's policy is to maintain a capital base to safeguard the Company's ability to sustain future development of the business. The capital structure of the Company consists of cash, marketable securities, and common shares.

There is no restriction on the Company's capital, and there was no change in the Company's approach to capital management during the year.

(Expressed in Canadian dollars)

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Classification of Financial Instruments

Financial assets included in the statement of financial position are as follows:

	Fair value measurement	**September 30, 2017**	September 30, 2016
		$	$
Loans and receivables			
Cash		**750,087**	50,323
Receivables		**298,392**	61,520
Loan receivables		**160,254**	1,238,538
FVTPL			
Investments held for trading	Level 3	**1,080,110**	360,800
Available for sale			
Marketable securities	Level 1	**2,868,585**	2,286,006
		5,157,428	3,997,187

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2017	September 30, 2016
	$	$
Non-derivative financial liabilities:		
Trade payables	**79,934**	81,234
Due to related parties	**40,000**	42,000
Loan payable	**130,205**	978,762
	250,139	1,101,996

Fair Value

The fair value of the Company’s financial assets and liabilities approximate the carrying amount wither due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 Unadjusted quote prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs that are not based on observable market data.

(Expressed in Canadian dollars)

11. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Investments consist of common shares and share-purchase warrants of Canadian public companies (Notes 3 and 4). Investments in common shares are classified as level 1 fair value measurements. Investments in share-purchase warrants are classified as level 3 fair value measurements as the fair value estimate incorporates the use of option pricing models, where volatility is not based on observable market data.

The Company has no financial instruments subject to Level 2 fair value measurements.

12. INCOME TAX

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2017	September 30, 2016
	$	$
Net income before taxes	**990,550**	535,481
Statutory tax rate	**26%**	26%
Expected income tax expense at the statutory tax rate	**234,000**	139,225
Non-taxable items and other	**(197,000)**	(12,487)
Adjustments to prior years provision versus tax returns	**(131,818)**	28,301
Current and prior year tax attributes not recognized	**94,818**	(155,039)
Income tax expense	**-**	-

The company has the following taxable temporary differences for which no deferred tax asset has been recognized.

	September 30, 2017	September 30, 2016
	$	$
Capital losses	**518,000**	544,787
Non-capital loss carry-forwards	**278,000**	142,834
Capital assets	**51,000**	50,914
Canadian eligible capital	**7,000**	-
Marketable securities	**277,500**	466,283
Less: valuation allowance	**(1,131,500)**	(1,204,818)
Net deferred tax asset	**-**	-

As at September 30, 2017, the Company has non-capital losses totaling $1,068,000 that may be carried forward to reduce taxable income derived in future years from 2027 to 2037.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. SUBSEQUENT EVENTS

Subsequent to year ended September 30, 2017, the Company executed a promissory note for principal of $289,000. The loan bears interest at 3% per annum, is unsecured and due on demand. The loan was repaid on December 31, 2017.

Subsequent to year ended September 30, 2017, the Company executed a promissory note for principal of $825,000. The loan bears interest at 4% per annum, is unsecured and due on demand. The loan was repaid on November 15, 2017.

On November 24, 2017, the Company assumed a promissory note of $180,000 of a company with common director from a third party. The note bears interest at 5% and is due on demand. As consideration for the assignment of debt, the Company will pay a Purchase Price of $40,000.