BRADSTONE CAPITAL CORP.
(formerly HPB Investments Inc.)

Consolidated Financial Statements

September 30, 2017

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These unaudited interim condensed consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the unaudited interim condensed consolidated financial statements prior to submitting the unaudited interim condensed consolidated financial statements to the Board for approval.

Signed: ***"Chris Carmichael"***
Chief Executive Officer

Toronto, Ontario
November 29, 2017

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2017 have not been reviewed by the Company's auditors.

Bradstone Capital Corp.
(formerly HPB Investments Inc.)
Consolidated Statements of Financial Position
(In Canadian Dollars)

(unaudited)

	September 30 2017	December 31 2016
Assets		
Cash	$ 316,226	$ 508,878
Accrued interest receivable (note 5)	56,446	66,086
Accounts receivable	92,359	65,623
Bridge loans (note 5)	445,377	534,014
Portfolio investment (note 6)	1,051,258	1,096,409
Other receivables	71,728	75,191
	$ 2,033,394	$ 2,346,201
Liabilities		
Accounts payable and accrued liabilities	$ 79,475	$ 44,840
Current income tax liability	13,651	13,651
	93,126	58,491
Deferred income tax liability	115,734	115,734
	208,860	174,225
Shareholders' Equity		
Share capital (note 7)	3,235,409	3,161,582
Contributed surplus	35,343	35,343
Deficit	(1,446,218)	(1,024,949)
Total shareholders' equity	1,824,534	2,171,976
	$ 2,033,394	$ 2,346,201

On Behalf of the Board

"Chris Carmichael" Director

"Jason Ewart" Director

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

Bradstone Capital Corp.
(formerly HPB Investments Inc.)
Consolidated Statements of Changes in Equity
For the nine months ended September 30
(In Canadian Dollars)
(unaudited)

	Share Capital	Contributed Surplus	Retained earnings	Total
	$	$	$	$
Balance, January 1, 2016	3,161,582	-	(393,464)	2,768,118
Stock options issued	-	35,343	-	35,343
Net loss for the period	-	-	(639,529)	(639,529)
Balance, September 30, 2016	3,161,582	35,343	(1,032,993)	2,163,933
Balance, January 1, 2017	3,161,582	35,343	(1,024,949)	2,171,976
Issuance of shares, net of costs	73,827	-	-	73,827
Net loss for the period	-	-	(421,268)	(421,268)
Balance September 30, 2017	3,235,409	35,343	(1,446,217)	1,824,535

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

Bradstone Capital Corp.
(formerly HPB Investments Inc.)
Consolidated Statements of Operations and Comprehensive (Loss) Income
For the three and nine months ended September 30
(In Canadian Dollars)
(unaudited)

	Three months		Nine months	
	2017	**2016**	**2017**	**2016**
Revenue				
Change in value of portfolio investments	$ 8,274	$ 6,098	$ (225,581)	$ 21,045
Gain (loss) on sale of portfolio investments	(928)	(45,131)	15,618	(422,453)
Change in value of derivatives	-	-	-	(55,290)
Management fees	-	10,500	-	43,250
Interest income	25,654	12,444	70,615	49,877
Loan fees	-	3,008	-	51,344
Dividend income	783	435	3,434	944
Foreign exchange loss	(20,275)	(19,101)	(55,949)	(60,441)
	13,509	(31,747)	(191,863)	(371,724)
Expenses				
Audit and legal fees	4,000	4,000	12,000	12,986
Filing fees	6,278	3,930	16,801	30,763
Consulting fees	60,703	60,000	180,703	187,000
Interest expense	6,005	-	18,005	-
Stock based compensation	-	-	-	35,343
Office expenses	235	294	1,897	1,712
	77,221	68,224	229,405	267,805
(Loss) income before income tax	(63,712)	(99,971)	(421,268)	(639,529)
Income tax	-	-	-	-
Net (loss) income and other comprehensive (loss) income for the period	$ (63,712)	$ (99,971)	$ (421,268)	$ (639,529)
Net (loss) income per share – basic and diluted (note 10)	(0.00)	$ (0.00)	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding – basic and diluted	29,514,241	28,882,835	29,169,849	28,882,835

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

Bradstone Capital Corp.
(formerly HPB Investments Inc.)
Consolidated Statements of Cash Flows
For the nine months ended September 30
(In Canadian Dollars)
(unaudited)

	2017	2016
Operating activities		
Net income (loss) for the period	$ (421,268)	$ (639,529)
Change in value of portfolio investments	225,581	(21,045)
Change in value of derivatives	-	55,290
Interest income	(31,564)	-
Stock based compensation	-	35,343
Foreign exchange gain	15,667	11,605
Net changes in non-cash working capital balances		
Accrued interest receivable	9,640	(39,794)
Accounts receivable	(26,735)	(168,971)
Deferred income	-	4,064
Accounts payable and accrued liabilities	34,635	33,821
	(194,044)	(729,215)
Investing activities		
Advances of bridge loans	120,201	(503,334)
Repayment of bridge loans	-	467,128
Purchase of portfolio investments	(598,196)	(3,385,324)
Proceeds from sale of portfolio investments	405,561	3,351,168
	(72,434)	(70,363)
Investing activities		
Issuance of shares, net of costs	73,827	-
Repayment of debt	-	(85,000)
	73,827	(85,000)
Increase in cash	(192,651)	(884,578)
Cash, beginning of period	508,878	1,555,884
Cash, end of period	$ 316,227	$ 671,307

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

1. Nature of Business and Reverse Takeover Transaction

Nature of Business

Bradstone Capital Corp. ("BCC" or the "Company" and formerly "HPB Investment Inc."), through its wholly owned subsidiary, Bradstone Financial Corp., invests in companies across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology, and biotechnology.

The Company is a public company incorporated and domiciled in Ontario, Canada. The Company's registered office is located at B2 – 125 The Queensway, Suite 217, Toronto, Ontario, M8Y 3P6.

The Company's subordinate voting shares commenced trading on the Canadian Securities Exchange ("CSE") on March 14, 2016.

2. Basis of Presentation

Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all of the information required for full annual consolidated financial statements.

The reporting currency used for the unaudited interim condensed consolidated financial statements is Canadian dollars. The functional currency used by the Company is Canadian dollars.

These unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 29, 2017.

3. Summary of Significant Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant for the Company.

A. Use of Estimates

The preparation of these unaudited interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amount of revenues and expenses during the period. Financial statement items subject to significant management judgment include:

- Provision for losses on note receivable – Management exercises judgement to determine whether indicators of impairment exist, and if so, management must estimate the timing and amount of future cash flows from the note receivable.

- Valuation of investment derivative - Management exercises judgement in determine assumptions used in the Black-Scholes option pricing model used to value this derivative.

3. Summary of Significant Accounting Policies - continued

A. Use of Estimates - continued

- Valuation of the portfolio investments – Management exercises judgment to determine whether a change in fair value has occurred, and if so, management must estimate the timing and amount of future cash flows.

- The Black-Scholes option pricing model is used to determine the fair value of the share-based payments and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate.

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

B. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

The Company classifies its financial instruments by category to their nature and to their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

(i) Financial Assets

Financial assets must be classified into one of four categories: fair value through profit or loss (FVTPL), held-to-maturity, loans and receivables and available for sale.

a) Loans and Receivables:

Accrued interest receivable, accounts receivable and bridge loans are designated as loans and receivables which are measured at amortized cost, subject to impairment reviews.

3. Summary of Significant Accounting Policies - continued

b) Portfolio Investments

Privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy.

The determinations of fair value of the Company's privately-held investment at other than initial cost is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

The following circumstances are used to determine if the fair value of a privately held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing privately-held investments in its portfolio.

Absent the occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted upward if:

- there has been a significant subsequent equity financing provided by outside investors at a valuation above the current value of the investee company; or
- there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

The fair value of a privately-held investment may be adjusted downward if:

- there has been a significant subsequent equity financing provided by outside investors at a valuation below the current value of the investee company;
- the investee company is placed into receivership or bankruptcy;
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; or
- there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

3. Summary of Significant Accounting Policies - continued

b) Investment Derivative

Investment derivatives comprise options to acquire an equity interest in private or public companies and are carried at fair value through profit or loss. These instruments are fair valued on initial recognition using the Black-Scholes option pricing model and are revalued at the end of every reporting period with the change in fair value recorded in profit or loss. The Company classifies its investment derivatives as either level 2 or level 3 financial instruments within the fair value hierarchy depending on whether the variables used in the valuation model were based on observable or non-observable market inputs.

Fair value hierarchy

Financial assets measured at fair value or where their fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's fair value financial instruments are classified as follows:

Financial instrument	*Classification*
Cash	Level 1
Portfolio investments	Level 3
Investment derivatives	Level 3

(ii) Financial Liabilities

Financial liabilities must be classified into one of two categories: FVTPL and other financial liabilities.

Accounts payable and accrued liabilities and the note payable are designated as other financial liabilities which are measured at amortized cost.

C. Provisions

The Company recognizes provisions when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

3. Summary of Significant Accounting Policies - continued

D. Impairment of Loans and Provision for Loan Losses

Loans are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Objective evidence of impairment of a loan could include: significant financial difficulty of the borrower, breach of contract, such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

At least at the end of each reporting period, management assesses whether there are indicators that loan loss provisions are required for each loan in the Company's loan portfolio based on economic and market trends, the impairment status of loans, market value of the asset, and appraisals, if any, of the security underlying loans receivable. If these factors indicate that the carrying value of loans may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value of the affected loans with the discounted present value of their estimated future cash flows. To the extent that discounted estimated future cash flows are less than the loan carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income on a loan for which a specific loan loss provision exists is calculated at the discount rate used in determining the provision, which may differ from the contracted loan interest rate.

D. Impairment of Loans and Provision for Loan Losses - continued

Loans are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the loan, the estimated future cash flows of the loan have been affected. Objective evidence of impairment of a loan could include: significant financial difficulty of the borrower, breach of contract, such as a default or delinquency in interest or principal payments; or it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

At least at the end of each reporting period, management assesses whether there are indicators that loan loss provisions are required for each loan in the Company's loan portfolio based on economic and market trends, the impairment status of loans, market value of the asset, and appraisals, if any, of the security underlying loans receivable. If these factors indicate that the carrying value of loans may not be recoverable, or the repayment of contractual amounts due may be delayed, management compares the carrying value of the affected loans with the discounted present value of their estimated future cash flows. To the extent that discounted estimated future cash flows are less than the loan carrying value, a specific loan loss provision is recorded. Any subsequent recognition of interest income on a loan for which a specific loan loss provision exists is calculated at the discount rate used in determining the provision, which may differ from the contracted loan interest rate.

Should the cash flow assumptions used to determine the original loan loss provision change, the loan loss provision may be reversed. A loan loss provision is reversed only to the extent that the revised carrying value of the loan does not exceed its amortized cost that would have been recorded had no loan loss provision been recognized.

3. Summary of Significant Accounting Policies - continued

E. Revenue Recognition

Interest income is recorded on an accrual basis using the effective interest rate method. Under the effective interest rate method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue and recognized in income as set out above. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan.

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments measured at FVTPL are expensed to the statement of comprehensive income as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income and income from securities lending are recorded on an accrual basis.

F. Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the end of the reporting period. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in profit or loss.

G. Income Taxes

Income tax expense comprises current and deferred components.

Current income tax expense is the expected tax payable for the current period's taxable income based on rates enacted or substantively enacted at the period end and any adjustments to previous estimates.

Deferred income taxes are calculated using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in expected future tax rates is recognized in net (loss) income in the period that includes the date of substantive enactment of the revised tax rates. Deferred tax assets are recognized to the extent that it is probable that they will be realized.

3. Summary of Significant Accounting Policies – continued

H. Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period.

Diluted earnings per share is calculated by dividing net earnings available to shareholders for the period by the diluted weighted average number of multiple and subordinate shares outstanding during the period. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

4. New and Revised Standards and Interpretations

Pronouncements effective for annual periods beginning on or after January 1, 2018

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.
Financial assets will be classified into one of two categories on initial recognition:
• financial assets measured at amortized cost; or
• financial assets measured at fair value.
Under IFRS 9, for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income ("OCI"), with the remainder of the change recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with some exemptions.

IFRS 15, Revenue from Contracts with Customers
IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently evaluating the impact of the above standard on its consolidated financial statements.

IFRS 16, Leases
This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the Company intends to adopt IFRS 16 in its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

(In Canadian Dollars)

5. Bridge loans

		Due Date	Stated Interest Rate		September 30 2017		December 31 2016
Individual (US$160,518)	(a)	December 31, 2017	Prime	$	200,326	$	215,528
Individual	(b)	December 31, 2017	12%		10,000		15,000
Company	(c)	May & Nov 2019	15%		150,000		250,000
Company	(d)	December 31, 2017	12%		85,051		53,486
Total				$	445,377	$	534,014

The fair values of the notes receivable are estimated to be approximately equivalent to their carrying values as the market rate of interest approximates the effective interest rate.

a) The note receivable, original amount of $296,076 (US$287,576), (due from a former director of the Company's previous parent Company, Fountain Asset Corp. ("Fountain")) was transferred from Fountain on January 17, 2014. Consideration consisted of the issuance of 1,684,767 subordinate voting shares of the Company and 842,384 multiple voting shares of the Company (see note 9). As at September 30, 2017 $21,203 (December 31, 2016 - $18,460) in interest has been accrued.

b) As at September 30, 2017 $2,025 (December 31, 2016 - $1,110) in interest has been accrued. The loan is secured by a promissory note, a corporate guarantee and equipment. The loan is due on December 31, 2017.

c) As at September 30, 2017 $1,864 (December 31, 2016 - $5,281) in interest has been accrued. The loan is secured by a promissory note and a corporate guarantee.

d) As at September 30, 2017 $5,984 (December 31, 2016 - $3,375) in interest has been accrued. The loan is secured by a convertible promissory note and a corporate guarantee. The convertible promissory note is convertible into common shares at a price of $0.20 per share. Upon initial recognition, the Company recognized a conversion feature of $58,050. As at September 30, 2017, the conversion feature on the convertible loan is valued at $38,100 (December 31, 2016 - $133,950) and is included in portfolio investments on the consolidated statements of financial position.

(In Canadian Dollars)

6. Portfolio Investments

	September 30 2017	December 31 2016
Common shares in Marathon Mortgage Corp. (a)	$ 756,806	$ 551,820
Other marketable securities	294,452	554,589
Total	$ 1,051,258	$ 1,096,409

(a) As at September 30, 2017, the Company owned 3,358,636 (December 31, 2016 - 2,948,663) common shares of Marathon Mortgage Corp. ("MMC") being 16% (December 31, 2016 – 18%) of the common shares of MMC.

During the nine months ended September 30, 2017, the Company purchased 409,973 common shares of MMC at $0.50 per share. No gain or loss has been recognized on the revaluation of the common share of MMC as at September 30, 2017.

7. Share Capital

a) *Authorized:*

Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share.

b) *Shares issued and outstanding:*

	SVS		MVS	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance December 31, 2016	20,994,306	2,237,330	7,888,935	924,252
Converted from MVS to SVS (i)	1,061,662	124,382	(1,061,662)	(124,382)
Private placement financing	631,000	73,827	-	-
Balance September 30, 2017	22,686,968	$ 2,435,539	6,827,273	$ 799,870

(i) During the nine months ended September 30, 2017 1,061,662 MVS were converted on a one for one basis to 1,061,662 SVS.

(ii) On May 29, 2017, the company issued 631,000 common shares in a non-brokered private placement financing at a price of $0.13 per share for gross proceeds of $82,030. The company incurred $8,203 in share issue costs.

(In Canadian Dollars)

7. Share Capital – continued

c) *Stock Options*

The Company has a stock option plan (the "Plan") under which the Company may grant options to directors, officers, employees and consultants. The maximum number of common shares reserve for issue under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding. As at September 30, 2017 the Company had 199,431 (December 31, 2016 – 199,431) options available for issuance under the Plan.

The continuity of outstanding stock options for the nine months ended September 30, 2017 and 2016 is as follows:

	Number of stock options	Weighted average exercise price per share $
Balance, December 31, 2015	**-**	**-**
Granted on May 27, 2016	1,900,000	0.07
Balance, December 31, 2016 and September 30, 2017	**1,900,000**	**0.07**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options issued during the year ended December 31,2016:

Grant Date	**May 27, 2016**
Number of options	1,900,000
Exercise Price	$0.07
Expected life in years	5
Volatility	100.00%
Risk-free interest rate	0.78%
Dividend yield	0.00%
Vesting	Immediately
Fair value of options granted	$35,343

8. Earnings per Share

Earnings per share has been calculated using the weighted average number of SVS and MVS outstanding during the period. As there are no potentially dilutive financial instruments outstanding, diluted income per share is the same as basic earnings per share.

9. Related Party Transactions

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the nine months ended September 30 was as follows:

	2017	**2016**
Salaries, consulting and benefits	$ 90,000	$ 97,000
	$ 90,000	$ 97,000

10. Risk Management

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from the prior period.

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company is exposed to credit risk on its cash, accrued interest receivable, accounts receivable, and bridge loans. The Company's maximum exposure to credit risk is $982,136 (December 31, 2016 - $1,174,601).

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. As at September 30, 2017, the Company has cash of $316,226 (December 31, 2016 - $508,878) to meet current financial liabilities of $93,126 (December 31, 2016 - $58,491). Accordingly, the Company is not exposed to liquidity risk.

10. Risk Management (continued)

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At September 30, 2017, one (December 31, 2016 – one) of the Company's bridge loans are denominated in US dollars. A 10% fluctuation in the US dollar foreign exchange closing rate would have resulted in a fluctuation of approximately $16,000 (December 31, 2016 - $16,000) in net income. The Company does not hedge against this foreign currency risk.