

**QUINSAM CAPITAL CORPORATION**

**INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED JUNE 30, 2014  
(UNAUDITED AND EXPRESSED IN CANADIAN DOLLARS))**

## **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 interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**QUINSAM CAPITAL CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**

(unaudited)

	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 3)	\$ 325,567	\$ 246,007
Due from Brokers	-	29,850
Investments (Note 5)	1,551,023	549,140
Receivables (Note 4)	13,207	6,066
Prepays and other assets	8,000	-
	\$ 1,897,797	\$ 831,063
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 29,559	\$ 24,016
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 7)	1,674,135	2,311,107
<b>SHARE-BASED PAYMENT RESERVE</b>	26,949	26,949
<b>RETAINED EARNINGS / (DEFICIT)</b>	167,154	(1,531,009)
	1,868,238	807,047
	\$ 1,897,797	\$ 831,063

Approved on behalf of the Board

*“Michael Newman”*

Michael Newman – Director

*“Eric Szustak”*

Eric Szustak – Director

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

**QUINSAM CAPITAL CORPORATION**

**INTERIM STATEMENTS OF COMPREHENSIVE INCOME AND LOSS**

(unaudited)

	3 months ended June 30, 2014	3 months ended June 30, 2013	6 months ended June 30, 2014	6 months ended June 30, 2013
<b>NET INVESTMENT REVENUE</b>				
Net realized gain on sale of investments	\$ 42,261	\$ -	\$ 126,870	\$ -
Net change in unrealized gains on investments	40,557	-	73,047	-
	82,818		199,917	
<b>OTHER INCOME</b>				
Interest income	2,692	666	2,889	1,292
	85,510	666	202,806	1,292
<b>EXPENSES</b>				
General and administrative (Note 9)	(23,234)	(2,993)	(35,652)	(9,639)
<b>NET INCOME/(LOSS) FROM OPERATIONS</b>	<b>62,276</b>	<b>(2,327)</b>	<b>167,154</b>	<b>(8,347)</b>
<b>COMPREHENSIVE INCOME/(LOSS)</b>	<b>62,276</b>	<b>(2,327)</b>	<b>167,154</b>	<b>(8,347)</b>
<b>NET INCOME/(LOSS) PER SHARE – BASIC AND DILUTED</b>	<b>.005</b>	<b>(0.00)</b>	<b>.01</b>	<b>(0.00)</b>

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

**QUINSAM CAPITAL CORPORATION**

**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(unaudited)

	Share Capital		Reserve		Retained Earnings/ (Deficit)	Total
	Number of shares	Amount	Option reserve			
<b>Balance at January 1, 2013</b>	4,570,000	1,719,893	4,500		(1,489,367)	235,026
Comprehensive loss	-	-	-		(8,347)	(8,347)
<b>Balance at June 30, 2013</b>	4,570,000	\$ 1,719,893	\$ 4,500		\$ (1,497,714)	\$ 226,679
<hr style="border: 1px solid black;"/>						
<b>Balance at January 1, 2014</b>	<b>14,570,000</b>	<b>\$ 2,311,107</b>	<b>\$ 26,949</b>		<b>\$ (1,531,009)</b>	<b>\$ 807,047</b>
Comprehensive income					167,154	167,154
Shares issued for cash	9,207,660	920,766				920,766
Share issue costs		(26,729)				(26,729)
Reclassification of accumulated deficit pursuant to quasi-reorganization		(1,531,009)			1,531,009	-
<b>Balance at June 30, 2014</b>	<b>23,777,660</b>	<b>\$ 1,674,135</b>	<b>\$ 26,949</b>		<b>\$ 167,154</b>	<b>\$ 1,868,238</b>

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

**QUINSAM CAPITAL CORPORATION**  
**INTERIM STATEMENTS OF CASH FLOWS**

(unaudited)

	3 Months ended June 30, 2014	3 Months ended June 30, 2013	6 Months ended June 30, 2014	6 Months ended June 30, 2013
<b>Cash flows from operating activities</b>				
Net income/(loss) from continuing operations	\$ 62,276	\$ (2,327)	\$167,154	\$ (8,347)
Items not affecting cash:				
Unrealized gains on investments	(40,557)	-	(73,047)	-
Net realized gains on sale of investments	(42,261)	-	(126,870)	-
Changes in non-cash working capital:				
Due from Brokers	-	-	29,850	-
Receivables	(3,757)	(79)	(7,141)	17,779
Prepays	4,000	-	(8,000)	-
Accounts payable and accrued liabilities	10,082	(10,822)	5,543	(10,352)
Cash flows from continuing operations	(10,217)	(13,228)	(12,511)	(920)
<b>Cash flows from financing activities</b>				
Issuance of shares, net	-	-	894,037	-
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,006,279)	-	(1,614,831)	-
Proceeds on disposition of investments	519,423	-	812,865	-
Cash flows from investing activities	(486,856)	-	(801,966)	-
<b>Net increase/(decrease) in cash</b>	(497,073)	(13,228)	79,560	(920)
<b>Cash at beginning of period</b>	822,640	239,176	246,007	226,868
<b>Cash at end of period</b>	\$ 325,567	\$ 225,948	\$ 325,567	\$ 225,948

SUPPLEMENTARY CASH FLOW INFORMATION

(a) There were no non cash investing activities during the 6 months ended June 30, 2014.

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

**QUINSAM CAPITAL CORPORATION**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

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**NOTE 1- NATURE OF OPERATIONS**

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Quinsam Capital Corporation (the "Company") was incorporated under the Canada Business Corporations Act on March 18, 2004 in British Columbia. The Company entered into the merchant banking business during 2007 and in 2010, the Company entered into an online learning business which was sold in 2012. The Company was previously in the business of acquisition and development of mineral property interests and other assets or businesses related to the resource industry. The Company is domiciled in Canada and its registered and records office is at 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2, Canada.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Statement of Compliance**

These interim financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The same accounting policies and methods of computation were followed in the preparation of these interim statements as were followed in the preparation of the annual financial statements as at and for the year ended December 31, 2013. Accordingly, these interim statements for the three and six month periods ended June 30, 2014 and 2013 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2013.

The financial statements were authorized for issue by the Board of Directors on August 21, 2014.

**Basis of Presentation**

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

**Significant Estimates and Assumptions**

The preparation of financial statements in accordance with IFRS requires the Company to make estimates 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.

**Significant judgments**

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 information about significant areas of judgement considered by management in preparing the consolidated financial statements are as follows:

*Going concern:*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

**Revenue**

Realized gains and losses on the disposal of investments and unrealized gains and losses on securities classified as fair value through profit and loss are reflected in profit or loss on the trade date and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reclassified to profit or loss so as to recognize the full realized gain or loss in the period of disposition. For all financial instruments measured at amortized cost and, interest bearing financial assets classified as available-for-sale, interest income or expenses are recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the Company's financial assets is reviewed at each reporting date to determine

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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whether there is any indication of impairment. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to the impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Other investment income is recognized on the accrual basis and is considered operating income for cash flow purposes.

**Cash and Cash Equivalents**

The Company considers cash equivalents to be short-term investments with a maturity of ninety days or less at the date of acquisition.

**Financial Instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and 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.

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 which it is the Company's intention to hold 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 do not meet the criteria 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. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

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.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At the end of each reporting period, 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 and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.



**QUINSAM CAPITAL CORPORATION**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Financial Instruments** (continued)

The Company's financial instruments consist of the following:

*Financial assets:*

Cash and cash equivalents – classified as loans and receivables

Investments – classified at fair value through profit or loss

Due from brokers and receivables – classified as loans and receivables

*Financial liabilities:*

Accounts payable and accrued liabilities – classified as other financial liabilities

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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 quoted 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.

Level 1 financial instruments include cash and cash equivalents and publicly traded equities.

**Impairment of Assets**

The carrying amount of the Company's assets is reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**Income/ (Loss) per Share**

Basic income/loss per share is calculated by dividing the income/loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the income/loss attributable to common shareholders equals the reported income/loss attributable to owners of the Company. Diluted income/loss 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 income/loss 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.

**QUINSAM CAPITAL CORPORATION**  
**NOTES TO THE INTERIME FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Share-based payments**

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**Income Taxes**

Current income tax:

Current income tax assets and liabilities 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 end of the reporting period, 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 income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income 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 income tax asset to be utilized.

Deferred income 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 income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Changes in accounting policies**

IFRS 13 Fair Value Measurements: This standard establishes a single source of guidance for all fair value measurements required by other IFRS, clarifies the definition of fair value, and enhances disclosures about fair value measurements. IFRS 13 applies when other IFRS require or permit fair value measurements or disclosures. IFRS 13 specifies how an entity should measure fair value and disclose fair value information. It does not specify when an entity should measure an asset, a liability, or its own equity instrument at fair value. The Company started the application of IFRS 13 in the financial statements effective from January 1, 2013. There were no significant impacts to the financial statements as a result of adopting this standard.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IAS 1 Presentation of Financial Statements: The standard provides guidance on the presentation of items of OCI and their classification within OCI. The Company started the application of this standard in the financial statements effective from January 1, 2013. There were no significant impacts to the financial statements as a result of adopting this standard.

**Future Accounting Policies**

IFRS 9 Financial Instruments: This standard replaces the current IAS 39 Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The effective date of IFRS 9 is January 1, 2018. The Company has not yet evaluated the impact on the financial statements.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

		June 30, 2014	December 31, 2013
Cash at Bank	\$	150,177	\$ 246,007
Cash at Broker Accounts		175,390	-
	\$	325,567	\$ 246,007

**NOTE 4 – RECEIVABLES**

		June 30, 2014	December 31, 2013
Sales tax receivable	\$	12,007	\$ 6,066
Dividends Receivable		1,200	-
	\$	13,207	\$ 6,066

**NOTE 5 – INVESTMENTS**

	June 30, 2014		December 31, 2013	
	Fair Value	Cost	Fair Value	Cost
Marketable Securities – publicly traded equities	\$1,502,023	\$1,460,276	\$ 545,890	\$ 530,284
Warrants	49,000	-	3,250	-
	\$1,551,023	\$1,460,276	\$ 549,140	\$ 530,284

**NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

		June 30, 2014	December 31, 2013
Trade payables	\$	25,809	\$ 16,516
Accrued liabilities		3,750	7,500
	\$	29,559	\$ 24,016

**QUINSAM CAPITAL CORPORATION**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

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**NOTE 7 - SHARE CAPITAL**

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Authorized:

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued:

At June 30, 2014 there were 23,777,660 issued and fully paid common shares (December 31, 2013 – 14,570,000).

	Number of Common Shares	Amount
Balance as at December 31, 2013	14,570,000	\$ 2,311,107
Shares issued for cash	9,207,660	920,766
Share issue costs	-	(26,729)
Reclassification of accumulated deficit pursuant to a quasi-reorganization	-	(1,531,009)
Balance as at June 30, 2014	23,777,660	\$ 1,674,135

**Preferred Shares**

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Company has not issued any preferred shares to date.

**Share Issuances**

During the six month period ended June 30, 2014, the Company issued 9,207,660 common shares via a non-brokered private placement at \$0.10 per share.

**Basic and diluted loss per share**

The calculations of basic and diluted earnings per share for the three and six month period ended June 30, 2014 was based on the income from continuing operations attributable to common shareholders of \$167,154 (2013 - \$(8,347)) and the weighted average number of common shares outstanding of 19,606,234 (2013 – 4,570,000).

**Stock Options**

The Company has a stock option plan to grant options to employees, directors and consultants to acquire common shares, up to an amount equivalent to 10% of the outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less an applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

**QUINSAM CAPITAL CORPORATION**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

**NOTE 7 - SHARE CAPITAL (CONTINUED)**

The changes in options during the six months ended June 30, 2014 is as follows:

	6 Months ended June 30, 2014		6 Months ended June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	450,000	\$ 0.10	-	\$ -
Options issued	-	\$ -	-	\$ -
Options expired	-	\$ -	-	\$ -
Options outstanding, end of period	450,000	\$ 0.10	-	\$ -
Options exercisable, end of period	450,000	\$ 0.10	-	\$ -

**Option Reserve**

Option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

The following are the options outstanding as at June 30, 2014:

Security Type	Number of Options Issued	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Expiry Date
Options	450,000	\$ 0.10	4.33	October 29, 2018
Total	450,000	\$ 0.10	4.33	

**Retained Earnings**

At the annual meeting of shareholders on June 26, 2014, the shareholders of the Corporation unanimously approved the deficit elimination resolution which enabled the Corporation to eliminate its deficit of \$1,531,009 as at December 31, 2013. Such quasi reorganization is permitted under Section 38 of the Canada Business Corporations Act.

The following is the retained earnings as at June 30, 2014:

	Retained Earnings/(Deficit)
Balance as at December 31, 2013	\$ (1,531,009)
Reclassification of accumulated deficit pursuant to quasi-reorganization	1,531,009
Retained earnings since January 1, 2014 when a deficit of \$1,531,009 was eliminated through a quasi-reorganization	167,154
Balance as at June 30, 2014	\$ 167,154

**QUINSAM CAPITAL CORPORATION**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)

**NOTE 8 – RELATED PARTY TRANSACTIONS**

All transactions with related parties have occurred in the normal course of operations.

Type of Service	Nature of Relationship	June 30, 2014	June 30, 2013
Salaries, consulting fees and other benefits	Officers	\$ -	\$ -
Director fees	Directors	-	500
Stock-based compensation expense	Directors and officers	-	-
		\$ -	\$ 500

**NOTE 9 - EXPENSES BY NATURE**

Included in general and administrative expenses for the six months ended June 30:

	June 30, 2014	June 30, 2013
Salaries, bonuses, and other employment benefits	\$ -	\$ -
Stock-based compensation expense	-	-
Consulting and directors' fees	8,000	500
Professional fees	13,246	-
Transfer agent, filing fees	9,405	9,320
Travel and promotion	2,255	-
Other office and administrative	2,746	(181)
	\$ 35,652	\$ 9,639

**NOTE 10 – RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

*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 cash and cash equivalents. The risk in cash and cash equivalents is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government tax credits.

*Foreign Exchange Risk*

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company operates only in Canada and in Canadian dollars and therefore is not exposed to foreign exchange risk.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and investments affected by changes in short term interest rates will be minimal. A 1% change in interest rates impacts net income by \$814 per quarter based upon balances as at June 30, 2014.

*Liquidity Risk*

**QUINSAM CAPITAL CORPORATION**  
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**(Expressed in Canadian dollars)**

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Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and investments. As at June 30, 2014, the Company was holding cash and monies at deposit in brokers' accounts of \$325,567.

*Market Risk*

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. A 1% change in closing trade price of the Company's investments would impact net income by \$3,878 per quarter based upon balances as at June 30, 2014.

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**NOTE 11 – CAPITAL MANAGEMENT**

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The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds.

The Company's objectives when managing capital are:

- a) to maintain a high degree of liquidity to allow the Company to pursue business opportunities expeditiously; and
- b) to earn investment returns while managing risk.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the period ended June 30, 2014.

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**NOTE 12 – OPERATING SEGMENT INFORMATION**

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The management of the Company is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

The Company has a single reportable geographic segment, Canada, and all of the Company's management are located in Canada.

The internal reporting provided to 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 during the period ended June 30, 2014. As at June 30, 2014 the Company has a diversified portfolio of investments where no single investment accounts for more than 10% of the portfolio.

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**NOTE 13- SUBSEQUENT EVENTS**

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On July 27, 2014 a total of 1,926,000 share purchase options were issued to Management, Directors and Consultants of the Corporation with a term of 5 years and an exercise price of \$0.10. The share purchase options are subject to vesting at the rate of 5% per quarter.

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**NOTE 14- APPROVAL OF FINANCIAL STATEMENTS**

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The interim financial statements of the Corporation for the three and six months ended June 30, 2014 and 2013 were approved by the Board of Directors and authorized for issue on August 21, 2014.