QUINSAM CAPITAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Quinsam Capital Corporation:

We have audited the accompanying consolidated financial statements of Quinsam Capital Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

We believe that the audit evidence we have obtained 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 Quinsam Capital Corporation as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Mississauga, Ontario	Chartered Professional Accountants
April 10, 2018	Licensed Public Accountants

MNP

QUINSAM CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at December 31, 2017	As at December 31, 2016
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**9,240,947**	7,667
Investments (Note 6)	**10,113,650**	2,946,522
Receivables (Note 5)	**47,306**	35,576
Prepaid expenses	**2,059**	-
TOTAL ASSETS	**19,403,962**	2,989,765
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**75,114**	23,012
Due to brokers	**-**	1,613
Unearned interest revenue	**13,500**	-
TOTAL LIABILITIES	**88,614**	24,625
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**13,251,814**	2,013,464
Share-based payments reserve (Note 9)	**246,446**	180,862
Warrants reserve (Note 10)	**3,510,745**	-
Retained earnings	**2,306,343**	770,814
TOTAL SHAREHOLDERS' EQUITY	**19,315,348**	2,965,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19,403,962**	2,989,765

Nature of operations (Note 1)
Subsequent events (Note 16)

APPROVED ON BEHALF OF THE BOARD

"Roger Dent" (Director)

"Eric Szustak" (Director)

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

QUINSAM CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
NET INVESTMENT REVENUE		
Net realized gains on disposals of investments	**474,380**	47,389
Net changes in unrealized gains on investments	**3,401,975**	720,614
	3,876,355	768,003
OTHER INCOME		
Dividend, interest and advisory services income	**77,622**	32,986
EXPENSES		
Stock-based compensation (Note 9)	**65,584**	40,656
Professional fees	**58,496**	16,814
General and administrative	**31,360**	18,746
Transfer agent and filing fees	**22,074**	18,419
Travel and promotional	**11,591**	8,129
Salaries, bonus and other employment benefits (Note 11)	**6,960**	6,480
	(196,065)	(109,244)
INCOME FROM OPERATIONS	**3,757,912**	691,745
OTHER EXPENSE		
Consulting expense on share exchange agreement (Note 4)	**(2,070,276)**	-
NET INCOME AND COMPREHENSIVE INCOME	**1,687,636**	691,745
NET INCOME PER SHARE		
Basic	**0.05**	0.03
Diluted	**0.04**	0.03
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic (Note 8)	**32,686,482**	26,265,331
Diluted (Note 8)	**38,459,646**	26,265,331

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

QUINSAM CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share-Based Payments**	**Warrants**	**Retained Earnings**	**Total**
	#	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2015	**26,407,660**	**2,055,625**	**140,206**	**-**	**190,578**	**2,386,409**
Issuance of dividends	-	-	-	-	(111,509)	(111,509)
Stock-based compensation	-	-	40,656	-	-	40,656
Repurchase of common shares (Note 8)	(527,000)	(42,161)	-	-	-	(42,161)
Net income and comprehensive income	-	-	-	-	691,745	691,745
Balance, December 31, 2016	**25,880,660**	**2,013,464**	**180,862**	**-**	**770,814**	**2,965,140**
Issuance of dividends	-	-	-	-	(152,107)	(152,107)
Issuance of units from private placements (Note 8)	63,642,326	11,898,446	-	3,074,960	-	14,973,406
Share issue costs (Notes 8 and 10)	-	(1,900,096)	-	(385,106)	-	(2,285,202)
Issued for non-cash consideration:						
Issuance from share exchange agreement (Note 4)	4,000,000	1,240,000	-	820,891	-	2,060,891
Stock-based compensation (Note 9)	-	-	65,584	-	-	65,584
Net income and comprehensive income	-	-	-	-	1,687,636	1,687,636
Balance, December 31, 2017	**93,522,986**	**13,251,814**	**246,446**	**3,510,745**	**2,306,343**	**19,315,348**

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

QUINSAM CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	**1,687,636**	691,745
Adjustments for non-cash items:		
Stock-based compensation (Note 9)	**65,584**	40,656
Consulting expense on share exchange agreement (Note 4)	**2,070,276**	-
Unrealized gains on investments	**(3,401,975)**	(720,614)
Net realized gains on disposals of investments	**(474,380)**	(47,389)
	(52,859)	(35,602)
Changes in non-cash working capital:		
Due from brokers	**-**	135,792
Receivables (Note 5)	**(11,730)**	(6,115)
Prepaid expenses	**(2,059)**	-
Accounts payable and accrued liabilities (Note 7)	**42,717**	6,970
Due to brokers	**(1,613)**	1,613
Unearned interest revenue	**13,500**	-
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	**(12,044)**	102,658
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements (Note 8)	**13,924,500**	-
Share issue costs (Note 8)	**(1,236,296)**	-
Repurchase of common shares, net (Note 8)	**-**	(42,161)
Issuance of dividends	**(152,107)**	(111,509)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**12,536,097**	(153,670)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(5,560,387)**	(1,107,406)
Proceeds on disposition of investments	**2,269,614**	1,164,105
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES	**(3,290,773)**	56,699
INCREASE IN CASH	**9,233,280**	5,687
Cash, beginning of year	**7,667**	1,980
Cash, end of year	**9,240,947**	7,667

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

1. NATURE OF OPERATIONS

Quinsam Capital Corporation ("Quinsam" or the "Company") was incorporated under the Canada Business Corporations Act on March 18, 2004 in British Columbia. The Company entered 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. At the present time, the Company is an investment and merchant banking firm focused on the small-cap market, with early-stage investments in such areas as resources, technology and as recently announced, an expanding focus on investing in the cannabis market.

The Company is domiciled in Canada and its registered and records office is located at 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2, Canada.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized for issue by the Company's Board of Directors on April 10, 2018.

(b) Basis of Presentation

These consolidated financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern, using the historical cost basis.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of Consolidation

These consolidated financial statements incorporate the accounts of Quinsam and its wholly-owned subsidiary, High Standard Royalty Corp. ("High Standard") (see Note 4).

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

(d) Functional and Presentation Currency

These consolidated financial statements have been prepared in Canadian dollars ($), which is also the functional currency of the Company and its subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

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

Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position, including shares, convertible debentures and loans investments, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Fair value of financial derivatives

Investments in options and warrants that are not traded on a recognized securities exchange do not have readily available market values. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the options and warrants are valued at intrinsic value.

Valuation of share-based compensation and share purchase warrants

Management determines the costs for share-based compensation and share purchase warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment is used in applying the valuation techniques. These assumptions and judgments include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates and future share option and share purchase warrant exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based compensation and share purchase warrants.

(b) Revenue

Realized gains (losses) on the disposal of investments and unrealized gains (losses) on securities classified as fair value through profit and loss ("FVTPL") are reflected in profit or loss on the transaction date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale ("AFS"), interest income or expenses are recorded using the effective interest rate ("EIR"), 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.

Other investment income is recognized on the accrual basis and is considered operating income for cash flow purposes. Advisory fees are earned on a fixed monthly basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments

Financial assets

Financial assets within the scope of IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") are classified as financial assets at FVTPL, loans and receivables, held-to-maturity investments, available-for-sale financial assets or financial derivatives, as appropriate.

Classification

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs. The Company's financial assets include cash, investments, and receivables excluding any sales tax amounts.

Recognition, derecognition and measurement

Purchases and disposals of investments are recognized on the transaction date.

Investments at FVTPL are initially recognized at fair value plus transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired.

When the Company holds debentures that are convertible into the issuer's equity shares at the Company's option, the equity conversion feature represents an embedded option written by the issuer on its equity shares. The Company records the combined instrument at FVTPL.

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at FVTPL are presented in the consolidated statements of income and comprehensive income within net change in unrealized gains or losses on investments in the period in which they arise.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of each financial reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

<u>Publicly-traded investments</u>

i. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy (see Note 6).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

Determination of fair value (continued)

Publicly-traded investments (continued)

ii. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the options and warrants are valued at intrinsic value, which is equal to the higher of the closing trade price at the end of the reporting period of the underlying security less the exercise price of the options or warrants, and zero. These are included in Level 2 of the fair value hierarchy (see Note 6).

Private company investments

All privately-held investments (other than warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at the end of each financial 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 (see Note 6). Warrants of private companies are carried at their intrinsic value.

The determination of fair value of the Company's privately-held investments 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 management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

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

i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

ii. There have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material 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;

iii. The investee company is placed into receivership or bankruptcy;

iv. 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;

v. Release by the investee company of positive/negative exploration results; and

vi. Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

Determination of fair value (continued)

Private company investments (continued)

Adjustments to the fair value of a privately-held investment will be based upon 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.

Other investment instruments and loans

Convertible debentures and loans are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at the end of each financial reporting period, the combined instrument is adjusted to fair value based on the higher of the fair value of the debt or the equity instruments that would be received if converted.

Impairment

The carrying amount of the Company's financial assets is reviewed at each financial reporting date to determine 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.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, loans, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans, plus directly attributable transaction costs.

The Company's financial liabilities consist of accounts payable and accrued liabilities and unearned interest revenue.

The subsequent measurement of financial liabilities depends on their classification as follows: financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the EIR method, with interest recognized on an effective yield basis.

The EIR method calculates the amortized cost of a financial liability and allocates interest costs over the relevant period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basic and Diluted Earnings (Loss) per Share

Basic earnings (loss) per share ("EPS") is calculated by dividing the comprehensive income (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period, adjusted for shares held in escrow that are subject to contingent release based on conditions other than the passage of time. For all periods presented, the earnings (loss) attributable to common shareholders equals the reported earnings attributable to owners of the Company.

Diluted EPS 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 (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.

(e) Share-Based Payments Transactions

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 fair value of options is determined using a Black–Scholes valuation model. The fair value of equity-settled share-based compensation transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

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.

For options that expire after vesting, the recorded value is transferred to deficit. Expired warrants are also transferred to deficit.

(f) Income Taxes

Income tax expense comprises current and deferred tax expense. Current and deferred tax are recognized in profit and loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent that future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Changes in Accounting Policies

The Company adopted the following standards, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's consolidated financial statements:

IAS 7 – Statement of Cash Flows ("IAS 7")

IAS 7 was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 – Income Taxes ("IAS 12")

IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

(h) Recent Accounting Pronouncements

The IASB and the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting periods commencing on or after January 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the following standards or amendments will have on the Company's consolidated financial statements. No material impact is expected upon the adoption of these new standards on the consolidated financial statements:

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 proposes to replace IAS 18 – Revenue, IAS 11 – Construction Contracts and some revenue-related interpretations. The 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.

(Expressed in Canadian Dollars)

4. SHARE EXCHANGE TRANSACTION

On October 17, 2017, Quinsam and High Standard completed a share exchange transaction (the "Transaction") structured as a share exchange agreement ("Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, the Company acquired all of the issued and outstanding shares of High Standard. In consideration, the Company issued an aggregate of 4,000,000 common shares and 4,000,000 common share purchase warrants to the shareholders of High Standard. Each common share purchase warrant has an exercise price of $0.30 and will expire 36 months from the closing date of the Transaction. On closing, 2,000,000 common shares and 2,000,000 common share purchase warrants were placed in escrow, and they were subsequently released prior to the end of the year on satisfaction of all related escrow conditions.

The Company has accounted for the Transaction and has recorded the amount as a consulting expense under the scope of IFRS 2 – Share-based Payments. Consideration consisted entirely of shares and warrants of the Company which were measured at fair value. The 4,000,000 common shares issued were valued at $1,240,000 based on the closing trading price on the date of the Transaction. The 4,000,000 common share purchase warrants issued were valued at $820,891, based on the Black-Scholes valuation model using the following assumptions: expected volatility of 111%, expected dividend yield of 1.56%, risk-free interest rate of 1.55% and an expected remaining life of 3 years.

A summary of the Transaction is presented as follows:

Consideration Paid	
	$
Fair value of common shares issued	1,240,000
Fair value of warrants issued	820,891
	2,060,891

Net Identifiable Assets Acquired	
	$
Cash	100
Accounts payable	(9,485)
Total net identifiable assets acquired	(9,385)
Excess of consideration paid over net assets acquired, representing consulting expense of the Transaction	**2,070,276**

5. RECEIVABLES

	December 31, 2017	December 31, 2016
	$	$
Sales tax receivable	**27,262**	5,828
Interest and other receivables	**20,044**	29,748
Total receivables	**47,306**	35,576

(Expressed in Canadian Dollars)

6. INVESTMENTS

The Company's investments portfolio consisted of the following securities as at December 31, 2017:

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	3,556,540	2,431,721	-	2,337,799	4,769,520
Warrants	-	-	-	1,268,156	1,268,156
Convertible debentures	1,822,500	510,300	-	2,682,739	3,193,039
Loans	882,935	-	-	882,935	882,935
Total investments	**6,261,975**	**2,942,021**	**-**	**7,171,629**	**10,113,650**

The Company's investments portfolio consisted of the following securities as at December 31, 2016:

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	2,175,166	2,038,506	-	456,686	2,495,192
Warrants	-	-	-	48,500	48,500
Convertible debentures	402,830	-	-	402,830	402,830
Total investments	**2,577,996**	**2,038,506**	**-**	**908,016**	**2,946,522**

The following table presents the changes in fair value measurements classified at Level 3 of the fair value hierarchy. The financial instruments are measured at fair value utilizing non-observable market inputs. The net realized gains (losses) and net change in unrealized gains (losses) are recognized in the consolidated statements of income.

	Opening Balance	**Purchases / loans**	**Conversions**	**Proceeds**	**Net Realized Gains**	**Net Unrealized Gains**	**Transfer-out of Level 3**	**Ending Balance**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
December 31, 2017	908,016	4,042,797	-	(520,975)	236,895	2,504,896	-	7,171,629
December 31, 2016	879,766	240,000	(130,000)	(80,250)	-	48,500	(50,000)	908,016

Within Level 3, the Company included private company investments and other investment instruments such as convertible debentures and loans which are not quoted on a recognized securities exchange. The key assumptions used in the valuation of these instruments include, but are not limited to, the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

(Expressed in Canadian Dollars)

6. INVESTMENTS (continued)

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 of the fair value hierarchy as at:

	December 31, 2017		December 31, 2016	
	Fair value	**Unobservable inputs**	Fair value	Unobservable inputs
	$	**$**	$	$
Recent financings	**4,296,753**	**Transaction price**	240,000	Transaction price
Trends in comparable publicly-traded companies and general market conditions	**2,874,876**	**-**	668,016	-
	7,171,629	**-**	908,016	-

For those investments valued based on recent financings, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2017 and 2016. For those investments valued based on trends in comparable publicly-traded companies and general market conditions, the inputs can be highly judgmental. A 10% change in the fair value of these investments would result in a corresponding +/- $717,163 (December 31, 2016 +/- $90,802) change to the fair value of the investments.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business.

The following is an aged analysis of the accounts payables and accrued liabilities:

	December 31, 2017	December 31, 2016
	$	$
Less than 90 days	**65,601**	7,732
Greater than 90 days	**9,513**	15,280
Total accounts payables and accrued liabilities	**75,114**	23,012

8. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value. 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.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Common shares issued and outstanding as at December 31, 2017 and 2016 are as follows:

	Number of common shares	Amount
	#	$
Balance, December 31, 2015	**26,407,660**	**2,055,625**
Shares repurchased	(527,000)	(42,161)
Balance, December 31, 2016	**25,880,660**	**2,013,464**
Shares issued from private placements	63,642,326	11,898,446
Share issuance costs	-	(1,900,096)
Shares issued from share exchange agreement (Note 4)	4,000,000	1,240,000
Balance, December 31, 2017	**93,522,986**	**13,251,814**

2017 share capital transactions

On October 13, 2017, the Company closed a non-brokered private placement financing of 16,163,326 units ("Units") at a price of $0.15 per Unit (the "October 2017 Offering"), for gross proceeds of $2,424,500. Each Unit consists of one (1) common share ("Common Share") and one-half (1/2) of one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share at a price of $0.30 per Common Share, expiring on October 13, 2019, as disclosed in Note 10. In conjunction of the non-brokered private placement, the Company also paid a finders' fee of $141,947, share issuance costs of $11,170 and issued 946,305 finders' warrants (see Note 10).

On October 17, 2017, the Company issued 4,000,000 common shares as part of the consideration paid to the shareholders of High Standard under the Share Exchange Agreement. See Note 4 for details of the Transaction.

On December 11, 2017, the Company closed a private placement financing of 46,000,000 Units at a price of $0.25 per Unit (the "December 2017 Offering"), for gross proceeds of $11,500,000. The Company issued an aggregate of 43,160,00 Units pursuant to the brokered offering, and 2,840,000 Units pursuant to the concurrent non-brokered offering. Each Unit consists of one (1) Common Share and one-half (1/2) of a Warrant. Each Warrant entitles the holder to purchase one Common Share at a price of $0.40 per Common Share, expiring on December 11, 2019, as disclosed in Note 10. In conjunction of the brokered offering, the Company issued 1,479,000 Units to the Agents. The Company also paid a cash commission to the Agents of $863,200, share issuance costs of $219,979 and issued 3,452,800 finders' warrants (see Note 10).

2016 share capital transactions

In 2015, the Company proceeded with the commencement of a normal course issuer bid to acquire up to 1,320,383 common shares representing 5% of the Company's outstanding shares. The bid terminated on November 22, 2016. As a result, 527,000 common shares have been repurchased by the Company at an average cost of $0.08 per share.

There were no share issuances in fiscal 2016.

Basic and diluted earnings per share

The calculations of basic and diluted EPS for the year ended December 31, 2017 were based on the net income from operations attributable to common shareholders of $1,687,636 (2016 – $691,745) and the weighted average number of basic common shares outstanding of 32,686,482 (2016 – 26,265,331) and diluted common shares of 38,459,946 (2016 – 26,265,331).

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS RESERVE

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the number of outstanding common shares. As at December 31, 2017, the Company had 1,776,299 common shares that are issuable under the Plan.

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. Options can be granted for a maximum term of five years and vesting periods are determined by the Board of Directors.

The following summarizes the stock option activity for the years ended December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**2,576,000**	**0.10**	2,576,000	0.10
Granted	**600,000**	**0.295**	-	-
Granted	**100,000**	**0.30**	-	-
Granted	**4,300,000**	**0.48**	-	-
Outstanding, end of year	**7,576,000**	**0.33**	2,576,000	0.10
Exercisable, end of year	**1,685,600**	**0.10**	1,366,700	0.10

On October 19, 2017, 600,000 stock options exercisable at $0.295 per share and vesting equally over a period of three years, were granted to directors of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 122%, expected dividend yield of 1.69%, risk-free interest rate of 1.70% and an expected remaining life of 5 years. The grant date fair value attributable to these options was $127,148, of which $15,414 was recorded as stock-based compensation in connection with the vesting of these options during the year.

On October 19, 2017, 100,000 stock options exercisable at $0.30 per share and vesting equally over a period of three years, were also granted to a director of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 122%, expected dividend yield of 1.67%, risk-free interest rate of 1.70% and an expected remaining life of 5 years. The grant date fair value attributable to these options was $21,186, of which $2,463 was recorded as stock-based compensation in connection with the vesting of these options during the year.

On December 22, 2017, 4,300,000 stock options exercisable at $0.48 per share and vesting equally over a period of three years, were granted to various officers, directors and consultants of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 122%, expected dividend yield of 1.03%, risk-free interest rate of 1.84% and an expected remaining life of 5 years. The grant date fair value attributable to these options was $1,644,975, of which $24,585 was recorded as stock-based compensation in connection with the vesting of these options during the year.

The remaining stock-based compensation amount of $23,122 recorded during the year represents vesting of options previously issued in prior years.

(Expressed in Canadian Dollars)

9. SHARE-BASED PAYMENTS RESERVE (continued)

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2017:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
October 29, 2018	450,000	450,000	0.10	0.83
July 27, 2019	1,926,000	1,155,600	0.10	1.57
July 1, 2020	200,000	80,000	0.13	2.50
October 19, 2022	600,000	-	0.295	4.80
October 19, 2022	100,000	-	0.30	4.80
December 22, 2022	4,300,000	-	0.48	4.98
	7,576,000	**1,685,600**	**0.33**	**3.78**

10. WARRANTS RESERVE

The following summarizes the warrant activity for the years ended December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**-**	**-**	-	-
Issued	**8,081,663**	**0.30**	-	-
Issued (Note 4)	**4,000,000**	**0.30**	-	-
Issued	**946,305**	**0.15**	-	-
Issued	**23,739,500**	**0.40**	-	-
Issued	**3,452,800**	**0.25**	-	-
Outstanding, end of year	**40,220,268**	**0.35**	-	-

2017 warrants transactions

On October 13, 2017, the Company issued 8,081,663 Warrants, at an exercise price of $0.30, in conjunction with the October 2017 Offering, as disclosed in Note 8. The grant date fair value of the 8,081,663 Warrants was estimated to be $361,970 using the Black-Scholes valuation model with the following assumptions: expected volatility of 113%, expected dividend yield of 3.92%, risk-free interest rate of 1.54% and an expected remaining life of 2 years. In conjunction of the non-brokered private placement, 946,305 finders' warrants exercisable at $0.15 for a period of 2 years, were issued in connection with the finders' involvement in the offering. These finders' warrants were valued at $137,590.

On October 17, 2017, the Company issued 4,000,000 common share purchase warrants as part of the consideration paid to the shareholders of High Standard under the share exchange transaction. See Note 4 for details of the Transaction.

(Expressed in Canadian Dollars)

10. WARRANTS RESERVE (continued)

On December 11, 2017, the Company issued 23,000,000 Warrants, at an exercise price of $0.40, in conjunction with the December 2017 Offering, as disclosed in Note 8. The grant date fair value of the 23,000,000 warrants issued was estimated to be $1,970,223 using the Black-Scholes valuation model with the following assumptions: expected volatility of 114%, expected dividend yield of 2.41%, risk-free interest rate of 1.51% and an expected remaining life of 2 years. In conjunction of the private placement, 739,500 Warrants were issued as part of the Agents' Units as compensation to the private placement offering. In addition, 3,452,800 broker warrants, exercisable at $0.25 per share expiring in 3 years, were also issued in connection with the finders' involvement in the offering. These finders' warrants were valued at $541,829.

The following table summarizes information of warrants outstanding as at December 31, 2017:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
October 13, 2019	8,081,663	0.30	1.78
October 13, 2019	946,305	0.15	1.78
December 11, 2019	23,739,500	0.40	1.95
October 17, 2020	4,000,000	0.30	2.80
December 11, 2020	3,452,800	0.25	2.95
	40,220,268	**0.35**	**2.08**

11. RELATED PARTY TRANSACTIONS

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
	$	$
Salaries, consulting fees and other benefits	**6,960**	6,480
Stock-based compensation (Note 9)	**59,294**	40,656
	66,254	47,136

During the year ended December 31, 2017, the Company granted 4,500,000 stock options (2016 – nil) to officers and directors as follows:

Date of grant	**Number of Options**	**Exercise price**	**Date of expiry**
	#	**$**	
October 19, 2017 (Note 9)	600,000	0.295	October 19, 2022
October 19, 2017 (Note 9)	100,000	0.30	October 19, 2022
December 22, 2017 (Note 9)	3,800,000	0.48	December 22, 2022

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

Agreements with related parties

On September 5, 2017, the Company and Foundation Markets Inc. ("FMI") entered into a private placement finder's fee agreement in relation to the October 2017 Offering, as disclosed in Note 8. Two of the Company's directors are the President and the Chairman of FMI, respectively. On closing of the October 2017 Offering, FMI was paid a finder's fee of $43,287 and was issued 147,242 finders' warrants exercisable at $0.15 for a period of 2 years.

On December 11, 2017, the Company and FMI entered into a consulting services agreement, whereby FMI provided fiscal advisory and consulting services to the Company. The Company paid a cash advisory fee of $71,000 as compensation for the services. On closing of the December 2017 Offering, FMI was also issued 219,400 finders' warrants exercisable at $0.25 for a period of 3 years.

Investments on companies with common management personnel

During the year ended December 31, 2017, the Company invested in certain companies which have common officers and directors. As at December 31, 2017, the Company held investment positions in the following issuers with common officers and directors:

	Investments	**Holdings**	**Fair Value**
		#	**$**
Aura Health Corp. (1)	Convertible debentures	300 units	300,000
Lineage Grow Company Ltd. (2),(3)	Common shares units	476,800 units	119,200
Lineage Grow Company Ltd. (2),(3)	Warrants	1,040,000 warrants	-
Lineage Grow Company Ltd. (2),(3)	Convertible debentures	160 units	160,000
			579,200

(1) Common Chief Financial Officer.
(2) Common Director (1) and Chief Financial Officer.
(3) Corporate Secretary of Lineage Grow Company Ltd. is a Director of the Company.

12. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26% (2016 – 26%) to the effective tax rate as follows:

	December 31, 2017	December 31, 2016
	$	$
Net income before income taxes	**1,687,636**	621,744
Expected income tax expense	**436,390**	161,650
Tax rate changes and other adjustments	**-**	14,040
Permanent differences	**(191,180)**	(79,190)
Changes in tax benefits not recognized	**(245,210)**	(96,500)
Income tax expense (recovery)	**-**	-

(Expressed in Canadian Dollars)

12. INCOME TAXES (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	December 31, 2017	December 31, 2016
	$	$
Deferred tax assets		
Share issuance costs	**111,330**	-
Non-capital losses carried forward	**400,790**	51,627
Net capital losses carried forward	**-**	3,150
Deferred tax liabilities		
Marketable securities	**(512,120)**	(54,777)
Net deferred tax liabilities	**-**	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2017	December 31, 2016
	$	$
Mineral properties	**102,050**	102,050
Investment in High Standard	**2,070,280**	-
Share issuance costs	**1,141,820**	17,650
Non-capital losses carried forward	**-**	1,149,850

Share issuance and financing costs will be fully amortized in 2021. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

13. 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. The risk in cash 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 and its loans investments. This risk is minimal as receivables consist primarily of refundable government tax credits.

13. RISK MANAGEMENT (continued)

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 invests from time to time into securities and loan investments issued and denominated in foreign currencies, notably in US dollars. The Company's primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from 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 convertible debentures investments affected by changes in short term interest rates will be minimal. The Company does not use any derivative instruments to reduce its exposure to interest rate risk.

Liquidity risk

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 December 31, 2017, the Company was fully invested and did not have any cash holdings in broker accounts.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at December 31, 2017:

	Carrying Amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	**75,114**	75,114	-	-

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 unfavorable market conditions could result in dispositions of investments at less than favorable prices.

A 1% change in closing trade price of the Company's investments portfolio would impact net income by $101,137 based upon balances as at December 31, 2017.

14. CAPITAL MANAGEMENT

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 sufficient liquidity to allow the Company to pursue business opportunities expeditiously; and

(b) to earn investment returns while managing risk.

14. CAPITAL MANAGEMENT (continued)

The Company's strategy remained unchanged for the years ended December 31, 2017 and 2016.

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 year ended December 31, 2017.

15. OPERATING SEGMENT INFORMATION

The management of the Company is responsible for the Company's entire investments 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 years ended December 31, 2017 and 2016. As at December 31, 2017, the Company had a diversified portfolio of investments where no single investment accounted for more than 10% of the investments portfolio.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, 928,000 common shares were issued as a result of the exercise of stock options, for proceeds of $92,800. The options were exercised at a weighted average exercise price of $0.10 per option. All issued shares are fully paid.

Subsequent to December 31, 2017, 1,488,129 common shares were issued as a result of the exercise of 1,488,129 Warrants, for total proceeds of $410,719. All issued shares are fully paid.

On February 9, 2018, the Company closed a transaction with two companies to provide financing for a new Access to Cannabis for Medical Purposes Regulations ("ACMPR") applicant. The Company advanced a $1.2 million loan for a period of 12 months at an interest rate of 12%. The loan is secured by a second mortgage on a 40,000 square foot building in Brantford, Ontario on a 4-acre site. The building was purchased for approximately $3 million and Quinsam's mortgage will be subordinate to a first mortgage of approximately $2 million. As incentive compensation for providing the mortgage financing, the Company was awarded a 30% stake in a separate company that has made an ACMPR license application incorporating use of the building.

On February 12, 2018, Herbiculture Inc. ("Herbiculture") had received a marijuana processor license (the "Processor License") to commence dispensary operations from the Maryland Medical Cannabis Commission (the "MMCC"). In October 2017, the Company signed an agreement with Herbiculture to finance the start-up costs of establishing a medical marijuana dispensary located in Maryland, US. The financing is structured as a US$655,000 senior secured promissory note bearing interest at 10% with a 3-year term. The dispensary was scheduled to open on February 24, 2018. On receipt of the Processor License, Herbiculture issued common shares equal to 35% of its shares outstanding to the Company and is now considered an associate entity in which the Company has significant influence. As such, Herbiculture will be accounted for using the equity method, whereby the investment will be carried in the consolidated statements of financial position at cost plus post-acquisition changes in its share of the net assets of the investment.

16. SUBSEQUENT EVENTS (continued)

On February 22, 2018, the Company paid a quarterly dividend of $117,507 at $0.00125 per share, to the shareholders of record on February 1, 2018.

On March 1, 2018, the Company closed a brokered private placement financing of 21,899,349 Units at a price of $0.60 per Unit, for gross proceeds of $13,139,609. Each Unit consists of one (1) Common Share and one-half (1/2) of a Warrant. Each Warrant entitles the holder to purchase one Common Share at a price of $0.80 per Common Share, expiring on March 1, 2020. In conjunction of the brokered offering, the Company issued 503,685 Units and paid a cash commission of $1,051,169 to the Agents. The Agents also received 1,751,947 finders' warrants exercisable at a price of $0.60 for 24 months following closing of the offering.

On March 5, 2018, the Company signed a binding letter of intent ("LOI") with Medicinal Compassion Canni Farms Inc. and another company to provide financing for a late-stage ACMPR applicant. Pursuant to the LOI, Quinsam will advance a $1.5 million loan for a period of 12 months at an interest rate of 12%. The loan will be secured by a mortgage on a 54,000 square foot building in Guelph, Ontario on a 2.75-acre lot. Security also includes an assignment of leases, personal guarantees and general security agreements. The loan is subordinate to certain other indebtedness.

On March 19, 2018, the Company granted 2,600,000 options to a number of its directors and officers. The options will have an exercise price of $0.60 per share, will expire on March 18, 2023 and will vest over a period of 3 years.