Quinsam Capital Corporation

2017 ANNUAL REPORT

May 3, 2018

Fellow Shareholder:

Please find enclosed the 2017 Annual Report for Quinsam Capital Corporation (“Quinsam”).

Your company went through a significant transformation in 2017, when we decided to shift our focus so that our new investments were 100% focused on the burgeoning cannabis sector. Our vision was to bring our existing small cap specialty investing skills and disciplines to this exciting growth focus area.

Since that time we have been assembling a portfolio of what we believe are exciting and interesting opportunities. We continue to focus on opportunities that are not available to typical individual and institutional investors. We have a variety of private investments, investments that are in the process of going public and public investments.

The new investment strategy has delivered strong results in 2017. Net income was at a record level. In addition, we have accessed the market on three occasions in recent months and as of today’s date we now have a portfolio valued at well in excess of $30 million.

While we ave changed our investment focus, our value proposition to shareholders continues to leverage management’s 25+ years of expertise and relationships in the investment industry. We see a large proportion of the cannabis deal flow that takes place in Canada plus much of the US deal flow as well. Much of this deal flow is unavailable to the average investor. We look for investments we believe to be undervalued, have superior growth potential and possess catalysts to attract investor interest. We typically invest in either public or private to public company placements that typically come with substantial and potentially valuable share purchase warrants or conversion rights. Equally importantly, your management maintains a very sharp focus on cost control. We expect our operating costs will continue to be at the low end of the range for comparable companies.

It is our objective to grow our capital base through successful investments. If market conditions permit it, we will strategically raise additional capital but only if it benefits our existing shareholders.

I look forward to reporting to you on both our corporate growth and financial performance.

Yours truly,

“Roger A Dent”

Roger A. Dent
CEO
Quinsam Capital Corporation

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.

Management's Discussion and Analysis

For the Year Ended December 31, 2017

April 10, 2018

The following Management's Discussion and Analysis ("MD&A") constitutes management's assessment of the factors that affected the financial condition and results of operation of Quinsam Capital Corporation ("Quinsam" or the "Company") for the year ended December 31, 2017 ("Fiscal 2017"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2017.

Except as otherwise indicated (see "Use of Non-GAAP Financial Measures" section in this MD&A), the Company's audited consolidated financial statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC").

All figures in this MD&A are reported in Canadian dollars unless otherwise stated.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, our ability to realize sufficient proceeds from the disposition of our investments in order to fund our obligations as they become due (which will be based upon market conditions beyond our control), market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, United States and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments" and in the Company's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Quinsam's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

About Quinsam

Quinsam was incorporated under the Canada Business Corporations Act on March 18, 2004 in the Province of British Columbia. The Company's shares are publicly-traded on the Canadian Securities Exchange (the "CSE") under the ticker symbol "QCA". The Company is presently domiciled in the Province of Ontario, Canada and its registered office address is at 390 Bay Street, Suite 806, Toronto, Ontario, Canada, M5H 2Y2.

Quinsam is a merchant banking firm focused on the small-cap market. The Company's merchant banking business may encompass a wide range of activities including acquisitions, advisory services, lending activities and portfolio investments. Quinsam invests its capital for its own account in assets, companies or projects which management believes are undervalued and where we see a viable plan for unlocking such value. The Company does not invest on behalf of any third-party and does not offer investment advice.

Outlook

In Fiscal 2017, Quinsam had made substantial investments in entities operating in the cannabis market as a focused specialty investor, which aligns with the Company's strategy. As a result of good investment performance and three equity issues in 2017 and 2018, Quinsam now has a considerably strengthened statement of financial position (see "Overall Performance and Investments" and "Results of Operations" for more details).

With the additional capital raised in its latest financing in March 2018, the Company now has access to over $30 million investable capital thereby easily qualifying it as an accredited investor in Canada.

The Company had also added considerable knowledge and expertise to the team, in the field of cannabis companies with a number of personnel changes in Fiscal 2017:

In Q3 2017, Mr. Terry Booth joined the Board of Directors of the Company. Mr. Booth is the CEO & Founder of Aurora Cannabis Inc. ("Aurora"), one of Canada's preeminent licensed cannabis producers. Mr. Booth oversees Aurora's corporate strategy and has served as President/CEO of six other highly successful companies where he developed his hands-on approach, leadership skills and developed a wealth of experience in government regulatory environments. His addition to the team will ensure the execution of the Company's strategy to build robust partnerships and effectively deploy capital within the cannabis space.

In Q4 2017, the Company entered into a share exchange agreement to acquire High Standard Royalty Corp. (“High Standard”), a company founder by FMI Capital Advisory (“FMICA”) which is managed by Mr. Adam Szweras and Mr. Peter Bilodeau. FMICA has advised numerous companies operating in the cannabis sector and has developed an extensive network of licensed operators across North America and has helped cannabis companies raise over $15 million to date in both the private and public capital markets. Mr. Szweras is a securities lawyer at Fogler Rubinoff LLP, and is also a Director of Nutritional High International Inc. and Aurora. He has significant capital markets experience and regulatory understanding of the North American cannabis space. Mr. Bilodeau has over 35 years of experience in the business world and currently serves as the President of FMICA and CEO of High Standard. He has an extensive background in corporate finance, management, financial consulting and real estate and holds an MBA from Dalhousie University.

Quinsam is becoming an important "bellwether" investor for the industry, helping to power growth for public companies, as well as private companies seeking listing on recognized exchanges, and providing strategic capital on a blended loan/equity basis. As the cannabis markets expand and mature, Quinsam plans to deploy its expertise to make strategic investments and contributions to upcoming industry leaders as well as portfolio investments in niche growers, manufacturers, retailers, service providers and other companies.

Quinsam intends to build a portfolio of cannabis-related investments that are targeted to generate attractive returns at acceptable levels of risk for shareholders going forward.

While the legislative climate for cannabis remains in flux, the climate has been increasingly positive for investors in recent years.

The Company plans to continue to deploy its investable capital and to diligently manage costs in a prudent manner, which is consistent with the Company’s investment guidelines.

Recent Developments

On February 21, 2017, the Company paid its Q4 2016 quarterly dividend of $0.00125 per share, to the shareholders of record on February 1, 2017.

On April 25, 2017, Quinsam announced its intention to enter the cannabis market, and in particular the US cannabis sector, as a focused specialty investor.

On May 10, 2017, the Company announced its intent to acquire 100% of the common shares of High Standard and together the combined entity plans to form a specialty finance company focused on providing capital and operational expertise to emerging companies within the cannabis space. On October 17, 2017, Quinsam and High Standard completed a share exchange transaction whereby 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 closing of the Transaction.

On May 19, 2017, the Company paid its Q1 2017 quarterly dividend of $0.00125 per share, to the shareholders of record on May 2, 2017.

On August 21, 2017, the Company paid its Q2 2017 quarterly dividend of $0.00125 per share, to the shareholders of record on August 1, 2017.

On September 5, 2017, the Company appointed Terry Booth to the Board of Directors.

On October 13, 2017, the Company closed a non-brokered private placement financing of 16,163,326 units (“Units”) (the “October 2017 Offering”) at a price of $0.15 per Unit, 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.

On October 19, 2017, the Company closed a financing with Herbiculture Inc. (“Herbiculture”) to finance the start-up costs of establishing a medical marijuana dispensary located in Burtonsville, Maryland. The Financing is structured in the form of a USD $655,000 senior secured promissory note bearing interest at 10% with a 3-year term, of which Quinsam received a 35% equity interest.

On October 24, 2017, the Company appointed Adam Szweras to the Board of Directors.

On November 22, 2017, the Company paid its Q3 2017 quarterly dividend of $0.00125 per share, to the shareholders of record on November 1, 2017.

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. In conjunction of the brokered offering, the Company issued 1,479,000 Units to the Agents.

On December 27, 2017, the Company announced a number of changes to its management team and the Board of Directors. Peter Bilodeau was appointed President and Director, and former President, Eric Szustak became Chairman and continues as Corporate Secretary of the Company. The Company also announced the resignations of Mark Steinley and Michael Newman from the Board of Directors.

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 had received a marijuana processor license (the “Processor License”) to commence dispensary operations from the Maryland Medical Cannabis Commission (the “MMCC”). The Herbiculture dispensary was scheduled to open on February 24, 2018. The dispensary will be one of the few licensed medical cannabis dispensaries in Maryland. Herbiculture is one of only two license holders permitted to operate in Maryland’s 14th Senatorial District. On receipt of the Processor License, Herbiculture issued common shares equal to 35% of its shares outstanding to the Company, which allows Quinsam the right to finance 100% of the funds required to establish marijuana processing operations in the form of a senior secured promissory note (the “Processor Note”) with the following terms:

i. Quinsam will receive 75% of net income derived from marijuana processing up until the Processor Note has been repaid + a 10% IRR; and
ii. Quinsam will receive a 51% ownership interest in the marijuana processing operation.

On February 22, 2018, the Company paid its Q4 2017 quarterly dividend of $0.00125 per share, to the shareholders of record on February 1, 2018. This marked a 14th consecutive quarter in which the Company has paid dividend to its shareholders.

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 also issued 503,685 Units to the Agents.

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 appointed Keith Li as its Chief Financial Officer, replacing Bryan Knebel who resigned.

Overall Performance and Investments

As at December 31, 2017, the Company held cash and investments at fair value totaling $19,354,597 as compared to $2,954,189 as at December 31, 2016. The increase in cash and the investments portfolio in Fiscal 2017 can be attributed to the cash injection from the financings closed in October and December 2017, net investments of $3,290,773 (2016 – net sales of $56,669) into the portfolio and unrealized gains on investments of $3,401,975 (2016 – $720,614). Total cash dividends of $152,107 (2016 – $111,509) were also paid to the Company's shareholders in Fiscal 2017.

The Company's investments portfolio consists of the following 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 consists of the following 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 fair value of Quinsam's publicly-traded investments is determined in accordance with the Company's accounting policy. The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from their carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity, and current market prices may differ significantly from the historical prices used to calculate fair value for the purposes of the Company's consolidated financial statements.

In cases where there is no quoted market, the shares are valued at the lower of cost or realizable value based upon management's best estimate.

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 warrant, and zero.

Results of Operations

The Company's selected annual financial information as at and for the three most recently completed financial years ended December 31 are summarized as follows:

	2017	**2016**	**2015**
	$	**$**	**$**
Net Investment Income	3,876,355	456,686	2,495,192
Income (Loss) from Operations	3,757,912	691,745	(250,467)
Net Income (Loss) and Comprehensive Income (Loss) for the Year	1,687,636	691,745	(250,467)
Net Income (Loss) per Share – Basic	0.05	0.03	(0.01)
Net Income (Loss) per Share – Diluted	0.04	0.03	(0.01)
Total Assets	19,403,962	2,989,765	2,402,451
Total Liabilities	88,614	24,625	16,042
Shareholders' Equity	19,315,348	2,965,140	2,386,409

The Company's selected financial results for the eight most recently completed quarters are as follows.

	Q4 2017	**Q3 2017**	**Q2 2017**	**Q1 2017**
	$	**$**	**$**	**$**
Net Investment Income and Revenue	3,995,665	212,720	(240,872)	(13,536)
Comprehensive Income (Loss)	1,816,002	183,082	(276,910)	(34,538)
Working Capital	19,315,348	2,757,063	2,600,552	2,904,032
Shareholders' Equity	19,315,348	2,757,063	2,600,552	2,904,032
Net Book Value per Share	0.21	0.10	0.10	0.11
Shares Outstanding	93,522,986	25,880,660	25,880,660	25,880,660

	Q4 2016	**Q3 2016**	**Q2 2016**	**Q1 2016**
	$	**$**	**$**	**$**
Net Investment Income and Revenue	240,723	397,360	170,835	(7,929)
Comprehensive Income (Loss)	215,485	371,384	130,739	(25,863)
Working Capital	2,965,140	2,774,037	2,456,028	2,341,903
Shareholders' Equity	2,965,140	2,774,037	2,456,028	2,341,903
Net Book Value per Share	0.11	0.10	0.09	$0.09
Shares Outstanding	25,880,660	25,907,660	26,372,660	26,377,660

Three Months Ended December 31, 2017

Results of Operations

During the three months ended December 31, 2017 ("Q4 2017"), the Company generated net investment revenue of $3,947,541, as compared to net investment revenue of $234,025 for the three months ended

December 31, 2016 ("Q4 2016"). The net investment revenue comprised of realized gains on disposals of investments of $313,968 (Q4 2016 – realized loss of $36,243) and unrealized gains on investments of $3,633,573 (Q4 2016 – $270,268).

For the three months ended December 31, 2017, other income totaled $48,124, as compared to $6,698 during Q4 2016. Other income is comprised of interest income and advisory services. The increase in other income during Q4 2017 was mainly related to interest earned on convertible debentures investments and an increase in financial services fees in the period.

Total expenses for the three months ended December 31, 2017 increased by $84,149, to $109,387 (Q4 2016 – $25,238). The increase for the three months ended December 31, 2017 was primarily attributed to non-cash stock-based compensation of $48,243 (Q4 2016 – $10,164) from the issuance of options in Q4 2017, professional fees of $31,068 (Q4 2016 – $3,164), and general and administrative expenses of $16,599 (Q4 2016 – $803) due to an increased scope of the Company's operations. A one-time consulting expense of $2,070,276 was recorded in relation to the High Standard Transaction.

Net income and comprehensive income for the three months ended December 31, 2017 was $1,816,002 ($0.05 and $0.04 per share on a basic and diluted basis, respectively), as compared to a net income and comprehensive income of $215,485 ($0.01 per share on both a basic and diluted basis, respectively) for Q4 2016.

Cash Flows

Net cash used in operating activities for the three months ended December 31, 2017 was $13,204, as compared to cash flows from operations of $158,165 in Q4 2016. The higher cash from operations in Q4 2016 was related to amounts received from the brokers.

Net cash received from financing activities for the three months ended December 31, 2017 was $12,536,097, comprised of proceeds of $2,424,500 and $11,500,000 raised from the October and December 2017 financings, respectively, net of cash issuance costs of $1,236,296, and the quarterly dividends paid to shareholders during Q4 2017. No financings took place during Q4 2016.

Net cash used in investing activities for the three months ended December 31, 2017 was $3,287,464, as compared to a net spend on investments of $149,949 during Q4 2016. The increase in net spending was primarily related to the Company increasing its holdings of cannabis-related investments in its investments portfolio.

Year Ended December 31, 2017

Results of Operations

During the year ended December 31, 2017, the Company generated net investment revenue of $3,876,355, as compared to $768,003 in the year ended December 31, 2016 ("Fiscal 2016" or "2016"). The net investment revenue for Fiscal 2017 is comprised of realized gains on disposals of investments of $474,380 (2016 – $47,389) and unrealized gains on investments of $3,401,975 (2016 – $720,614).

For the year ended December 31, 2017, other income totaled $77,622, as compared to $32,986 in Fiscal 2016. The increase is primarily due to interest earned on additional convertible debentures invested during Fiscal 2017.

Total expenses for the year ended December 31, 2017 increased by $86,821, to $196,065 (2016 – $109,244). The increase for Fiscal 2017 was primarily attributed to non-cash stock-based compensation of $65,584 (2016 – $40,656) from the vesting of stock options granted in prior years and during Q4 2017, professional fees of $58,496 (2016 – $16,814), and general and administrative expenses of $31,360 (2016 – $18,746) due to an increased scope of the Company's operations. A one-time consulting expense of $2,070,276 was recorded in relation to the High Standard Transaction.

Net income and comprehensive income for the year ended December 31, 2017 was $1,687,636 ($0.05 and $0.04 per share on a basic and diluted basis, respectively), as compared to a net income and comprehensive income of $691,745 ($0.03 per share on both a basic and diluted basis, respectively) for Fiscal 2016.

Cash Flows

Net cash used in operating activities for the year ended December 31, 2017 was $12,044, as compared to cash inflows from operations of $102,658 in 2016. The higher cash from operations in 2016 was mainly related to amounts received from the brokers.

Net cash received from financing activities for the year ended December 31, 2017 was $12,536,097, as compared to net cash spent of $42,161 in Fiscal 2016. The amount received in Fiscal 2017 is comprised of proceeds of $2,424,500 and $11,500,000 raised from the October and December 2017 financings, respectively, net of cash issuance costs of $1,236,296, and total dividend payments of $152,107. During Fiscal 2016, the Company did not take on any financings, but instead repurchased 527,000 of its own common shares for $42,161.

Net cash used in investing activities for the year ended December 31, 2017 was $3,290,773, as compared to a net spend on investments of $54,810 during Fiscal 2016. Pursuant to its strategy in increasing its holdings, primarily in cannabis-related investments, the Company made purchases of $5,560,387 in Fiscal 2017 (2016 – $1,107,406) and disposed of certain positions for proceeds of $2,269,614 (2016 – $1,164,105).

Liquidity and Capital Resources

	December 31, 2017	December 31, 2016
	$	$
Total Assets	19,403,962	2,989,765
Total Liabilities	88,614	24,625
Shareholders' Capital	17,009,005	2,194,326
Retained Earnings	2,306,343	770,814
Net Asset Value Per Share – Basic	0.21	0.11
Net Asset Value Per Share – Diluted	0.25	0.11

The Company relies upon various sources of funding for its ongoing operating and investing activities. These sources include proceeds from disposals of investments, interest and dividend income earned from investments, consulting fees, and capital raising activities such as debt and equity private placement financings.

Management believes that the Company will be able to generate sufficient cash to fund its normal course of operations through the course of purchases and disposals of existing investments.

Liabilities

The Company's present liabilities are limited to trade payables incurred in the normal course of business.

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	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 Granted**	**Exercise price**	**Date of Expiry**
October 19, 2017	600,000	$0.295	October 19, 2022
October 19, 2017	100,000	0.30	October 19, 2022
December 22, 2017	3,800,000	0.48	December 22, 2022

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. 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:

	Types of 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.

Off-Balance Sheet Arrangements

As at December 31, 2017 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Investor Relations

During the year ended December 31, 2017, Quinsam's management handled the Company's investor relations activities.

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 loans investments. 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 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 instrument 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.

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; &
(b) to earn investment returns while managing risk.

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.

Critical Accounting Estimates

The preparation of the Company's 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 a readily available market value. 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.

The Company uses the Black-Scholes valuation model to determine the fair value of options and share purchase warrants issued as part of the Company's private placements. The Black-Scholes valuation model requires key inputs to determine a fair value for an option or warrant including: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life or a higher volatility would result in a higher fair value of securities. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation.

Valuation of unlisted warrants of public companies

The Company also uses the Black-Scholes valuation model to calculate the fair value of unlisted warrants of public companies, if there are sufficient and reliable observable market inputs. If there are no reliable observable and no sufficient market inputs available, the warrants are valued using their intrinsic value.

Significant Accounting Policies

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.

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.

Publicly-traded investments

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.

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 warrant, and zero. These are included in Level 2 of the fair value hierarchy.

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. 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 the Company'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:

- 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;
- 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;
- The investee company is placed into receivership or bankruptcy;
- Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- Release by the investee company of positive/negative exploration results; and
- 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.

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

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.

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.

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

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).

<u>Current tax</u>

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.

<u>Deferred tax</u>

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.

Changes in Accounting Policies

The Company adopted the following new 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:

<u>IAS 7 – Statement of Cash Flows ("IAS 7")</u>

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.

<u>IAS 12 – Income Taxes ("IAS 12")</u>

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.

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 eventual 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.

Risk Factors

The Company's investing activities are, by nature, subject to a number of inherent risks, including those described below. Additional risks not currently known to the Company, or that management currently believes to be immaterial, may also affect and negatively impact our business.

Portfolio Exposure

Given the nature of the Company's activities, its results of operations and financial condition are dependent upon the market value of securities that comprise the Company's portfolio. Quinsam's investments are small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not ever mature or generate the returns the Company expects or may require a number of years to do so.

Junior exploration, biotechnology, technology and cannabis companies may never achieve commercial discoveries and productions. This may create an irregular pattern in the Company's revenue and profitability. Additionally, macro factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on the sectors as compared to the overall market, thereby negatively impacting one or more of the portfolio companies concurrently.

US Federal Laws on Marijuana Industry

The business operations of many of the cannabis-related securities that the Company invests in, are dependent on US State laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process.

Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the return on the Company's investment portfolio.

Cash Flows/Revenue

Quinsam generates revenue and cash flows primarily from proceeds from the disposition of its investments, in addition to a lesser degree income from interest, dividend and financial advisory services. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to Quinsam, of if the value of the Company's investments decline, resulting in lesser proceeds of disposition and capital losses for Quinsam upon disposition.

Share Prices of Investments

Quinsam's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the control of Quinsam, including quarterly variations in the subject companies' results of operations, changes in earnings, analyst estimates, industry conditions and general market and economic conditions. Such fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

Private or Illiquid Securities

Quinsam invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. Quinsam may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Dependence on Management

Quinsam is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with Quinsam. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain and grow existing assets and raise additional funds in the future

Additional Financing Requirements

Quinsam anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity share offerings. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or prices. Any additional equity financings may cause shareholders to experience dilution. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio.

Outstanding Share Data

As at April 10, 2018, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Quinsam are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	118,342,149
Issuable under Options	9,248,000
Issuable under Warrants	51,685,604

Segmented Information

The Company has a single reportable geographic segment, Canada, and all of the Company's Management and assets are located in Canada. The internal reporting provided to management of the Company is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2017.

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 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.

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.

Use of Non-GAAP Financial Measures

This MD&A contains references to "net asset value per share" (basic and diluted) ("NAV") which is a non-GAAP financial measure. NAV is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. NAV (diluted) is calculated as total assets less total liabilities divided by the total number of common shares of the Company outstanding as at a specific date, calculated based upon the assumption that all outstanding securities of the Company that are convertible into or exercisable for common shares have been converted or exercised. The term NAV does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. There is no comparable GAAP financial measure presented in Quinsam's financial statements and thus no applicable quantitative reconciliation for such non-GAAP financial measure. The Company believes that the measure provides information useful to its shareholders in understanding our performance and may assist in the evaluation of the Company's business relative to that of its peers.

Internal Controls Over Financial Reporting

Management's Report on Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company is responsible for the design and operations of disclosure controls and internal control over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the year ended December 31, 2017

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. However, the Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud or on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2017 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Responsibility for Financial Information

The information provided in this MD&A and the Company's audited consolidated financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Additional Information

Additional information relating to Quinsam Capital Corporation, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.

CORPORATE INFORMATION

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Toronto, Ontario, Canada

Peter Bilodeau
Windsor, Ontario, Canada

Adam Szweras*, **,
Toronto, Ontario, Canada

Ross Geddes**,
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Anthony Roodenburg*
Toronto, Ontario, Canada

Terry Booth
Edmonton, Alberta, Canada

Officers

Peter Bilodeau
President

Roger Dent
Chief Executive Officer

Keith Li
Chief Financial Officer

*Member Audit Committee
**Member Compensation & Corporate Governance Committee

Annual Meeting

June 7th, 2018 at 4:30 P.M.
Fogler Rubinoff LLP
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Shares Traded

Canadian Securities Exchange
Symbol: QCA

Information as of record date May 3, 2018