

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)



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

	As at March 31, 2018	As at December 31, 2017
	\$	\$
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	10,465,324	9,240,947
Investments (Note 6)	26,347,229	10,113,650
Receivables (Note 5)	189,532	47,306
Prepaid expenses	515	2,059
TOTAL ASSETS	37,002,600	19,403,962
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	46,594	75,114
Unearned interest revenue	10,500	13,500
TOTAL CURRENT LIABILITIES	57,094	88,614
Deferred tax liability	105,000	-
TOTAL LIABILITIES	162,094	88,614
<u>SHAREHOLDERS' EQUITY</u>		
Share capital (Note 8)	22,976,000	13,251,814
Share-based payments reserve (Note 9)	475,804	246,446
Warrants reserve (Note 10)	6,300,721	3,510,745
Retained earnings	7,087,981	2,306,343
TOTAL SHAREHOLDERS' EQUITY	36,840,506	19,315,348
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	37,002,600	19,403,962

Nature of operations (Note 1)
Subsequent events (Note 15)

APPROVED ON BEHALF OF THE BOARD

“Roger Dent” (Director)

“Eric Szustak” (Director)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
NET INVESTMENT REVENUE		
Net realized gains on disposals of investments (Note 6)	700,704	239,459
Net changes in unrealized gains on investments (Note 6)	4,528,144	(253,676)
	5,228,848	(14,217)
OTHER INCOME		
Interest and advisory services income	147,198	681
EXPENSES		
Stock-based compensation (Note 9)	297,900	5,780
Professional fees	40,356	5,516
General and administrative	4,269	3,884
Transfer agent and filing fees	13,114	2,575
Travel and promotional	5,761	1,747
Salaries, bonus and other employment benefits (Note 11)	10,500	1,500
	(371,900)	(21,002)
INCOME BEFORE INCOME TAX	5,004,146	(34,538)
Income tax expense – deferred	(105,000)	-
NET INCOME AND COMPREHENSIVE INCOME	4,899,146	(34,538)
NET INCOME PER SHARE		
Basic	0.05	0.00
Diluted	0.04	0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic (Note 8)	101,969,153	25,880,660
Diluted (Note 8)	132,949,111	27,252,505

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

QUINSAM CAPITAL CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Expressed in Canadian Dollars)

	Share Capital		Reserves			Total
	Number of Shares	Amount	Share-Based Payments	Warrants	Retained Earnings	
	#	\$	\$	\$	\$	
Balance, December 31, 2016	25,880,660	2,013,464	180,862	-	770,814	2,965,140
Issuance of dividends	-	-	-	-	(32,350)	(32,350)
Stock-based compensation (Note 9)	-	-	5,780	-	-	5,780
Net income and comprehensive loss	-	-	-	-	(34,538)	(34,538)
Balance, March 31, 2017	25,880,660	2,013,464	186,642	-	703,926	2,904,032
Balance, December 31, 2017	93,522,986	13,251,814	246,446	3,510,745	2,306,343	19,315,348
Issuance of dividends	-	-	-	-	(117,508)	(117,508)
Issuance of units from private placements (Note 8)	22,403,034	10,763,133	-	3,311,450	-	14,074,583
Share issue costs (Notes 8 and 10)	-	(1,671,489)	-	(415,993)	-	(2,087,482)
Issuance on exercise of stock options (Note 8)	928,000	161,342	(68,542)	-	-	92,800
Issuance on exercise of warrants (Note 8)	1,338,129	471,200	-	(105,481)	-	365,719
Stock-based compensation (Note 9)	-	-	297,900	-	-	297,900
Net income and comprehensive income	-	-	-	-	4,899,146	4,899,146
Balance, March 31, 2018	118,192,149	22,976,000	475,804	6,300,721	7,087,981	36,840,506

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

QUINSAM CAPITAL CORPORATION
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	4,899,146	(34,538)
Adjustments for non-cash items:		
Stock-based compensation (Note 9)	297,900	5,780
Unrealized gains on investments (Note 6)	(4,528,144)	253,676
Net realized gains on disposals of investments (Note 6)	(700,704)	(239,459)
Income tax expense – deferred	105,000	-
	73,198	(14,541)
Changes in non-cash working capital:		
Due from brokers	-	(4,674)
Receivables (Note 5)	(142,226)	682
Prepaid expenses	1,544	-
Accounts payable and accrued liabilities (Note 7)	(28,520)	4,586
Unearned interest revenue	(3,000)	-
	(172,202)	594
Net additions in investments		
Purchases of investments (Note 6)	(13,105,176)	(452,108)
Proceeds on disposition of investments (Note 6)	2,100,445	504,631
	(11,004,731)	52,523
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	(11,103,735)	38,576
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements (Note 8)	13,139,610	-
Share issue costs (Note 8)	(1,152,509)	-
Proceeds from exercise of stock options (Note 8)	92,800	-
Proceeds from exercise of warrants (Note 8)	365,719	-
Issuance of dividends	(117,508)	(32,350)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	12,328,112	(32,350)
INCREASE IN CASH	1,224,377	6,226
Cash, beginning of period	9,240,947	7,667
Cash, end of period	10,465,324	13,893

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

QUINSAM CAPITAL CORPORATION

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (Expressed in Canadian Dollars)

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

The Company’s unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with *International Accounting Standards 34 – Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited condensed interim consolidated financial statements. Operating results for the period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2018. For further information, see the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2017.

These unaudited condensed interim consolidated financial statements were reviewed, approved and authorized by the Board of Directors of the Company on May 28, 2018.

(b) Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS accounting principles applicable to a going concern, using the historical cost basis. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited condensed interim consolidated financial statements. Such adjustments could be material.

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

(c) Basis of Consolidation

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

The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

QUINSAM CAPITAL CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

(d) Functional and Presentation Currency

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

(e) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the unaudited condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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 unaudited condensed interim 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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, interest income or expenses are recorded using the effective interest ("EI") rate, 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments

Financial assets

Financial assets within the scope of IFRS 9 – Financial Instruments (“IFRS 9”) are classified as financial assets at FVTPL, financial assets at fair value through other comprehensive income (loss) and financial assets at amortized costs, 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 unaudited condensed interim 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 reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the unaudited condensed interim consolidated financial statements.

Publicly-traded investments

- 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).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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 options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at the end of each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy (see Note 6). Warrants and options 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.

QUINSAM CAPITAL CORPORATION
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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 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.

Financial liabilities

Financial liabilities within the scope of IFRS 9 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.

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 EI method, with interest recognized on an effective yield basis.

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

(c) Changes in Accounting Policies

The Company adopted the following standards, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's unaudited condensed interim consolidated financial statements:

IFRS 9 – Financial Instruments (“IFRS 9”)

IFRS 9 was issued by the IASB in July 2014 and replaces IAS 39 – Financial Instruments: Recognition and Measurement (“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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in Accounting Policies (continued)

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 replaces 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.

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 closing of the Transaction.

The Company has accounted for the Transaction 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

	March 31, 2018	December 31, 2017
	\$	\$
Sales tax receivable	39,949	27,262
Interest and other receivables	149,583	20,044
Total receivables	189,532	47,306

QUINSAM CAPITAL CORPORATION

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (Expressed in Canadian Dollars)

6. INVESTMENTS

The Company's investments portfolio consisted of the following securities as at March 31, 2018:

Investments	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Equities	9,805,080	3,195,146	-	12,832,383	16,027,529
Warrants	-	-	-	880,249	880,249
Convertible debentures	5,904,350	1,897,971	-	5,272,500	7,170,471
Loans	2,268,980	-	-	2,268,980	2,268,980
Total investments	17,978,410	5,093,117	-	21,254,112	26,347,229

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

Investments	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
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

Level 3 fair value hierarchy

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 unaudited condensed interim consolidated statements of income.

	Opening Balance	Purchases / loans	Conversions	Proceeds	Net Realized Gains	Net Unrealized Gains	Ending Balance
	\$	\$	\$	\$	\$	\$	\$
March 31, 2018	7,171,629	11,357,895	(1,500,142)	(1,544,252)	544,222	5,224,760	21,254,112
December 31, 2017	908,016	4,042,797	-	(520,975)	236,895	2,504,896	7,171,629

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.

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6. INVESTMENTS (continued)

Level 3 fair value hierarchy (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:

	March 31, 2018		December 31, 2017	
	Fair value	Unobservable inputs	Fair value	Unobservable inputs
	\$	\$	\$	\$
		Transaction price		Transaction price
Recent financings	17,590,377		4,296,753	
Trends in comparable publicly-traded companies and general market conditions	3,663,735	-	2,874,876	-
	21,254,112	-	7,171,629	-

Within Level 3 of the fair value hierarchy, 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 March 31, 2018. 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 +/- \$2,125,411 (December 31, 2017 +/- \$717,163) 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:

	March 31, 2018	December 31, 2017
	\$	\$
Less than 90 days	37,110	65,601
Greater than 90 days	9,484	9,513
Total accounts payables and accrued liabilities	46,594	75,114

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.

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8. SHARE CAPITAL (continued)

Common shares issued and outstanding as at March 31, 2018 are as follows:

	Number of common shares	Amount
	#	\$
Balance, December 31, 2017	93,522,986	13,251,814
Shares issued from private placements	22,403,034	10,763,133
Share issuance costs	-	(1,671,489)
Shares issued from exercise of options	928,000	161,342
Shares issued from exercise of warrants	1,338,129	471,200
Balance, March 31, 2018	118,192,149	22,976,000

Share capital transactions for the three months ended March 31, 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 with 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 (see Note 10).

During the three months ended March 31, 2018, 928,000 common shares were issued as a result of the exercise of options for cash proceeds of \$92,800.

During the three months ended March 31, 2018, 1,338,129 common shares were also issued as a result of the exercise of warrants for cash proceeds of \$365,719.

Share capital transactions for the three months ended March 31, 2017

There were no share activities during the three months ended March 31, 2017.

Basic and diluted earnings per share

The calculations of basic and diluted EPS for the three months ended March 31, 2018 were based on the net income from operations attributable to common shareholders of \$4,899,146 (2017 – loss of 34,538) and the weighted average number of basic common shares outstanding of 101,969,153 (2017 – 25,880,660) and diluted common shares of 132,949,111 (2017 – 27,252,505).

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 March 31, 2018, the Company had 2,571,215 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.

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9. SHARE-BASED PAYMENTS RESERVE (continued)

The following summarizes the stock option activity for the three months ended March 31, 2018 and 2017:

	March 31, 2018		March 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of year	7,576,000	0.33	2,576,000	0.10
Granted	2,600,000	0.60	-	-
Exercised	(928,000)	0.10	-	-
Outstanding, end of period	9,248,000	0.43	2,576,000	0.10
Exercisable, end of period	1,048,800	0.10	1,473,000	0.10

Option grants for the three months ended March 31, 2018

On March 19, 2018, 2,600,000 stock options exercisable at \$0.60 per share and vesting equally over a period of three years, were granted to directors and officers of the Company. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 123%, expected dividend yield of 1.11%, risk-free interest rate of 2.00% and an expected life of 5 years. The grant date fair value attributable to these options was \$894,992, of which \$17,835 was recorded as stock-based compensation in connection with the vesting of these options during the current period.

Option grants for the three months ended March 31, 2017

There were no option activities during the three months ended March 31, 2017.

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2018:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	\$	Years
October 29, 2018	250,000	250,000	0.10	0.58
July 27, 2019	1,198,000	718,800	0.10	1.32
July 1, 2020	200,000	80,000	0.13	2.25
October 19, 2022	600,000	-	0.295	4.56
October 19, 2022	100,000	-	0.30	4.56
December 22, 2022	4,300,000	-	0.48	4.73
March 19, 2023	2,600,000	-	0.60	4.97
	9,248,000	1,048,800	0.43	4.18

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10. WARRANTS RESERVE

The following summarizes the warrant activity for the three months ended March 31, 2018 and 2017:

	March 31, 2018		March 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of year	40,220,268	0.35	-	-
Issued	11,201,517	0.80	-	-
Issued	1,751,947	0.60	-	-
Exercised	(1,338,129)	0.36	-	-
Outstanding, end of period	51,835,603	0.46	-	-

Warrant issuance for the three months ended March 31, 2018

On March 1, 2018, the Company issued 10,949,675 warrants, at an exercise price of \$0.80, in conjunction with the March 2018 Offering, as disclosed in Note 8. The grant date fair value of the 10,949,675 warrants issued was estimated to be \$2,618,463 using the Black-Scholes valuation model with the following assumptions: expected volatility of 121%, expected dividend yield of 1.04%, risk-free interest rate of 1.76% and an expected life of 2 years. In conjunction with the private placement, 251,842 warrants were issued as part of the Agents' Units as compensation to the private placement offering. In addition, 1,751,947 broker warrants, exercisable at \$0.60 per share expiring in 2 years, were also issued in connection with the finders' involvement in the offering. These finders' warrants were valued at \$632,763.

Warrant issuance for the three months ended March 31, 2017

There were no warrant activities during the three months ended March 31, 2017.

The following table summarizes information of warrants outstanding as at March 31, 2018:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	\$	Years
October 13, 2019	7,314,998	0.30	1.54
October 13, 2019	574,841	0.15	1.54
December 11, 2019	23,539,500	0.40	1.70
March 1, 2020	11,201,517	0.80	1.92
March 1, 2020	1,751,947	0.60	1.92
October 17, 2020	4,000,000	0.30	2.55
December 11, 2020	3,452,800	0.25	2.70
	51,835,603	0.46	1.86

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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 three months ended March 31, 2018 and 2017 were as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	\$	\$
Salaries, consulting fees and other benefits	10,500	1,500
Professional fees	14,875	-
Stock-based compensation (Note 9)	267,065	5,780
	292,440	7,280

During the three months ended March 31, 2018, the former Chief Financial Officer ("CFO") of the Company was paid consulting fees of \$10,500 (2017 – \$1,500) for services rendered.

On January 15, 2018, the Company and Branson Corporate Services Inc. ("Branson") entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services. In consideration for the services provided, the Company agreed to pay a monthly fee of \$5,000. For the three months ended March 31, 2018, the Company was charged \$14,875 (2017 – \$nil) for services provided by Branson.

During the three months ended March 31, 2018, the Company granted 2,600,000 stock options (year ended December 31, 2017 – 4,500,000 options) 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
March 19, 2018	2,600,000	0.60	March 19, 2023

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.

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11. RELATED PARTY TRANSACTIONS (continued)

Investments on companies with common management personnel

During the three months ended March 31, 2018 and the year ended December 31, 2017, the Company had invested in certain companies which have common officers and directors. As at March 31, 2018, 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),(4)}	Common shares units	438,400 units	118,368
Lineage Grow Company Ltd. ^{(2),(3),(4)}	Warrants	1,240,000 warrants	-
Lineage Grow Company Ltd. ^{(2),(3),(4)}	Convertible debentures	160 units	160,000
Nutritional High International Inc. ⁽⁵⁾	Warrants	1,250,250 warrants	-
Nutritional High International Inc. ⁽⁵⁾	Convertible debentures	750 units	750,000
			1,328,368

(1) Common Chief Financial Officer.

(2) Common Director (1) and Chief Financial Officer.

(3) A director of the Company is also the Chief Executive Officer of Lineage Grow Company Ltd. ("Lineage").

(4) A director of the Company is also the Corporate Secretary of Lineage Grow Company Ltd.

(5) A director of the Company is also a director of Nutritional High International Inc.

12. 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.

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 with reputable Canadian financial institutions.

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12. RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at March 31, 2018:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	\$	\$	\$	\$
Accounts payable and accrued liabilities	46,594	46,594	-	-

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 \$263,472 based upon balances as at March 31, 2018.

13. 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.

The Company's strategy remained unchanged for the three months ended March 31, 2018 and the year ended December 31, 2017.

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 for the three months ended March 31, 2018 and the year ended December 31, 2017.

14. 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 three months ended March 31, 2018 and the year ended December 31, 2017.

As at March 31, 2018, the Company had a diversified portfolio of investments where no single investment accounted for more than 10% of the investments portfolio.

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15. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, 203,880 common shares were issued as a result of the exercise of 203,880 Warrants, for total proceeds of \$54,270. All issued shares are fully paid.

On May 8, 2018, the Company entered into a letter of intent (“LOI”) with Lineage to sell the Company’s 35% interest in Herbiculture Inc. (“Herbiculture”), a medical marijuana dispensary located in the State of Maryland (the “Transaction”). The Company will retain its original USD \$655,000 loan to Herbiculture.

Pursuant to the LOI, Lineage will acquire Quinsam’s 35% equity interest in Herbiculture for total consideration of USD \$720,000, to be satisfied by Lineage issuing to Quinsam 3,900,000 common shares of Lineage upon closing of the Transaction at a price of USD \$0.1846 per share. On closing, Lineage will also enter into an agreement with Herbiculture and its shareholders for Lineage to be granted a right of refusal to purchase 35% of securities offered by Herbiculture and a tag along right in case the majority shareholders of Herbiculture sell their stake. The Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement which shall supersede the LOI, receipt of applicable corporate approvals, and other regulatory and/or governmental approval.

On May 23, 2018, the Company paid a quarterly dividend of \$147,928 at \$0.00125 per share, to the shareholders of record on May 1, 2018.