QUINSAM CAPITAL CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

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

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

	As at September 30, 2018	As at December 31, 2017
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**938,245**	9,240,947
Investments (Note 6)	**44,816,135**	10,113,650
Receivables (Note 5)	**515,357**	47,306
Prepaid expenses	**9,409**	2,059
TOTAL ASSETS	**46,279,146**	19,403,962
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**563,999**	75,114
Unearned interest revenue	**4,500**	13,500
TOTAL CURRENT LIABILITIES	**568,499**	88,614
Deferred tax liability	**975,000**	-
TOTAL LIABILITIES	**1,543,499**	88,614
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**22,941,547**	13,251,814
Share-based payments reserve (Note 9)	**1,296,418**	246,446
Warrants reserve (Note 10)	**6,271,564**	3,510,745
Retained earnings	**14,226,118**	2,306,343
TOTAL SHAREHOLDERS' EQUITY	**44,735,647**	19,315,348
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**46,279,146**	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 AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
	$	$	**$**	$
NET INVESTMENT REVENUE				
Net realized gains (loss) on disposals of investments (Note 6)	**1,464,861**	(58,798)	**2,772,105**	160,412
Net changes in unrealized gains (loss) on investments (Note 6)	**3,862,498**	246,387	**12,062,694**	(231,598)
	5,327,359	187,589	**14,834,799**	(71,186)
OTHER INCOME				
Interest and advisory services income	**250,476**	25,131	**631,019**	29,498
EXPENSES				
Stock-based compensation (Note 9)	**412,682**	5,781	**1,123,264**	17,342
Professional fees (Note 11)	**93,750**	14,675	**219,280**	27,428
General and administrative	**47,893**	(245)	**94,423**	14,761
Transfer agent and filing fees	**4,950**	4,467	**31,643**	16,589
Travel and promotional	**24,029**	2,500	**31,984**	5,098
Salaries, bonus and other employment benefits (Notes 7 & 11)	**408,011**	2,460	**623,716**	5,460
	(991,315)	(29,638)	**(2,124,310)**	(86,678)
INCOME (LOSS) BEFORE INCOME TAX	**4,586,520**	183,082	**13,341,508**	(128,366)
Other expenses (Note 5)	**(33,074)**	-	**(33,074)**	-
Income tax expense – deferred	**(370,000)**	-	**(975,000)**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**4,183,446**	183,082	**12,333,434**	(128,366)
NET INCOME (LOSS) PER SHARE				
Basic	**0.04**	0.00	**0.11**	0.00
Diluted	**0.03**	0.00	**0.09**	0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic (Note 8)	**118,602,064**	25,880,660	**113,070,258**	25,880,660
Diluted (Note 8)	**136,720,414**	26,916,677	**131,188,608**	27,045,559

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 NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	Share Capital		Reserves			
	Number of Shares	**Amount**	**Share-Based Payments**	**Warrants**	**Retained Earnings**	**Total**
	#	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2016	**25,880,660**	**2,013,464**	**180,862**	**-**	**770,814**	**2,965,140**
Issuance of dividends	-	-	-	-	(97,053)	(97,053)
Stock-based compensation (Note 9)	-	-	17,342	-	-	17,342
Net loss and comprehensive loss	-	-	-	-	(128,366)	(128,366)
Balance, September 30, 2017	**25,880,660**	**2,013,464**	**198,204**	**-**	**545,395**	**2,757,063**
Balance, December 31, 2017	**93,522,986**	**13,251,814**	**246,446**	**3,510,745**	**2,306,343**	**19,315,348**
Issuance of dividends	-	-	-	-	(413,659)	(413,659)
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)
Repurchase of shares (Note 8)	-	(170,680)	-	-	-	(170,680)
Issuance on exercise of stock options (Note 8)	1,178,000	191,092	(73,292)	-	-	117,800
Issuance on exercise of warrants (Note 8)	1,634,209	577,677	-	(134,638)	-	443,039
Stock-based compensation (Note 9)	-	-	1,123,264	-	-	1,123,264
Net income and comprehensive income	-	-	-	-	12,333,434	12,333,434
Balance, September 30, 2018	**118,738,229**	**22,941,547**	**1,296,418**	**6,271,564**	**14,226,118**	**44,735,647**

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 AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in Canadian Dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
	$	$	**$**	$
OPERATING ACTIVITIES				
Net income (loss) for the period	**4,183,446**	183,082	**12,333,434**	(128,366)
Adjustments for non-cash items:				
Stock-based compensation (Note 9)	**412,682**	5,781	**1,123,264**	17,342
Net realized (gains) loss on disposals of investments (Note 6)	**(1,464,861)**	58,798	**(2,772,105)**	(160,412)
Unrealized (gains) loss on investments (Note 6)	**(3,862,498)**	(246,387)	**(12,062,694)**	231,598
Interest accrued on debenture investments (Note 5)	**(210,523)**	-	**(494,398)**	-
Other expenses (Note 5)	**68,214**	-	**68,214**	-
Income tax expense – deferred	**370,000**	-	**975,000**	-
	(503,540)	1,274	**(829,285)**	(39,838)
Changes in non-cash working capital:				
Due from brokers	**-**	(3,781)	**-**	(6,761)
Receivables (Note 5)	**19,527**	27,433	**(6,727)**	27,336
Prepaid expenses	**4,084**	-	**(7,350)**	-
Accounts payable and accrued liabilities (Notes 7 & 11)	**347,932**	14,610	**488,885**	5,536
Due to brokers	**-**	-	**-**	(1,613)
Unearned interest revenue	**(3,000)**	16,500	**(9,000)**	16,500
	368,543	54,762	**465,808**	40,998
Net additions in investments				
Purchases of investments (Note 6)	**(7,515,106)**	(391,131)	**(30,313,479)**	(1,153,239)
Proceeds on disposition of investments (Note 6)	**6,204,558**	340,442	**10,410,653**	1,246,983
	(1,310,548)	(50,689)	**(19,902,826)**	93,744
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	**(1,445,545)**	5,347	**(20,266,303)**	94,904
FINANCING ACTIVITIES				
Proceeds from private placements (Note 8)	**-**	-	**13,139,610**	-
Share issue costs (Note 8)	**-**	-	**(1,152,509)**	-
Repurchase of common shares (Note 8)	**(170,680)**	-	**(170,680)**	-
Proceeds from exercise of stock options (Note 8)	**10,000**	-	**117,800**	-
Proceeds from exercise of warrants (Note 8)	**14,800**	-	**443,039**	-
Issuance of dividends	**(148,224)**	(32,352)	**(413,659)**	(97,053)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES	**(294,104)**	(32,352)	**11,963,601**	(97,053)
(DECREASE) IN CASH	**(1,739,649)**	(27,005)	**(8,302,702)**	(2,149)
Cash, beginning of period	**2,677,894**	32,523	**9,240,947**	7,667
Cash, end of period	**938,245**	5,518	**938,245**	5,518

The accompanying notes are an integral part of these unaudited condensed interim 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's common shares are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "QCA".

The Company is domiciled in Canada and its registered and records office is located at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, 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 September 30, 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 for issue by the Board of Directors of the Company on November 13, 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), and include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

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 disposals 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.

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.

<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)

(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. 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.

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 currently disposed of 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.

(Expressed in Canadian Dollars)

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

	September 30, 2018	December 31, 2017
	$	$
Sales tax receivable	**-**	27,262
Interest and other receivables	**515,357**	20,044
Total receivables	**515,357**	47,306

(Expressed in Canadian Dollars)

5. RECEIVABLES (continued)

The Company was subject to an assessment by the Canada Revenue Agency (the "CRA") of its harmonized sales tax ("HST") returns related to the fiscal years ended December 31, 2016 and 2017. Due to an administrative decision by the CRA, the input tax credits claimed on expenditures for these two fiscal years had been disallowed. During the nine months ended September 30, 2018, the Company had written off a balance of $33,074 (2017 – nil) related to sales tax receivable previously recorded. As at September 30, 2018, the Company has accrued $5,811 (December 31, 2017 – nil), included in accounts payable and accrued liabilities, for repayment of the HST refunds previously received for fiscal 2016.

6. INVESTMENTS

The Company's investments portfolio consisted of the following securities as at September 30, 2018:

		Fair Value			
Investments	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	$	**$**	**$**	**$**	**$**
Equities	18,427,976	9,607,270	-	21,096,411	30,703,681
Warrants	390,000	-	1,226,555	1,103,660	2,330,215
Convertible debentures	5,860,950	1,366,139	-	5,672,120	7,038,259
Loans	4,268,980	-	-	4,743,980	4,743,980
Total investments	**28,947,906**	**10,973,409**	**1,226,555**	**32,616,171**	**44,816,135**

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**

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 (loss) on disposals of investments and the net change in unrealized gains (loss) on investments 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**
	$	**$**	**$**	**$**	**$**	**$**	**$**
September 30, 2018	7,171,629	22,039,110	(3,782,757)	(1,594,506)	594,506	8,188,189	32,616,171
December 31, 2017	908,016	4,042,797	-	(520,975)	236,895	2,504,896	7,171,629

(Expressed in Canadian Dollars)

6. INVESTMENTS (continued)

Level 3 fair value hierarchy (continued)

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.

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:

	September 30, 2018		December 31, 2017	
	Fair value	**Unobservable inputs**	Fair value	Unobservable inputs
	$	**$**	$	$
Recent financings	**32,616,171**	**Transaction price**	4,296,753	Transaction price
Trends in comparable publicly-traded companies and general market conditions	**-**	**-**	2,874,876	-
	32,616,171	**-**	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 September 30, 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 +/- $3,261,617 (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 payable and accrued liabilities:

	September 30, 2018	December 31, 2017
	$	$
Less than 90 days	**311,385**	65,601
Greater than 90 days	**252,614**	9,513
Total accounts payables and accrued liabilities	**563,999**	75,114

(Expressed in Canadian Dollars)

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.

Common shares issued and outstanding as at September 30, 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)
Repurchase of common shares	-	(170,680)
Shares issued from exercise of options	1,178,000	191,092
Shares issued from exercise of warrants	1,634,209	577,677
Balance, September 30, 2018	**118,738,229**	**22,941,547**

Share capital transactions for the nine months ended September 30, 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).

On August 6, 2018, the Company began a normal course issuer bid to purchase up to 5,928,951 common shares (the "Bid"), representing 5% of its issued and outstanding common shares. The Bid will terminate on August 6, 2019, or on an earlier date in the event that the number of common shares sought in the Bid has been repurchased. All common shares will be purchased on the open market through the facilities of the CSE, and payment for the common shares will be made in accordance with CSE policies. The price paid for the common shares will be the prevailing market price at the time of purchase. As at September 30, 2018, 600,000 common shares of the Company had been repurchased under the Bid and these shares will remain outstanding until the termination of the Bid.

During the nine months ended September 30, 2018, 1,178,000 common shares were issued as a result of the exercise of options for cash proceeds of $117,800.

During the nine months ended September 30, 2018, 1,634,209 common shares were also issued as a result of the exercise of warrants for cash proceeds of $443,039.

Share capital transactions for the nine months ended September 30, 2017

There were no share activities during the nine months ended September 30, 2017.

Basic and diluted earnings per share

The calculations of basic and diluted EPS for the nine months ended September 30, 2018 were based on the net income from operations attributable to common shareholders of $12,333,434 (2017 – loss of $128,366) and the weighted average number of basic common shares outstanding of 113,070,258 (2017 – 25,880,660) and diluted common shares of 131,188,608 (2017 – 27,045,559).

(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 September 30, 2018, the Company had 2,875,823 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 nine months ended September 30, 2018 and 2017:

	September 30, 2018		September 30, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**7,576,000**	**0.33**	2,576,000	0.10
Granted	**2,600,000**	**0.60**	-	-
Exercised	**(1,178,000)**	**0.10**	-	-
Outstanding, end of period	**8,998,000**	**0.44**	2,576,000	0.10
Exercisable, end of period	**838,800**	**0.10**	1,260,400	0.10

Option grants for the nine months ended September 30, 2018

On March 19, 2018, the Company granted 2,600,000 stock options to various officers and directors of the Company. The options are exercisable at $0.60 per share and vest equally over a period of three years. 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 $291,305 was recorded as stock-based compensation in connection with the vesting of these options during the nine months ended September 30, 2018.

Option grants for the nine months ended September 30, 2017

There were no option activities during the nine months ended September 30, 2017.

The following table summarizes information of stock options outstanding and exercisable as at September 30, 2018:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
July 27, 2019	1,198,000	718,800	0.10	0.82
July 1, 2020	200,000	120,000	0.13	1.75
October 19, 2022	600,000	-	0.295	4.05
October 19, 2022	100,000	-	0.30	4.05
December 22, 2022	4,300,000	-	0.48	4.23
March 19, 2023	2,600,000	-	0.60	4.47
	8,998,000	**838,800**	**0.44**	**3.78**

(Expressed in Canadian Dollars)

10. WARRANTS RESERVE

The following summarizes the warrant activity for the nine months ended September 30, 2018 and 2017:

	September 30, 2018		September 30, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**40,220,268**	**0.35**	-	-
Issued	**11,201,517**	**0.80**	-	-
Issued	**1,751,947**	**0.60**	-	-
Issued	**52,040**	**0.40**	-	-
Exercised	**(1,634,209)**	**0.27**	-	-
Outstanding, end of period	**51,591,563**	**0.46**	-	-

Warrant issuances for the nine months ended September 30, 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 as compensation for the finders' involvement in the offering. These finders' warrants were valued at $632,763.

During the nine months ended September 30, 2018, 52,040 underlying warrants were issued as a result of the exercise of 104,080 broker warrants for cash proceeds of $26,000. These underlying warrants are exercisable for $0.40 per share, and will expire on December 11, 2020.

Warrant issuances for the nine months ended September 30, 2017

There were no warrant issuances during the nine months ended September 30, 2017.

The following table summarizes information of warrants outstanding as at September 30, 2018:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
October 13, 2019	7,164,998	0.30	1.04
October 13, 2019	532,841	0.15	1.04
December 11, 2019	23,539,500	0.40	1.20
March 1, 2020	1,751,947	0.60	1.42
March 1, 2020	11,201,517	0.80	1.42
October 17, 2020	4,000,000	0.30	2.05
December 11, 2020	3,348,720	0.25	2.20
December 11, 2020	52,040	0.40	2.20
	51,591,563	**0.46**	**1.36**

(Expressed in Canadian Dollars)

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 nine months ended September 30, 2018 and 2017 were as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	$	$
Salaries, bonus and other benefits	**613,216**	-
Professional fees	**149,595**	5,460
Stock-based compensation (Note 9)	**1,033,984**	17,342
	1,796,795	22,802

During the nine months ended September 30, 2018, officers and directors of the Company were paid compensation benefits of $613,216 (2017 – $nil) for services rendered, including a provision for management bonus of $503,000 (2017 – $nil), based on 5% of net investment income on a quarterly basis. As at September 30, 2018, the management bonus was included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2018, Bryan Knebel, the former Chief Financial Officer ("CFO") of the Company, was paid consulting fees of $10,500 (2017 – $5,460) for accounting services provided to the Company up to his resignation in March 2018.

During the nine months ended September 30, 2018, Peter Bilodeau, the President and a director of the Company, was paid $16,950 (2017 – $nil) for consulting services provided to the Company, which are included in professional fees. As at September 30, 2018, an amount of $2,825 (December 31, 2017 – $nil) owing to Mr. Bilodeau was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

On January 15, 2018, the Company and Branson Corporate Services Inc. ("Branson"), where Keith Li, the CFO of the Company is employed, entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay a monthly fee of $5,000, subsequently amended to a fee of $8,000 per month effective July 1, 2018. During the nine months ended September 30, 2018, the Company was charged $60,935 (2017 – $nil) for services provided by Branson.

During the nine months ended September 30, 2018, Fogler, Rubinoff LLP ("Fogler"), a law firm in which Adam Szweras, a director of the Company, is also a partner, provided $61,210 (2017 – $nil) of legal services to the Company, which are included in professional fees.

11. RELATED PARTY TRANSACTIONS (continued)

During the nine months ended September 30, 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

Investments on companies with common management personnel

During the nine months ended September 30, 2018 and the year ended December 31, 2017, the Company had invested in certain companies which have common officers and directors. As at September 30, 2018, the Company held investment positions in the following issuers with common officers and directors:

	Investments	Holdings	Fair Value
		#	$
Aura Health Inc. (1)	Common shares	300,000 units	84,000
Aura Health Inc. (1)	Warrants	150,000 units	-
Aura Health Inc. (1)	Convertible debentures	300 units	300,000
Lineage Grow Company Ltd. (1),(2),(3)	Common shares	486,400 units	80,256
Lineage Grow Company Ltd. (1),(2),(3)	Warrants	1,040,000 warrants	-
Lineage Grow Company Ltd. (1),(2),(3)	Convertible debentures	160 units	160,000
Nutritional High International Inc. (4)	Warrants	1,250,250 warrants	-
Nutritional High International Inc. (4)	Convertible debentures	750 units	750,000
			1,374,256

(1) Keith Li is also the CFO of Aura Health Inc. and Lineage Grow Company Ltd.
(2) Peter Bilodeau is also the CEO, President and a Director of Lineage Grow Company Ltd.
(3) Adam Szweras is also the Corporate Secretary of Lineage Grow Company Ltd.
(4) Adam Szweras 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.

(Expressed in Canadian Dollars)

12. RISK MANAGEMENT (continued)

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.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at September 30, 2018:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	**563,999**	563,999	-	-

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 $448,161 based upon balances as at September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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 based 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 nine months ended September 30, 2018 and the year ended December 31, 2017.

As at September 30, 2018, the Company had a diversified portfolio of investments where no single investment accounted for more than 10% of the investments portfolio.

15. SUBSEQUENT EVENTS

On October 24, 2018, the Company approved a quarterly dividend of $0.00125 per share, payable to shareholders of record on November 1, 2018. The dividends will be paid on November 22, 2018.

Subsequent to September 30, 2018, 554,415 common shares were issued as a result of the exercise of 50,400 warrants and 504,015 broker warrants for total cash proceeds of $133,564. All issued shares are fully paid.